



QUARTERLY LETTER | DECEMBER 31, 2025

# Baron Opportunity Fund<sup>®</sup>

Retail Shares: BIOPX | Institutional Shares: BIOIX | R6 Shares: BIOUX



Michael Lippert  
Portfolio Manager

Dear Baron Opportunity Fund Shareholder,

## Performance

During the fourth quarter, Baron Opportunity Fund<sup>®</sup> (the Fund) posted a return of 4.63% (Institutional Shares), outperforming the Russell 3000 Growth Index (the Benchmark), which gained 1.14%, and the S&P 500 Index, which advanced 2.66%. For the full year 2025, the Fund appreciated 19.73%, beating the Benchmark, which rose 18.15%, and the S&P 500 Index, which gained 17.88%.

## Review and Outlook

### Market Backdrop

The fourth quarter of 2025 provided a steady finish to an otherwise turbulent year, with moderate gains across most indices amid easing economic pressures and holiday-season stability. The S&P 500 Index advanced 2.66% in the fourth quarter, supported by continued recovery momentum, while the NASDAQ Composite Index rose 2.72%. December 2025 was relatively flat, with the S&P 500 inching up just 0.06%, and the NASDAQ slipping 0.47%.

Several factors underpinned fourth quarter gains and a sustained market rebound from the April 8 lows: moderating tariff impacts, robust corporate earnings, and continued monetary easing. Following a September rate cut of 25 basis points, the Federal Reserve lowered rates twice more during the fourth quarter – by 25 bps each in October and December.

### Performance

We manage the Fund with an unwavering focus on powerful secular growth trends that disrupt industries and drive sustained, high-impact, and profitable growth opportunities. Transformative secular trends—such as AI; space exploration and technology; autonomous transportation; robotics; digital commerce, media, finance; advanced therapeutics and minimally invasive surgery—will shape the future and drive long-term investment returns.

*Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of January 28, 2025 was 1.31% and 1.05%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser may waive or reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2036, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit [BaronCapitalGroup.com](http://BaronCapitalGroup.com) or call 1-800-99-BARON.*

## Annualized performance (%) for periods ended December 31, 2025<sup>†</sup>

	Fund Retail Shares <sup>1,2</sup>	Fund Institutional Shares <sup>1,2,3</sup>	Russell 3000 Growth Index <sup>1</sup>	S&P 500 Index <sup>1</sup>
QTD <sup>4</sup>	4.56	4.63	1.14	2.66
1 Year	19.43	19.73	18.15	17.88
3 Years	35.69	36.05	30.25	23.01
5 Years	9.80	10.08	14.59	14.42
10 Years	19.83	20.15	17.59	14.82
15 Years	15.70	16.01	16.14	14.06
Since Inception (2/29/2000)	10.42	10.60	8.07	8.42

Investments in these trends yielded solid gains in the fourth quarter and strong returns for the year, with the Fund increasing almost 5% for the quarter and just under 20% for the year, beating the Benchmark for both periods.

The Fund's outperformance for the quarter was driven by stock picking—across a diversified set of innovation and secular growth leaders. Our stand-out contributor to relative and absolute performance during the period was launch and satellite broadband groundbreaker **Space Exploration Technologies Corp.** (SpaceX), a high-profile private company founded by Elon Musk. SpaceX is now the second largest holding in the portfolio and the largest overweight position versus the Benchmark. Musk's AI innovator, **X.AI Holdings Corp.** (xAI), founded not quite three years ago with the ambitious mission “to understand the true nature of the universe,” was the portfolio's second-best performer. We purchased additional xAI shares during the quarter.

ALL CAP

From a sector perspective, the Fund’s Health Care investments performed well, with solid gains and relative performance from **Exact Sciences Corporation** (non-invasive cancer screening and diagnostic test leader), **argenx SE** (immunology and antibody-based medicine innovator), and **Eli Lilly and Company** (GLP-1 pioneer), partially offset by a pullback in **Arcellx, Inc.** (T-cell therapy innovator).

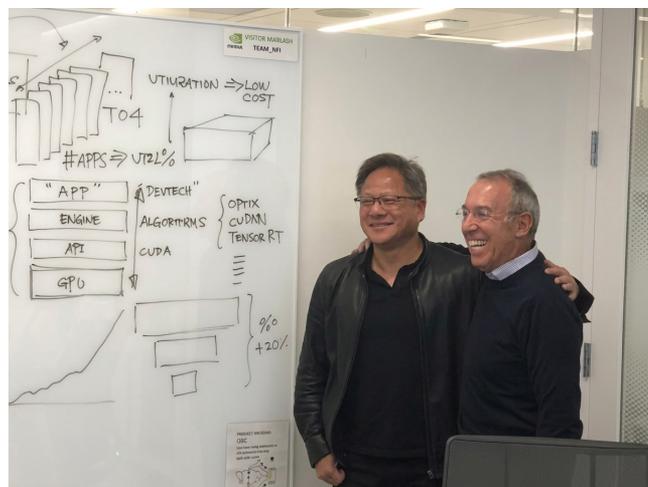
Like last quarter, the Fund’s investment in **Spotify Technology S.A.** (global streaming music and content leader) and its non-ownership of **Alphabet Inc.**, which continued its strong second half run in the fourth quarter, both negatively impacted relative performance. Spotify, discussed more fully below, posted solid gains for the year (up 30%), but hurt relative performance for the quarter because it is one of the largest overweight positions in the portfolio. Alphabet (Google), as we discussed in our prior letter, stands at the crossroads of AI. It possesses the scale, technical advantages, brands, and distribution to be a long-term AI winner, and its innovation and execution cadence improved in the later part of the year. But it also has a lot to lose if its near-monopoly commercial search business is disrupted by AI. We continue to carefully study and analyze Alphabet as part of our broader AI, e-commerce, and digital media/advertising coverage.

## AI Update

Now just over three years since the “ChatGPT moment” rang the opening bell of the age of AI, there remains little dispute that AI is the most powerful and impactful technology platform shift and secular growth driver since the advent of the internet itself. It has also been the predominant driver of stock leadership and returns over the last three years. On stage at this year’s Baron Investment Conference, my colleague Ashim Mehra<sup>5</sup> and I answered questions about AI. Here’s a snapshot of what we presented:

- There is plenty of debate about AI—among investors and certainly in the finance media, whether CNBC, bloggers, podcasters, and X posters. We’ve seen AI sell offs—both broad based and stock specific—on clips or sound bites taken out of context or on trepidations like the DeepSeek alarm that sounded earlier this year. We did a public webinar on the Deep Seek scare and explained that the reported innovations, if true, were merely another data point on the AI innovation line and would have been dismissed if the AI Lab had been, say, French instead of Chinese. We explained how financial and social media pundits played up Sputnik type fears to get eyeballs and engagement. We caution investors to separate the signal from the noise and not get caught in sentiment swings.
- At Baron, we are deep research, evidence-based investors. We are positive about AI because it is real. It is the most significant change to the global economy since the internet itself. Every digital interaction of today forward will have AI as the brains of the application. We have investments across all the layers of the AI stack and spanning industries. Our most successful investments to date have been in the infrastructure or compute layer. We were early investors in **NVIDIA Corporation**, over four years before the ChatGPT moment of November 2022, and it has been more than a 10-bagger for the Fund. Several of us

spent a full day with founder and CEO Jensen Huang in the Fall of 2018, where he went to the white board to teach us about AI and why NVIDIA would win.



Baron Visits Nvidia’s Headquarters, November 28, 2018

- We invested in **Broadcom Inc.** nearly two years ago after spending two hours with its CEO and founder, Hock Tan. Broadcom has already been a 2.5-bagger for the Fund. These returns resulted from explosive growth not multiple expansion.
- As you witnessed with the CEOs who spoke this morning, Baron research starts with people. We look for founders and management teams that are exceptional—but also who think long term and remain focused on building, not just managing. We also believe that sustained innovation is the competitive advantage of the future. In the past a moat might have meant first-to-market, a distribution network, intellectual property, brands, or scale, and while these hold true, we think in today’s fast-moving world how fast a company can innovate, adapt, launch, and then scale new products is another critical competitive advantage. Baron investments like **NVIDIA**, **Tesla, Inc.**, **SpaceX**, **Spotify**, and **Shopify Inc.** embody this mindset.
- We are not resting on our laurels; we are investing forward. The theme of the conference 10 years ago was “question everything.” That’s a key part of our research DNA and what we’re doing with AI. While I don’t have the time to list everything, a few of the key issues that we are questioning and studying include: scaling laws for model training, post training, and reasoning; the adoption, penetration, impact, and value (cost savings or monetization) of AI workflows and use cases for consumers and businesses alike; whether we can generate and deliver enough energy to power the compute data centers; and how AI investments will be financed, including how that will be different for the Magnificent Seven players like **Alphabet**, **Amazon.com, Inc.**, **Microsoft Corporation**, and **Tesla**, who can fund their investments with internal cash flow versus the AI lab start-ups like **OpenAI**, **xAI**, and **Anthropic**, which need outside financing.
- In our view, the most important thing to study is not the race to artificial general intelligence or artificial super intelligence but the utility and value of AI. I recently listened to a recent

podcast with Andrei Karpathy, a prominent AI researcher and engineer, who worked at both OpenAI and Tesla, and who we have met in our work at Baron. One thing resonated with me (and I'm paraphrasing): Let's focus on building useful things, not AI animals.

- AI is already delivering value and proving useful: AI software code development—near 100% adoption and productivity improvements of 30% to 50% or higher; AI has delivered significant cost savings in customer service; Tesla Robotaxis are driven by AI; **Axon Enterprise, Inc.** is using AI to prepare first drafts of police reports; **Heartflow, Inc.** is using AI to advance heart disease diagnostics and save lives; and this will be the first holiday season of AI commerce, where Shopify's Catalog product will enable consumers to compete purchases with Shopify merchants without leaving AI chatbots. The massive opportunity ahead of us is scientific discovery—such as AI acting as the Rosetta Stone to help humans decipher the genetic language of cancer and other diseases.
- Technology paradigm shifts have multiple phases. The internet started on the desktop, then mobile, then the cloud. AI's impact on the world will not be one S-curve, but a series of stacked S-curves. We have investments across different phases of AI and among many of these S-curves. While our most successful investments to date have been in the infrastructure layer of AI, we also have excellent investments across other layers of the AI stack, such as the application layer and physical AI.

Below is a partial list of the secular megatrends we focus on:

- AI
- Semiconductors
- Cloud computing
- Software-as-a-service
- Digital media/entertainment
- Targeted digital advertising
- E-commerce
- Targeted medicine/therapies
- Minimally invasive surgical procedures
- Cybersecurity
- EVs/autonomous driving
- Electronic payments
- Robotics
- Space technology

We continue to run a high-conviction portfolio with an emphasis on the secular trends cited and listed. Among others, during the fourth quarter we initiated or added to the following positions:

- Public safety technology: **Axon Enterprise, Inc.**
- Athletic footwear and apparel: **On Holding AG**
- Digital/other health care: **Heartflow, Inc.**, **Eli Lilly and Company**, **BillionToOne, Inc.**, and **Hinge Health, Inc.**
- Digital media, entertainment, and sports betting: **Spotify Technology S.A.** and **DraftKings Inc.**
- AI: **X.AI Holdings Corp.**
- Software: **Guidewire Software, Inc.**, **Atlassian Corporation**, and **Samsara Inc.**

## Top Contributors

### Top contributors to performance for the quarter

	Contribution to Return (%)
Space Exploration Technologies Corp.	4.42
X.AI Holdings Corp.	1.48
Eli Lilly and Company	1.05
Exact Sciences Corporation	0.90
Broadcom Inc.	0.45

**Space Exploration Technologies Corp.** is a high-profile private company founded by Elon Musk. The company's primary focus is on developing and launching advanced rockets, satellites, and spacecrafts, with the ambitious long-term goal of making life multi-planetary. SpaceX is generating significant value with the rapid expansion of its Starlink broadband service. The company is successfully deploying a vast constellation of Starlink satellites in Earth's orbit, reporting substantial growth in active users, and regularly deploying new and more efficient hardware technology. Furthermore, SpaceX has established itself as a leading launch provider by offering highly reliable and cost-effective launches, leveraging the company's reusable launch technology. SpaceX capabilities extend to strategic services such as human spaceflight missions. Moreover, SpaceX is making tremendous progress on its newest rocket, Starship, which is the largest, most powerful rocket ever flown. This next-generation vehicle represents a significant leap forward in reusability and space exploration capabilities. We value SpaceX using prices of recent financing transactions.

**X.AI Holdings Corp.** was formed in early 2025 through the merger of X (formerly Twitter) and xAI, an AI company founded by Elon Musk in March 2023 with the mission to "understand the true nature of the universe." This strategic union paired xAI's large language models with X's real-time data and worldwide distribution, speeding Grok's development while providing X with transformative AI tools for search, personalization, and user engagement. Shortly after its founding, xAI released its AI model, Grok, which swiftly emerged as a top-tier contender. Fueling Grok's performance was the rapid deployment of xAI's data centers: Colossus 1 became operational in just 122 days with 100,000 GPUs, while Colossus 2's first 100,000 GPUs deployed even faster, positioning xAI to pioneer a 1-gigawatt training facility. The upcoming 5th version of Grok will use Colossus 2's expanded resources and is expected to mark further improvement in the model's capabilities. Such early results demonstrate xAI's innovation prowess and its prospects for enduring leadership in the highly competitive AI field. We value the stock based on material transaction in shares, leading to stock appreciation.

Shares of **Eli Lilly & Company** contributed to performance. Eli Lilly is a global pharmaceutical company that is currently best known for developing and selling GLP-1 medications for diabetes and obesity. Shares contributed to performance as Zepbound continues to gain share for the treatment of obesity. We continue to see Lilly's portfolio of Mounjaro/Zepbound GLP-1/GIP and orforglipron oral GLP-1 drugs as important treatments for diabetic

and non-diabetic obese patients, and we think this class of drug should be the standard of care for both diabetes and obesity and will grow to become at least a \$150 billion category. Shares outperformed in the quarter as the company announced a deal with the Trump administration that: (i) expands Medicare and Medicaid coverage for the company's obesity drugs, and (ii) offers lower drug prices through Medicaid and continued investments in U.S. onshore drug manufacturing, in exchange for excluding Lilly from any near-term "Most Favored Nations" drug pricing programs or pharmaceutical sector tariffs. Investors welcomed the regulatory certainty. We think this market is in the early innings of uptake, and we think the adoption of GLP-1s will drive Eli Lilly to nearly double its total revenues by 2030.

## Top Detractors

### Top detractors from performance for the quarter

	Contribution to Return (%)
Spotify Technology S.A.	(0.88)
Microsoft Corporation	(0.53)
Oracle Corporation	(0.47)
CoStar Group, Inc.	(0.45)
Meta Platforms, Inc.	(0.42)

**Spotify Technology S.A.** is a leading global digital audio service, offering on-demand music, podcasts, and audiobooks streaming through paid premium subscriptions and an ad-supported model. In our view, Spotify's stock pulled back during the quarter for reasons completely unrelated to its durable competitive advantages, long-term opportunity, or robust fundamentals, namely: (i) a lack of near-term catalysts, and (ii) sympathy with Netflix, whose own stock fell in connection with the Warner Brothers escalating takeover battle between it and Paramount. These are temporary factors. More importantly, Spotify continues to demonstrate double-digit user growth and industry-leading engagement levels. The platform's pricing power is evident as customer retention held despite recent hikes in several markets. The company also continues on its path to structurally higher gross margins, aided by its high-margin artist-promotions marketplace, scaling its podcast offering, and product and network improvements in its advertising business. Finally, Spotify's product innovation cadence remains rapid, including AI personalization, video content, and a Super Premium tier in development. We still view Spotify as a long-term winner in entertainment streaming with potential to reach over 1 billion monthly active users. At Spotify's current price, we believe the risk/reward is quite attractive.

**Microsoft Corporation** is the world's largest software and cloud computing company. Microsoft was traditionally known for its Windows and Office products, but over the last five years, it has built a \$135 billion run-rate cloud business, including its Azure cloud infrastructure service and its Office 365 and Dynamics 365 cloud-delivered applications. The stock detracted from

performance, despite continued strong operating results, on concerns regarding: (i) its reliance on OpenAI for AI models and intellectual property, and (ii) returns on invested capital for the company's significant AI data center capital expenditures. For the September quarter, Microsoft reported better-than-expected financial results, highlighted by strong backlog that rose to \$167 billion, up 40% year-over-year; Microsoft Cloud, which grew 15% in constant currency; and Azure revenue, which increased 39% in constant currency, bolstered by ramping AI revenue from OpenAI. Total December quarter revenue guidance came in-line with consensus, but the company provided higher guidance for its two most important segments, Productivity and Business Processes and Intelligent Cloud, on the back of continued strong trends across Microsoft Cloud, Azure, and AI. We believe Microsoft remains well positioned across the overlapping software, cloud computing, and AI landscapes, with its vertically integrated technology stack and broad sales distribution. We believe Microsoft will continue taking share across its business lines, driving durable, long-term, double-digit growth and best-in-class profitability.

**Oracle Corporation** is a leading software applications and infrastructure company. As the company's core software application and database businesses have matured, founder Larry Ellison and his management team pivoted in an attempt to become the fourth cloud service provider "hyperscaler"<sup>6</sup> with the build-out of its Oracle Cloud Infrastructure (OCI) offering. In so doing, the profile of the company has morphed from an asset-light, highly profitable mature software business to one that can best be described as a growth-acceleration story, requiring significant capital investments to build out its data center footprint. When the company reported its August 2025 quarter, it stunned the market with its OCI backlog surging 359% year-over-year to \$455 billion, among one of the largest backlog increases ever seen. A couple of months later, at its analyst day event in October, the company raised its long-term guidance both for revenue and earnings per share on the back of robust demand for AI compute. Frustrating investors, however, Oracle did not break out its backlog by customer, but analysts believe OpenAI is north of 80% of the total. After the October event, Oracle shares started to slide on concerns around the OpenAI concentration and financing needs for both OpenAI and Oracle itself. We decided to exit the Oracle position and book a short-term tax loss, spreading the capital across several of the investments listed above.

## Portfolio Structure

We invest in secular growth and innovative businesses across all market capitalizations, with the bulk of the portfolio landing in the large-cap zone. Morningstar categorizes the Fund as U.S. Large Growth. As of the end of the fourth quarter, the largest market cap holding in the Fund was \$4.5 trillion and the smallest was \$500 million. The median market cap of the Fund was \$46.3 billion, and the weighted average market cap was \$1.4 trillion.

To end the quarter, the Fund had \$1.8 billion of assets under management. We had investments in 46 unique companies. The Fund's top 10 positions accounted for 61.6% of net assets.

## Top 10 holdings

	Quarter End Market Cap (\$B)	Quarter End Investment Value (\$M)	Percent of Net Assets (%)
NVIDIA Corporation	4,532.0	229.4	12.8
Space Exploration Technologies Corp.	800.0	158.4	8.8
Microsoft Corporation	3,594.4	122.8	6.8
Broadcom Inc.	1,641.0	114.3	6.4
Amazon.com, Inc.	2,467.5	112.1	6.2
Tesla, Inc.	1,495.7	107.6	6.0
Spotify Technology S.A.	121.1	76.9	4.3
Meta Platforms, Inc.	1,664.1	72.3	4.0
Eli Lilly and Company	1,016.0	63.5	3.5
X.AI Holdings Corp.	230.0	50.3	2.8

## Recent Activity

### Top net purchases for the quarter

	Quarter End Market Cap (\$B)	Net Amount Purchased (\$M)
Axon Enterprise, Inc.	44.8	17.1
On Holding AG	15.3	14.7
Heartflow, Inc.	2.5	9.8
Oracle Corporation	626.8	8.1
Spotify Technology S.A.	121.1	5.7

We recently initiated a position in **Axon Enterprise, Inc.**, a leading public-safety technology company providing taser, body camera, drone, and other hardware solutions alongside robust cloud, digital evidence management, real-time operations, and AI-driven software offerings. Founded by current CEO Rick Smith in 1993, Axon started as a taser company and now has a near monopoly on the product across law enforcement officers nationally. Step by step, Rick and the team developed additional solutions and put them all together into different bundles, which through a best-in-class sales operation created and driven by President Josh Isner, are now sold across the country and increasingly internationally. Despite scaling to over \$2 billion of revenue in 2024, the company is only scratching the surface of its massive addressable market of \$159 billion that continues to grow as more products are introduced. Axon competes with companies across specific verticals, but there is no singular competitor who can match the public-safety ecosystem the team has built, which it modeled off Apple's unrivaled iOS ecosystem. For example, the team unveiled a game-changing AI product called Draft One, a software solution that leverages generative AI to draft high-quality police report narratives in seconds based on auto-transcribed body-worn camera audio. Taking all the data from Axon body cameras, Draft One is uniquely situated to help officers save about 40% of their time. The company is using its position as the dominant provider of law enforcement solutions to use data other players don't have

access to and drastically improve the efficiency of officers. Axon is a special company, led by a visionary founder and a strong management team, that is constantly pushing forward to drive the flywheel faster. We see durable 25%-plus revenue growth for the foreseeable future, with increasing margins as software grows into a larger percentage of the total revenue mix.

During the quarter we initiated a position in **On Holding AG**. On Running is a premium performance sportswear brand specializing in footwear and is one of the fastest-growing scaled athletic wear companies in the world. The company was founded in 2010 and continues to gain market share in the athletic footwear category. We believe On is still early in its lifecycle as it expands its product line and distribution network. On benefits from strong brand loyalty, its commitment to sustainability, a focus on innovation, and a highly complementary, multi-channel distribution strategy. On sells its products in a combination of premium retail stores, which account for 60% of revenue. The balance of sales occurs through its direct-to-consumer channel, encompassing its own branded and operated stores, as well as its website. On was founded in Switzerland, but it has expanded quickly across the globe. Its products have exhibited sales momentum in the U.S., Europe, and Asia. Roughly 60% of its revenue is generated in North America, 25% in Europe, and the remainder in Asia Pacific. We believe On should be able to grow its revenues faster than 20% for many years, while also expanding its margins. We expect its growth to be driven by expanding brand awareness leading to market share gains in its core running shoe category, particularly as On expands its geographic footprint. We expect the company to continue to reinvest into its business at high rates of return. We believe On has a large opportunity to take market share in newer shoe categories, such as tennis, training, and outdoor. The company also has a significant opportunity to grow its offerings in the apparel category.

**Heartflow, Inc.** is a medical device company providing an AI-powered engine to diagnose heart disease. Heart disease is responsible for 1 in 5 deaths in the U.S., and every 40 seconds someone has a heart attack. There is an urgent need to quickly and accurately catch this disease before it reaches this stage. Heartflow's solution provides a minimally invasive way to catch blockages in the heart vessels, reducing both false negatives and false positives relative to standard of care today. The company has a strong competitive moat, with a repository of 110 million images supplemented by human-aided training that has taken over 10 years to build. We like the asset light nature of the business, along with the margin expansion opportunity as the AI algorithm gets smarter with scale and data, enabling Heartflow to reduce the number of employee hours involved in real-time workflows. Heartflow is in the very early innings of its growth ramp. The company has over 600 peer-reviewed publications, its solution has been approved by the FDA, and its core product has 99% insurance coverage. The company is only low single-digit penetrated into its addressable market and additionally is launching a new add-on product for plaque analysis that will utilize the same analytics backbone and thus come in at extremely high margins. We believe Heartflow is a model for the next generation of health

care companies, which will be powered by big data and AI to make health care more efficient, less costly, and save lives on a broad scale.

## Top net sales for the quarter

	Quarter End Market Cap or Market Cap When Sold (\$B)	Net Amount Sold (\$M)
Exact Sciences Corporation	19.3	31.6
The Trade Desk	23.3	25.7
Duolingo, Inc.	12.0	15.9
GitLab Inc.	6.3	15.3
argenx SE	51.8	9.3

We exited our successful investment in **Exact Sciences Corporation** after Abbott Laboratories announced it was acquiring the company for approximately \$23 billion in cash.

We decided to exit our long-term investment in **The Trade Desk**, predominantly due to mounting competitive pressures from Amazon's aggressive ad-tech push. While we do not believe Amazon has yet captured meaningful market share, our industry checks suggested that more agencies and media buyers are inclined to try and expand budgets with Amazon in 2026, which is leveraging exclusive Prime Video and Netflix inventory and offering significantly lower take rates. This situation was further exacerbated by substantial executive turnover. Given these challenges, combined with less consistency in recent results, we found the risk/rewarded balance to be unfavorable and chose to sell our position. Given the company's and CEO Jeff Green's prior track record, we continue to research and analyze the company and reserve the right to revisit an investment in Trade Desk.

We decided to sell our position in **Duolingo, Inc.** this quarter before the company reported third quarter earnings. Our thesis in Duolingo was that given how large the opportunity was for global language learning, the company could continue to grow users at rates well north of 25% for years to come. We had previously considered decelerating user metrics to be a temporary result of a brief reduction in marketing spend following social media backlash related to the company's AI posts. However, early in the quarter, our research indicated that the user slowdown continued unabated. In its earnings report, management signaled growth concerns by acknowledging the trend through October and choosing to delay monetization levers, resulting in a meaningful deceleration in bookings growth. We believe this decision would not have been necessary if organic growth had remained more robust. Shares of Duolingo are down meaningfully since the report and our sale.

We sold **GitLab Inc.** and redeployed that capital in the software names listed above in the Review and Outlook section.

We trimmed our **argenx SE** position and spread that capital across the health care names listed above.

I remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends. We continue to believe that non-cyclical, durable, and resilient growth should be part of investors' portfolios and that our strategy will deliver solid long-term returns for our shareholders.

Sincerely,



Michael A. Lippert  
Portfolio Manager

- <sup>†</sup> The Fund's historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.
- <sup>1</sup> The **Russell 3000<sup>®</sup> Growth Index** measures the performance of the broad growth segment of the U.S. equity universe. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell<sup>®</sup> is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The Fund includes reinvestment of dividends, net of withholding taxes, while the Russell 3000<sup>®</sup> Growth Index and S&P 500 Index include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.
- <sup>2</sup> The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.
- <sup>3</sup> Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.
- <sup>4</sup> Not annualized.
- <sup>5</sup> Ashim and I co-manage the Baron Technology ETF.
- <sup>6</sup> The three widely recognized hyperscalers are Amazon Web Services, Microsoft Azure, and Google Cloud Compute.

*Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting [BaronCapitalGroup.com](http://BaronCapitalGroup.com). Please read them carefully before investing.*

**Risks:** Securities issued by small and medium-sized companies may be thinly traded and may be more difficult to sell during market downturns. Companies propelled by innovation, including technology advances and new business models, may present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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