

Baron Financials ETF®

Ticker: BCFN



Josh Saltman
Portfolio Manager

Dear Baron Financials ETF® Shareholder,

Performance

In the quarter ended March 31, 2026, Baron Financials ETF® (the Fund) fell 15.97% (NAV) compared with a 9.89% decline for the MSCI USA Financials Index (the Financials Index) and a 20.15% decline for the FactSet Global FinTech Index (the FinTech Index).

U.S. equities fell during the quarter due to concerns about AI-driven disruption and geopolitical shocks. Market conditions were positive at the start of the year with resilient economic data, strong corporate earnings, easing inflation pressures, and expectations for additional Fed rate cuts. However, sentiment shifted in February as new AI product releases caused investors to worry that AI agents could replace humans, leading to widespread job losses and economic disruption. While optimists highlighted the historical precedent of technology driving value creation rather than destruction, an inability to disprove the pessimistic case contributed to share price declines across the software, business services, and information services industries. The sell-off worsened in March as military conflict with Iran disrupted energy supplies and blocked shipping lanes in the Strait of Hormuz. Investors became concerned about the potential for stagflation from surging oil prices and supply chain disruptions. Persistent inflation led to a pause in Fed rate cuts with investors now expecting no further cuts this year.

Against this backdrop, the dominant market trend was a rotation out of software and growth-oriented stocks into defensive, commodity sensitive, and value-leaning segments of the market. Small caps outperformed large caps, reflecting an 11.3% decline for the Magnificent Seven group of mega-cap technology stocks. Value outperformed growth by a wide margin across all market

Performance listed in the above table is net of annual operating expenses. The total annual fund operating expense ratio as of December 5, 2025 was 0.80%. 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. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. 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 or call 1-800-99-BARON.

NAV and Market Price returns include returns of the Institutional Shares of the predecessor mutual fund prior to the ETF's commencement of operations. Prior to the ETFs listing on 12/15/2025 the NAV returns of the Institutional Shares of the predecessor mutual fund are used as proxy market price returns. If the predecessor mutual fund had been structured as an ETF, its performance may have differed.

Annualized performance (%) for periods ended March 31, 2026†

	ETF Market Price ^{1,2}	ETF NAV ^{1,2}	MSCI USA Financials Index ¹	S&P 500 Index ¹	MSCI ACWI Index ¹	FactSet Global FinTech Index ¹
QTD ³	(16.23)	(15.97)	(9.89)	(4.33)	(3.20)	(20.15)
1 Year	(14.22)	(14.08)	1.53	17.80	20.01	(17.25)
3 Years	8.18	8.23	17.71	18.32	16.58	(0.12)
5 Years	0.40	0.71	9.59	12.06	9.49	(7.68)
Since Inception (12/31/2019)	6.50	6.76	9.62	13.62	10.93	(1.18)

cap segments, with the differential being especially pronounced in large cap, where the Russell 1000 Value rose 2.1% versus a loss of 9.8% for the Russell 1000 Growth Index. International equities outperformed the U.S., bolstered by demand for AI infrastructure companies in Korea and Taiwan as well as election results in Japan.

The Financials sector was a material detractor, reflecting concerns about slow employment growth, persistent inflation, and a more hawkish interest rate outlook. Potential disruption from AI weighed on multiple segments, including financial data providers, insurance brokers, and wealth managers. Alternative asset managers faced higher redemption requests from retail investors due to concerns about lending standards in private credit and exposure to software companies facing AI risks. Payment and consumer finance companies faced regulatory risks from a proposed cap on credit card interest rates. Additionally, insurance stocks were hurt by ongoing soft industry pricing trends. It was a

near-perfect storm of narrative headwinds from exogenous factors weighing on a wide swath of financial stocks.

In the first quarter, the Fund trailed the Financials Index but outperformed the FinTech Index. The shortfall versus the Financials Index was primarily driven by overexposure to sectors that were pressured by AI-driven disruption fears and underexposure to value stocks. The Fund's heavier exposure to Challengers also weighed on relative performance against the Financials Index given that Leaders outperformed Challengers by a wide margin in a risk-off market. Against the FinTech Index, the Fund outperformed due to solid stock selection and unique exposure to Capital Markets, which was one of the segments that was least impacted by the various headwinds facing the broader Financials sector. Within the Capital Markets segment, our financial exchange and trading platform holdings benefited from higher trading activity in a more volatile market environment.

Financial Software and Information Services holdings were responsible for most of the underperformance versus the Financials Index. These two industries represent 28% of Fund assets, well above their 4% combined weighting in the Financial Index, so their average blended decline of 22.8% weighed on Fund returns by 6.5 percentage points in the quarter. Weakness was generally attributable to concerns about the disruptive impact of AI. The catalyst for the sell-off was Anthropic's release of specialized Claude Cowork plugins, which enable AI to function as domain-specific analysts across legal, finance/accounting, sales/marketing, and customer support. This development caused investors to worry that AI agents could directly replace expensive human-led, subscription-based business workflows. Accounting and tax preparation software provider **Intuit Inc.** was the largest detractor in Financial Software, while data analytics company **Fair Issac Corporation** (FICO) hampered performance in Information Services.

Lower exposure to the largest companies within Banks and Insurance also weighed on relative performance. Not owning Index heavyweights Goldman Sachs Group, Inc., Citigroup Inc., and JPMorgan Chase & Co. or any of the regional banks was a headwind as these stocks performed relatively well in the period. The Fund's underexposure to Insurance stocks also hindered performance given that the segment broadly outpaced the Financials Index. Insurance stocks tend to be resilient during turbulent markets and are perceived to be less exposed to the AI-related concerns weighing on other sectors.

Top contributors to performance for the quarter

	Contribution to Return (%)
CME Group, Inc.	0.26
Tradeweb Markets Inc.	0.26
Interactive Brokers Group, Inc.	0.03

CME Group, Inc. operates the world's largest and most diversified derivatives marketplace. Shares rose due to higher trading volumes amid elevated market volatility. Average daily trading volume increased at a robust 22% pace during the first quarter, reflecting uncertainty over higher energy prices tied to the war in Iran, persistent inflation, and the outlook for interest rates. We continue to own the stock because we believe CME enjoys significant competitive advantages and should benefit from the growing adoption of exchange-traded derivatives and periodic spikes in market volatility.

Tradeweb Markets Inc. operates electronic marketplaces for trading fixed-income securities. Shares rose on robust trading activity during a period of heightened market volatility. Trading volumes in key product areas accelerated in the first quarter, with rates up 44% and credit up 42%. We believe market volume growth, combined with share gains, can continue to drive double-digit revenue growth over the coming years. We continue to own the stock due to Tradeweb's strong network effects, long track record of innovation, and significant opportunities tied to the ongoing electrification of capital markets.

Shares of leading online brokerage firm **Interactive Brokers Group, Inc.** increased during the quarter. The company continues to deliver strong fundamental performance, with 30%-plus account growth alongside double-digit growth in client trades and client assets. Interactive Brokers is also expanding its service offering by adding new markets, support for tax-advantaged accounts, stablecoin funding, AI-enabled news summaries, and the ability to query the platform using AI. We remain invested due to the company's substantial long-term growth opportunities, particularly as it benefits from increasing investor interest in global financial markets.

Top detractors from performance for the quarter

	Contribution to Return (%)
Intuit Inc.	(1.33)
KKR & Co. Inc.	(1.08)
Fair Isaac Corporation	(1.08)
S&P Global Inc.	(1.01)
Robinhood Markets, Inc.	(0.96)

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares fell due to concerns about AI-related competitive threats and a broad-based pullback in software company valuations. Nevertheless, Intuit's quarterly financial results exceeded Street expectations, driven by QuickBooks' expansion within the larger and more complex mid-market segment, share gains in assisted tax preparation, and cyclical strength from Credit Karma. Management believes the business is well insulated from AI disruption given that accuracy, compliance, security, and reliability are critical for customers. We continue to own the stock due to Intuit's strong competitive position and numerous growth opportunities.

Leading alternative asset manager **KKR & Co. Inc.** detracted from performance amid broad concerns sweeping the private markets space, particularly around private credit. Fears over credit quality and fundraising led to a sell-off across alternative asset managers, while volatility related to AI and the Iran conflict added worries that capital markets activity could be softer than expected this year. We believe such fears are overdone. KKR is a large, diversified manager with \$744 billion in assets under management, including \$135 billion in private credit and \$40 billion in direct lending. Market concerns have centered on direct lending to private equity-backed companies, which is a relatively small contributor to KKR's business. Also, the firm has minimal exposure to semi-liquid funds that are experiencing elevated redemptions by retail investors. We continue to view KKR as a premier asset manager with multiple long-term growth opportunities and a compelling valuation.

Fair Isaac Corporation, a data and analytics company focused on predicting consumer behavior, detracted from performance. Shares fell due to ongoing regulatory pressure from the Federal Housing Finance Agency, with director Bill Pulte advocating for a "Lender's Choice" model for credit scores in the conforming mortgage market, along with pricing criticism from Senator Josh Hawley. Even so, FICO reported strong fiscal first-quarter 2026 earnings and management sounded upbeat about the company's prospects. While near-term uncertainty persists, we retain conviction in FICO's long-term outlook and unique position with the consumer credit ecosystem.

Portfolio Structure

We seek to invest in competitively advantaged, growing financial and financial-related companies for the long term. We invest in companies across all market capitalizations and geographies. As of March 31, 2026, the Fund held 42 positions (32 excluding those smaller than 1%). The Fund's 10 largest holdings represented 42.8% of net assets, and the 20 largest holdings represented 72.8% of net assets. International stocks represented 10.4% of net assets. The market capitalization range of our holdings was \$1 billion to \$590 billion with a median of \$37.7 billion and a weighted average of \$136.0 billion.

We segment the Fund's holdings into seven Baron-defined industries. As of March 31, 2026, Capital Markets represented 31.4% of net assets, Information Services represented 19.2%, Payments represented 17.3%, Banks represented 11.9%, Financial Software represented 9.2%, Insurance represented 7.6%, and Other Financials represented 2.3%, with the remainder in cash. Relative to the Financials Index, the Fund has overweight positions in Information Services, Capital Markets, Financial Software, and Payments and is meaningfully underweight in Banks and Insurance.

We also segment the Fund's holdings between Leaders and Challengers. Leaders are generally larger, more established companies with stable growth rates, higher margins, and moderate valuation multiples. Challengers are generally smaller, earlier-stage companies with higher growth rates, lower margins, and higher valuation multiples. As of March 31, 2026, Leaders represented 79.6% of net assets and Challengers represented 19.4%, with the remainder in cash.

Top 10 holdings

	Year Acquired	Market Cap When Acquired (\$B)	Quarter End Market Cap (\$B)	Quarter End Investment Value (\$M)	Percent of Net Assets (%)
Mastercard Incorporated	2020	306.1	445.7	2.6	5.6
Visa Inc.	2020	376.2	590.0	2.5	5.5
S&P Global Inc.	2020	67.9	130.2	2.5	5.5
The Charles Schwab Corporation	2022	130.9	168.1	2.0	4.4
LPL Financial Holdings Inc.	2021	12.9	24.1	1.9	4.0
MercadoLibre, Inc.	2020	53.7	87.7	1.7	3.6
Interactive Brokers Group, Inc.	2023	33.8	114.0	1.6	3.6
KKR & Co. Inc.	2024	88.9	82.5	1.6	3.5
Tradeweb Markets Inc.	2020	11.1	25.7	1.6	3.5
CME Group, Inc.	2020	72.3	107.2	1.6	3.5

Fund investments in Baron industries

	Percent of Net Assets (%)
Capital Markets	31.4
Information Services	19.2
Payments	17.3
Banks	11.9
Financial Software	9.2
Insurance	7.6
Other Financials	2.3
Cash and Cash Equivalents	1.0
Total	100.0*

* Individual weights may not sum to the displayed total due to rounding.

Recent Activity

Top net purchases for the quarter

	Quarter End Market Cap (\$B)	Net Amount Purchased (\$K)
Bank of America Corporation	348.4	1,543.7
Morgan Stanley	261.3	467.4
Rocket Companies, Inc.	40.2	463.7
Tradeweb Markets Inc.	25.7	76.3
BlackRock Inc.	157.6	75.8

We initiated a position in **Bank of America Corporation** (BofA), the second-largest bank in the U.S. Following an extended 15-year period of de-risking after the Great Financial Crisis, we expect a material improvement in growth and returns. BofA provides banking, capital markets, and wealth management services to individuals and businesses in all 50 states and 35 countries. The consumer banking franchise is the second largest in the U.S. with nearly \$1 trillion of sticky, low-cost deposits. 92% of clients use BofA as their primary bank account, resulting in high retention and industry-low funding costs. BofA is a leading commercial lender and a top five global investment bank. The firm is also one of the largest wealth managers in the world with \$4.6 trillion in client assets.

BofA's scale and product breadth represent significant competitive advantages. With 69 million consumer and small business clients, the bank has a unique cost-to-serve advantage and cross-selling potential across investment products, credit cards, mortgage refinancing, and premium banking services. BofA is a leader in digital banking with 50 million online customers representing 72% adoption and over two-thirds of sales coming from digital channels. The bank's Erica AI assistant has evolved from a simple chatbot to a natural language model that helps customers and employees resolve issues and answer questions more quickly. Erica has 2 million daily customer interactions, equivalent to the work of 11,000 full-time employees. BofA spends over \$13 billion per year on technology, including over \$4 billion on new capabilities, making it increasingly difficult for smaller players to compete on scale or features.

We see multiple growth opportunities to sustain double-digit EPS growth, up from 6% annualized growth since 2019. Net interest income represents over half of revenue and should grow at a high-single-digit pace over the next several years from improving loan growth, funding optimization, and the roll-off of lower-yielding assets. Nearly two-thirds of the loan portfolio is comprised of fixed-rate assets originated years ago with yields well below current market rates, so as these loans are paid down and mature, they will be repriced at higher yields even if the Fed cuts rates as expected. Further improvement in capital markets activity and growth in the wealth management business should increase non-interest fee income. We also expect disciplined cost management and AI-driven productivity gains to drive margin expansion. Headcount growth has been flat over the last ten years during which assets and revenues have grown 59% and 36%, respectively.

Management expects revenue growth to exceed expense growth by 2 to 3 percentage points each year, which should drive 1 to 2 percentage points of annual margin expansion. Asset quality is improving, with delinquencies and charge-offs down from a year ago. Higher capital returns should also drive faster EPS growth and ROE improvement. The majority of net income is being used to repurchase stock, resulting in a 5% annual reduction in the share count and a similarly sized boost to EPS growth. Management plans to shrink the excess capital buffer, which combined with a potential drop in regulatory capital requirements, could lead to further improvement in capital returns. Management targets a return on tangible common equity of 16% to 18% over the medium term, up from an average of 14% over the last three years. BofA shares trade at roughly 11 times forward earnings, an attractive valuation for a high-quality franchise with double-digit earnings growth potential.

Top net sales for the quarter

	Quarter End Market Cap (\$B)	Net Amount Sold (\$K)
Robinhood Markets, Inc.	62.4	702.0
Clearwater Analytics Holdings, Inc.	6.9	487.5
Fair Isaac Corporation	25.3	392.5
Interactive Brokers Group, Inc.	114.0	351.5
Ategrity Specialty Insurance Company Holdings	0.9	266.4

We trimmed **Robinhood Markets, Inc.** after a significant run last year due to slowing growth in a less favorable market environment. We also trimmed **Fair Isaac Corporation** due to regulatory and competitive risks and trimmed **Interactive Brokers Group, Inc.** to fund purchases elsewhere. We exited **Clearwater Analytics Holdings, Inc.** after the announcement of a take-private by a consortium of private equity firms at a 50% premium to the unaffected share price. We also exited **Ategrity Specialty Insurance Company Holdings** due to challenging insurance market conditions and to fund the purchase of other higher conviction ideas.

Outlook

Following a disappointing start to the year, we believe our holdings are oversold and the Fund's performance outlook is bright. Fundamentals remain strong despite the recent price action. Consensus 2027 EPS estimates for the Fund's holdings have risen 1% on average since the start of the year, so the price decline was driven entirely by valuation multiple compression rather than a deteriorating earnings outlook. The Fund's forward earnings multiple ended the quarter approximately 17% cheaper than it began, providing a better baseline for expected price appreciation.

Middle East conflict and AI fears were the key factors that weighed on equity markets in the first quarter. So far in April, geopolitical tensions have eased following a ceasefire between the U.S. and Iran, contributing to a market rebound. While the situation remains volatile and hostilities could resume, investors seem

willing to look past near-term impacts from higher energy prices and shipping disruptions toward an eventual end to the conflict.

AI fears persist despite limited evidence of disruption today. Large language models are improving rapidly, especially agentic capabilities that could augment or replace manual processes. Many investors believe AI disruption is a question of when, not if, creating an “AI loser” narrative for most software and services companies. We take a more discerning view and believe AI will create both winners and losers. Companies with proprietary data, embedded workflows, and vertical specialization should be resilient in an AI world. We are continuously re-evaluating our holdings to understand the potential impacts from AI. We have taken action by eliminating positions that we believe are most at risk, while leaning into companies that either will benefit from AI or, at worst, are relatively insulated from it. While financial stocks haven’t directly benefited from the AI infrastructure buildout, we believe they’ll benefit from using AI to improve operational efficiency and accelerate innovation. Employee compensation is the largest expense for banks and insurers, so applying AI automation can reduce operational costs while freeing up resources to invest in revenue producers. We hear from several companies that they’re shifting employee capabilities while keeping total headcount flat, which should drive better operating leverage and faster earnings growth.

Economic conditions remain broadly positive according to recent management commentary. Large bank CEOs noted economic resilience, with solid U.S. consumer spending and stable credit quality. **Bank of America Corporation** CEO Brian Moynihan noted that a steady unemployment rate (4.3% in March) and solid wage growth (3.4% in March) are supporting consumer spending, and until those change, he doesn’t see anything that disrupts this trend. **Visa Inc.** and **Mastercard Incorporated** reported steady payment volumes in the March quarter and into April outside of a slowdown in international travel due to the Middle East conflict. Credit trends remain benign across consumer and business lending. Despite the intense media focus on private credit and elevated redemption requests from certain retail-oriented funds, institutional demand for private credit remains strong, loss rates remain low, and bank management teams see minimal systemic risk. This steady economic backdrop should support continued earnings growth for our holdings and favorable returns for the Fund.

Thank you for investing in Baron Financials ETF®. We remain significant shareholders alongside you.

Sincerely,



Josh Saltman
Portfolio Manager

[†] Historical performance was impacted by gains from IPOs. There is no guarantee that these results can be repeated or the level of IPO participation will be the same in the future.

¹ The **MSCI USA Financials Index** is designed to measure the performance of the large and mid cap segments of the US equity universe. All securities in the index are classified in the Financials sector as per the Global Industry Classification Standard (GICS). The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **MSCI ACWI Index Net (USD)** is designed to measure the equity market performance of large and midcap securities across 23 Developed Markets and 24 Emerging Markets countries. The **FactSet Global FinTech Index™** is an unmanaged and equal-weighted index that measures the equity market performance of companies engaged in Financial Technologies, primarily in the areas of software and consulting, data and analytics, digital payment processing, money transfer, and payment transaction-related hardware, across 30 developed and emerging markets. The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell 1000® Value Index** measures the performance of large-sized U.S. companies that are classified as value. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The MSCI Indexes and the Fund include reinvestment of dividends, net of withholding taxes, while the FactSet Global Fintech Index™, Russell and S&P 500 Indexes 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.

² The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

³ Not annualized.

On December 12, 2025, Baron FinTech Fund® was converted from a mutual fund into an exchange-traded fund, Baron Financials ETF™. The ETF has an identical investment goal and substantially similar investment strategy as its predecessor mutual fund. For additional information please refer to the prospectus.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains 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. Please read them carefully before investing.

Risks: In addition to general market conditions, FinTech Companies may be adversely impacted by government regulations, economic conditions and deterioration in credit markets. Companies in the information technology sector are subject to rapid changes in technology product cycles; rapid product obsolescence; government regulation; and increased competition, both domestically and internationally, including competition from foreign competitors with lower production costs. The IT services industry can be significantly affected by competitive pressures, such as technological developments, fixed-rate pricing, and the ability to attract and retain skilled employees, and the success of companies in the industry is subject to continued demand for IT services. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

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

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron FinTech Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

EPS Growth Rate (3-5-year forecast) indicates the long term forecasted EPS growth of the companies in the portfolio, calculated using the weighted average of the available 3-to-5 year forecasted growth rates for each of the stocks in the portfolio provided by FactSet Estimates. The EPS Growth rate does not forecast the Fund's performance. **Return on Equity (ROE)** is a financial performance ratio that measures how effectively a company uses shareholders' equity to generate net income.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

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