



QUARTERLY LETTER | DECEMBER 31, 2025

Baron Asset Fund[®]

Retail Shares: BARAX | Institutional Shares: BARIX | R6 Shares: BARUX



Andrew Peck
Portfolio Manager

Dear Baron Asset Fund Shareholder,

Performance

The fourth quarter was generally positive for equities, providing an upbeat end to a volatile year. The broad market benefitted from factors that included generally robust corporate earnings, continued monetary easing by the Federal Reserve, ongoing moderation of U.S. tariff policies, and dampened geopolitical tensions. However, the Russell Midcap Growth Index (the Index) finished down 3.70%, posting the worst performance among major U.S. market indexes. The Index was dragged down by notable underperformance in the Information Technology (IT) and Communications Services sectors, with the principal detractors being highly valued, speculative stocks.

This proved to be a favorable backdrop for Baron Asset Fund[®] (the Fund), which performed well, increasing 7.89% (Institutional Shares), or 11.59% ahead of the Index's 3.70% decline. The Fund's outperformance was driven primarily by favorable stock selection.

Two of the Fund's private investments founded by Elon Musk had a significant positive impact on performance - **Space Exploration Technologies Corp.** and **X.AI Holdings Corp.**, accounting for the vast majority of relative gains in the period. Both are discussed in detail below. Investments in IT, Health Care, and Financials also boosted relative results. Strength in IT came from high-technology interconnect, sensor, and antenna solutions provider **Amphenol Corporation** and consumer data and analytics company **Fair Isaac Corporation**. Shares of Amphenol rose during the quarter as the company reported better-than-expected earnings, led by its IT Datacom segment serving AI applications, alongside solid growth across its other end markets. Amphenol holds strong market share in interconnect solutions within NVIDIA's AI server racks, and we expect its content to continue to increase as speeds and system complexity rise. This organic momentum, combined with the pending acquisition of CommScope's Connectivity and

Annualized performance (%) for periods ended December 31, 2025

	Fund Retail Shares ^{1,2}	Fund Institutional Shares ^{1,2,3}	Russell Midcap Growth Index ¹	Russell 3000 Index ¹
QTD ⁵	7.82	7.89	(3.70)	2.40
1 Year	7.94	8.20	8.66	17.15
3 Years	11.75	12.04	18.64	22.25
5 Years	3.29	3.56	6.65	13.15
10 Years	11.15	11.44	12.49	14.29
15 Years	11.17	11.46	12.17	13.58
Since Inception (6/12/1987)	11.15	11.27	10.45 ⁴	10.64

Cable Solutions business—Amphenol's largest acquisition to date, expected to close in early 2026—should continue to drive strong revenue and earnings growth in the coming years. Fair Isaac shares increased on strong fourth quarter earnings and solid preliminary fiscal year 2026 guidance. The company also launched its new Direct Licensing Program for mortgage lending, which gives the company more flexibility to monetize its intellectual property going forward and was well received by Federal Housing Finance Agency director Bill Pulte. While some areas of near-term uncertainty persist, we believe that Fair Isaac will be a strong earnings compounder, which should drive solid returns for the stock over a multi-year period.

Strength in Health Care was driven by precision instruments provider **Mettler-Toledo International Inc.**, while favorable stock selection in Financials came from specialty insurer **Arch Capital Group Ltd.** Mettler's stock contributed to performance due to improving sentiment toward life sciences tools companies.

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 1.29% and 1.04%, 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 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 or call 1-800-99-BARON.

This followed drug pricing agreements reached between large biopharmaceutical companies and the Trump Administration, which investors viewed as unlikely to have a material financial impact on pharmaceutical businesses. This development was also viewed as positive for life sciences tools providers that supply products and services to pharmaceutical companies for research and development. In addition, the Trump Administration appears to have scaled back some of its tariff threats against China. We believe Mettler is well positioned heading into 2026 as tariff headwinds fade, China stabilizes, and broader end-market demand accelerates. We continue to expect the company to compound earnings at a mid-teens or better rate over the long term, supported by underlying GDP growth, exposure to faster-growing emerging markets, market share gains, and price increases.

Arch's stock rose on strong earnings results and active capital management. Third quarter earnings per share beat Street expectations due to improved underwriting margins and very low catastrophe losses, as there were no landfall hurricanes in the U.S. this season for the first time since 2015. Return on equity of 18% exceeded management's long-term target, driving 9% growth in book value per share, or 18% growth when adjusted for a special dividend. In addition, a faster pace of share repurchases reduced the share count by 4% year to date, signaling management's confidence in the company's valuation.

Partially offsetting the gains above were investments in Consumer Discretionary and Real Estate. Weakness in Consumer Discretionary stemmed from not owning strong performing Index positions such as Carvana Co. and Expedia Group, Inc., along with lower exposure to **Hilton Worldwide Holdings Inc.** and other hotels, resorts & cruise lines stocks, which were up 2.4% in the Index. Adverse stock selection in Real Estate came from real estate data and marketing platform **CoStar Group, Inc.**, whose shares fell as the company's net new sales came in below expectations. The stock has been weighed down by significant growth investment in CoStar's residential product, where sales performance has remained modest. That said, we are encouraged by improving sales momentum as the company builds out its dedicated residential sales force, enhances its customer targeting, and potentially benefits from changes in Multiple Listing Service practices. We also expect growth in CoStar's non-residential business to accelerate as sales productivity ramps and the sales team refocuses on core offerings, a trend likely to be amplified by 20% sales force growth in 2025 alone. We believe the value of CoStar's core non-residential business exceeds the current share price of the stock, suggesting that investors are ascribing little value to the long-term residential opportunity.

Top contributors to performance for the quarter

	Year Acquired	Contribution to Return (%)
Space Exploration Technologies Corp.	2020	6.27
X.AI Holdings Corp.	2024	3.95
Amphenol Corporation	2019	0.59
Mettler-Toledo International Inc.	2008	0.51
IDEXX Laboratories, Inc.	2006	0.50

Space Exploration Technologies Corp. (SpaceX) 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. (xAI) 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.

Amphenol Corporation is a leading global supplier of high-technology interconnect, sensor, and antenna solutions serving a diverse set of end markets. The company operates a highly decentralized, entrepreneurial model, with more than 140 general managers exercising autonomy over their individual business units. Amphenol is also highly acquisitive, having completed more than 50 acquisitions over the past decade. Shares rose during the quarter as the company reported better-than-expected earnings, led by its IT Datacom segment, which serves AI applications, alongside solid growth across its other end markets. Amphenol maintains significant market share in interconnect solutions within NVIDIA's AI server racks, and we expect its content to continue to increase as speeds and system complexity rise. We believe this organic momentum, combined with the pending acquisition of CommScope's Connectivity and Cable Solutions business—Amphenol's largest acquisition to date, expected to close in early 2026—should continue to drive strong revenue and earnings growth in the coming years.

Top detractors from performance for the quarter

	Year Acquired	Contribution to Return (%)
CoStar Group, Inc.	2016	(0.99)
Guidewire Software, Inc.	2013	(0.75)
Veeva Systems Inc.	2017	(0.56)
Verisk Analytics, Inc.	2009	(0.53)
Spotify Technology S.A.	2024	(0.35)

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial and residential real estate industries. Shares fell as the company's quarterly net new sales were below expectations. The stock has been weighed down by significant growth investment in CoStar's residential product, where sales performance has remained modest. That said, we are encouraged by improving momentum as the company builds out its dedicated residential sales force, enhances its customer targeting, and potentially benefits from changes in Multiple Listing Service practices. We also expect growth in CoStar's non-residential business to accelerate as sales productivity ramps and the sales team refocuses on core offerings, a trend likely to be amplified by 20% sales force growth in 2025 alone. We believe the value of CoStar's core non-residential business exceeds the current share price of the stock, suggesting that investors are ascribing little value to the long-term opportunity associated with its substantial investments into the residential market opportunity.

Shares of property and casualty (P&C) insurance software vendor **Guidewire Software, Inc.** declined during the quarter following strong gains earlier in the year, as the broader software sector came under pressure. After a multi-year transition period, we think Guidewire's cloud migration is largely complete. We believe cloud will be the sole path forward, with annual recurring revenue benefiting from new customer wins and migrations of the existing customer base to its InsuranceSuite Cloud product. This progress is best exemplified by Guidewire's landmark 10-year agreement with Liberty Mutual, the fifth-largest U.S. insurer with \$45 billion in direct written premiums, to migrate its entire on-premise deployment of ClaimCenter and adopt PolicyCenter in the cloud. The deal should also help drive adoption among other Tier 1 P&C carriers—now that Liberty Mutual has fully embraced the cloud, others are likely to follow. We believe that Guidewire will be the critical software vendor for the \$2.5 trillion global P&C insurance industry, capturing significant share of its \$15 billion to \$30 billion total addressable market and generating margins above 40%.

Shares of **Veeva Systems Inc.**, a cloud-based software platform serving the life sciences industry, declined. After a strong performance for much of the year, the stock came under pressure following Veeva's November quarterly update, in which management tempered expectations for customer retention. The company now expects 14 of the top 20 global pharmaceutical companies to adopt its next-generation Vault CRM product—down from the 18 customers using the legacy Veeva CRM built on Salesforce. While Veeva's 2023 decision to terminate its long-

standing partnership with Salesforce has given the company full control over its product roadmap, enabling faster innovation and expanding its long-term market opportunity, it has introduced head-to-head competition with Salesforce. Since then, Salesforce has announced its own product development efforts and secured several high-profile wins among the top 20 pharmaceutical accounts, prompting the market to reassess the magnitude and duration of near-term competitive risks. We retain long-term conviction in the stock as Veeva continues to experience favorable secular tailwinds and retain confidence in its 2030 financial targets.

Portfolio Structure

As of December 31, 2025, the Fund held 53 positions. The Fund's 10 largest holdings represented 52.8% of net assets, and the 20 largest represented 73.3%. The Fund's largest weighting was in the Industrials sector at 27.6% of net assets. This sector includes investments in research & consulting services businesses, construction & engineering companies, and aerospace & defense firms. The Fund held 22.1% of its net assets in the IT sector, which includes application software companies, electronic components businesses, and IT consulting firms. The Fund held 13.8% of its net assets in Health Care, which includes investments in life sciences companies, health care equipment, and health care technology companies. The Fund also had significant weightings in Financials at 11.2% and Communication Services at 8.7%.

As the chart below shows, the Fund's largest investments have mostly been owned for significant periods – 6 of the 10 largest holdings have been owned for longer than a decade. This is consistent with our approach of investing for the long term in companies benefiting from secular growth trends with significant competitive advantages and best-in-class management teams.

Top 10 holdings

	Year Acquired	Market Cap When Acquired (\$B)	Quarter End Market Cap (\$B)	Quarter End Investment Value (\$M)	Percent of Net Assets (%)
Space Exploration Technologies Corp.	2020	47.0	800.0	473.8	12.5
X.AI Holdings Corp.	2024	25.0	230.0	252.2	6.7
IDEXX Laboratories, Inc.	2006	2.5	54.0	203.8	5.4
Amphenol Corporation	2019	26.2	165.4	200.4	5.3
Guidewire Software, Inc.	2013	2.8	17.1	173.4	4.6
Arch Capital Group Ltd.	2003	0.9	34.8	146.1	3.9
Gartner, Inc.	2007	2.9	18.2	145.3	3.8
Verisk Analytics, Inc.	2009	4.0	31.2	137.9	3.6
CoStar Group, Inc.	2016	5.0	28.5	133.1	3.5
Mettler-Toledo International Inc.	2008	2.4	28.5	129.9	3.4

Recent Activity

Top net purchases for the quarter

	Quarter End Market Cap (\$B)	Net Amount Purchased (\$M)
Repligen Corporation	9.2	23.3
Booz Allen Hamilton Holding Corporation	10.2	11.3
Birkenstock Holding plc	7.5	9.5
Welltower Inc.	127.4	7.5
Axon Enterprise, Inc.	44.8	5.7

We reestablished a position in **Repligen Corporation** during the quarter. The company manufactures sophisticated tools for the bioprocessing industry. Repligen operates in fast-growing end markets – primarily monoclonal antibodies (8% to 10% market growth), as well as cell and gene therapies (over 30% market growth). The company has a strong track record of scientific innovation and smart acquisitions, including the introduction of differentiated filters and the development of in-line process analytics (which enable real-time monitoring of the drug production process).

Because drug production is a highly regulated industry, bioprocessing suppliers are embedded into workflows, extensively vetted by regulators, and their products are very difficult for drug manufacturers to displace. Repligen is relatively new entrant to this market, and it did not have a mature product portfolio when the first large wave of biologics were introduced to the market. As a result, those original biologics tended to be produced on legacy competitor platforms. Now, with generic versions (biosimilars) coming to market, we believe Repligen has a large opportunity to embed their differentiated systems into new drug manufacturing processes.

We see the opportunity for Repligen to derive an attractive, recurring revenue stream by selling consumable components into an increasing number of commercial drug manufacturing processes. We also believe Repligen is one of the few life science tools companies that can effectively leverage AI. Biologic drug production is still quite manual today, and Repligen is a leader in incorporating real-time data collection into its systems. We believe this ability gives Repligen a privileged position to build up its data moat over the next five-plus years, which may generate insights to make drug production more efficient.

Finally, the Trump Administration's policies encouraging large pharmaceutical manufacturers to reshore their production facilities to the U.S. should open up a significant capital equipment opportunity for Repligen. We expect Repligen to be a high-quality compounder with a best-in-class mix of growth and margins, with a path to doubling its revenue base in five years while expanding its EBITDA margins by 1,000 basis points.

Top net sales for the quarter

	Quarter End Market Cap (\$B)	Net Amount Sold (\$M)
IDEX Laboratories, Inc.	54.0	47.9
Dayforce, Inc.	10.8	30.5
IDEX Corporation	13.3	24.3
Gartner, Inc.	18.2	23.9
The Trade Desk	21.2	22.7

We managed down the Fund's weightings in several of our largest longtime holdings, including veterinary diagnostics company **IDEX Laboratories, Inc.**, diversified industrial manufacturer **IDEX Corporation**, and IT research firm **Gartner, Inc.** **Dayforce, Inc.**, a provider of software for human capital management, was sold to a prominent private equity firm during the quarter. **The Trade Desk**, an online advertising platform, was sold on concerns about their competitive position.

Outlook

We are pleased that the Fund ended the year on a particularly strong note. In addition, we remain encouraged by multiple public reports suggesting that the Fund's largest position, SpaceX, intends to complete an IPO during 2026 at a valuation significantly above its current price.

As we observed last quarter, Index performance for approximately the past three years has been dominated by a relatively narrow group of largely lower-quality, richly valued stocks – many of which are perceived beneficiaries of ongoing advances in AI.

Last quarter saw investors, particularly those in the mid-cap growth segment, begin to look more skeptically at the valuations being accorded to many businesses that we consider to be speculative and richly valued. We remain optimistic that the market will continue to appreciate and reward the types of high-quality, competitively advantaged businesses we favor.

We believe that our businesses' growth opportunities and competitive positions are improving amid a largely favorable economic backdrop, while their absolute and relative valuations continue to become more compelling.

Thank you for your continued confidence and support.

Sincerely,



Andrew Peck
Portfolio Manager

- ¹ The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. The **Russell 3000® Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market, as of the most recent reconstitution. All rights in the FTSE Russell Index (the “Index”) vest in the relevant LSE Group company which owns the Index. Russell® 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 Midcap® Growth and Russell 3000® 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 redemption of Fund shares.
- ³ 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.
- ⁴ For the period December 31, 1987 to December 31, 2025.
- ⁵ Not annualized.

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. Please read them carefully before investing.

Risks: Securities issued by medium-sized companies may be thinly traded and may be more difficult to sell during market downturns. 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.

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 managers 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.

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The portfolio manager defines “**Best-in-class**” as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager’s opinion and is not based on a third-party ranking.

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