



QUARTERLY LETTER | JUNE 30, 2025

## Baron Asset Fund®

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

### Dear Baron Asset Fund Shareholder,

#### Performance

U.S. equity markets rose against the backdrop of heightened volatility stemming from U.S. tariff policies and war in the Middle East. Risk-off sentiment in early April was driven by President Trump's "Liberation Day" tariff announcement, which was viewed as more severe than expected. The S&P 500 Index fell more than 12% over the next four trading days. After bottoming on April 8, U.S. equities rebounded largely in response to favorable trade developments. Other positive market catalysts included generally strong corporate earnings, dovish signals from the Federal Reserve, and ongoing momentum around the "AI trade." By the quarter's end, many market indexes were at or near record highs.

After generating solid outperformance during the "risk off" environment that characterized last quarter's market, Baron Asset Fund® (the Fund) failed to keep pace as the Russell Midcap Growth Index (the Index) rebounded sharply from its April 8 low to the end of June. The Fund was up 7.85% (Institutional Shares) in the second quarter, trailing the Index, which appreciated 18.20%.

The Fund invests in high-quality companies benefitting from long-term secular growth drivers with highly visible and growing earnings streams that trade at valuations we believe will allow us to compound our investments at mid-teens rates. The Fund's investment approach results in a portfolio that is meaningfully underexposed to stocks with certain style factors - most notably stocks characterized by high levels of Beta, Residual Volatility, and Momentum. These are the types of stocks that fared best amid this quarter's "risk on" market environment. In fact, the Beta factor experienced its second-best three-month period of performance in the last quarter century.

A second key contributor to the Fund's underperformance stemmed from not owning Palantir Technologies Inc., a software company focused on big data analytics, which rose 55% during the quarter. Palantir's impact on relative performance (-239 basis points) was over six times higher than we have seen historically



Andrew Peck  
Portfolio Manager

#### Annualized performance (%) for period ended June 30, 2025

	Fund Retail Shares <sup>1,2</sup>	Fund Institutional Shares <sup>1,2,3</sup>	Russell Midcap Growth Index <sup>1</sup>	Russell 3000 Index <sup>1</sup>
3 Months <sup>5</sup>	7.78	7.85	18.20	10.99
6 Months <sup>5</sup>	4.60	4.73	9.79	5.75
1 Year	13.13	13.42	26.49	15.30
3 Years	14.08	14.37	21.46	19.08
5 Years	7.29	7.56	12.65	15.96
10 Years	10.35	10.64	12.13	12.96
15 Years	12.60	12.90	14.27	14.46
Since Inception (6/12/1987)	11.21	11.33	10.63 <sup>4</sup>	10.49

for any single security unique to the Index. The company did not meet our investment criteria. At quarter end, Palantir was valued at approximately 225 times its expected 2025 earnings with a market cap exceeding \$300 billion.

After multiple quarters of strong gains, Palantir's weight exceeded 8% in the Index prior to its removal on June 27 following the conclusion of the latest Index rebalance. No security has approached Palantir's Index weight over the last 25-plus years - the highest previous weight for a security was 4.2%, achieved by VIAVI Solutions (formerly JDS Uniphase) in early 2000 amidst the dotcom bubble. The company's share price has since fallen approximately 98%.

These same two issues - the Fund's style biases and not owning a small number of technology stocks - has had a meaningful negative impact on the Fund's relative underperformance versus the Index during the past two and a half years (since 12/31/2022), as the Index reached new highs in the post-COVID era.

*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](https://BaronCapitalGroup.com) or call 1-800-99-BARON.*

MID CAP

About half the underperformance during this period is attributable to style-related headwinds, as its investment approach left the Fund consistently underexposed to stocks characterized by high-levels of Beta, Residual Volatility and Momentum. Underexposure to these three factors accounted for almost 90% of the overall impact from styles (-14.78%) during this period.

Most of the remaining underperformance during this period can be attributed to stock specific factors (-15.44%), of which three-quarters came from not owning just two stocks - Palantir and AppLovin Corporation, another highly valued technology company that did not meet our investment criteria. Shares of Palantir and AppLovin gained 1,936% and 3,070%, respectively, in this period. The two stocks started the period accounting for only 0.4% of the Index and, prior to their exit from the Index on June 27, 2025, had combined weight of nearly 11%.

As discussed, poor stock selection in Information Technology (IT) was exacerbated by not owning the largest company in the Index, Palantir. Modest declines from the Fund's sizable positions in **Gartner, Inc.** and **Roper Technologies, Inc.** also contributed to relative weakness in the sector. Syndicated research provider Gartner was negatively impacted by reductions in government spending in its public sector business. We estimate U.S. federal exposure accounts for about 5% of Gartner's total research contract value, with about half from the Department of Defense and intelligence organizations, and half from civilian agencies. While federal budget scrutiny remains high, we believe Gartner's services deliver significant value to users, including the potential for hard dollar savings. Its private sector business appears well positioned for sustained growth, and management is adept at exercising cost controls to support margins and free cash flow generation. The company's balance sheet is in excellent shape, and we expect management to take advantage of this drawdown through aggressive share repurchases.

Roper owns a portfolio of businesses with market-leading software and technology-enabled products with the goal of compounding cash flow over time. The company has a high percentage of recurring revenue and maintains high cash returns on investment in defensible niche businesses. After outperforming in the first quarter when investors rotated into more defensible growth businesses in a period of heightened market volatility, Roper's shares underperformed as higher growth segments of the market recovered swiftly.

The remaining underperformance came from disappointing stock selection in Financials, Industrials, Communication Services, and Real Estate. Specialty insurer **Arch Capital Group Ltd.** was the principal detractor in Financials after reporting premium growth below Street expectations and slowed from the prior quarter due to increased competition and lower pricing in certain business lines. Nevertheless, earnings beat expectations due to better underwriting margins and a lower tax rate. We continue to own the stock given Arch's strong management team and our expectation of significant growth in earnings and book value.

Weakness in Industrials was broad based. **Space Exploration Technologies Corp.** (SpaceX) has been a consistent contributor to our performance over the years. During the quarter, the company's shares were unchanged, maintaining their value in a rising market. We value SpaceX using prices of recent transactions. **Verisk Analytics, Inc.** stock lagged alongside other defensive stocks during the quarter. There was no materially negative company specific news in the period. Verisk reported solid Q1 2025 earnings and CEO Lee Shavel sounded upbeat about the company's growth potential. We maintain conviction in the competitive positioning, long-term growth, margin expansion, and capital deployment prospects for the business.

Performance in Communication Services was hindered by another private investment, AI and social media company **X.AI Holdings Corp.** (xAI), whose share price was unchanged in the period, causing a 50-plus basis point drag on relative performance. We also value xAI based on recent share transactions. Real estate information and marketing services platform **CoStar Group, Inc.** was responsible for most of the relative losses in Real Estate. The company's recent performance has been tempered by significant investment in its residential product, Homes.com, and mixed net new sales. We remain encouraged by growth in both traffic and brand awareness for the new product and are optimistic that momentum will build as the company expands its dedicated residential sales force, enhances its customer targeting, and potentially benefits from changes in Multiple Listing Service practices. Growth in CoStar's non-residential business also appears poised to accelerate as the sales team refocuses on core offerings—a trend we expect to continue as headcount increases by 20% or more this year. We believe the value of CoStar's core non-residential business alone exceeds the current share price of the stock, suggesting that investors are ascribing little value to the long-term residential opportunity.

Somewhat offsetting the above were favorable impacts from active sector weights, which contributed approximately 125 basis points of relative gains. The Fund benefited from being underexposed to the lagging Energy, Consumer Discretionary, Consumer Staples, and Materials sectors.

Top contributors to performance for the quarter

	Year Acquired	Contribution to Return (%)
IDEXX Laboratories, Inc.	2006	1.55
Amphenol Corporation	2019	1.47
Guidewire Software, Inc.	2013	1.46
Quanta Services, Inc.	2023	0.96
Spotify Technology S.A.	2024	0.57

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** gained after reporting better-than-expected financial results. Although foot traffic into veterinary clinics in the U.S. remained depressed, management's excellent execution enabled the company to maintain strong performance. We believe IDEXX's dominant competitive position remains unchallenged, and we expect new proprietary testing equipment and diagnostic solutions

will meaningfully contribute to growth in 2025 and beyond. We see increasing evidence that long-term secular trends around pet ownership and pet care spending have structurally accelerated. We expect this to lead to a reacceleration in veterinary visits, which should support IDEXX's long-term growth rate.

**Amphenol Corporation**, a leading global supplier of advanced interconnect systems, contributed to performance during the quarter. The company reported robust results in April, with organic growth exceeding its prior guidance primarily because of strength in its data center end market. Shares continued to perform well as investors became more optimistic about increased capital spending on data infrastructure, partly driven by AI-related investments. We view Amphenol as a best-in-class industrial technology company with a strong track record of creating value through both organic and inorganic growth over time.

Shares of property and casualty (P&C) insurance software vendor **Guidewire Software, Inc.** gained on strong fiscal Q3 2025 financial results and an upward revision to its full-year earnings guidance. The company's annual recurring revenue (ARR) continued to benefit from new customer wins and migrations of its existing customer base to InsuranceSuite Cloud. We expect the company to shift R&D resources from infrastructure investment to product development, which should help drive cross-sales into its sticky installed base and potentially accelerate ARR growth over time. We are further encouraged by Guidewire's subscription-based gross margin expansion, which improved by more than 600 basis points in the most recently reported quarter. We believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing a large share of a potential \$30 billion total addressable market while generating margins above 40%.

#### Top detractors from performance for the quarter

	Year Acquired	Contribution to Return (%)
Arch Capital Group Ltd.	2003	(0.28)
The Cooper Companies, Inc.	2014	(0.24)
Bio-Techne Corporation	2015	(0.23)
Gartner, Inc.	2007	(0.23)
Mettler-Toledo International Inc.	2008	(0.22)

Specialty insurer **Arch Capital Group Ltd.** gave back some of its gains from earlier in the year, following slower growth and broader weakness across insurance stocks during the second quarter. In the company's first quarter, premium growth fell below Wall Street forecasts and slowed relative to the prior quarter because of rising competition and lower pricing in certain business lines. Even so, earnings exceeded expectations because of stronger underwriting margins and a lower corporate tax rate. We continue to hold shares because of Arch's strong management team and our expectation for significant growth in earnings and book value per share over time.

**The Cooper Companies, Inc.** (CooperCompanies) is a global medical device company with two business units: CooperVision, a leading manufacturer of soft contact lenses; and CooperSurgical, focused on women's health care and fertility. The stock detracted from performance following mixed fiscal Q2 results. While CooperCompanies' 7% organic growth rate exceeded expectations, the results were overshadowed by management's acknowledgment of softening contact lens end markets due to macroeconomic headwinds and tighter channel inventories across the industry. Still, CooperCompanies maintained its expectation to outpace the market by approximately 150 basis points in fiscal 2025, driven by robust contact lens demand and stable pricing. Management cited ongoing margin expansion as another bright spot and projected continued strength throughout the year due to efficiency gains and favorable product mix. The global contact lens market benefits from long-term secular trends, including sustained demand for premium lenses, and CooperCompanies, which offers the industry's broadest portfolio of specialty lenses, continues to gain share.

**Bio-Techne Corporation** is a leading developer and manufacturer of reagents, instruments, and services for the life sciences research, diagnostics, and bioprocessing markets. Its stock fell due to weakness in academic research spending following cuts to National Institutes of Health (NIH) funding. The U.S. academic research market accounts for roughly 12% of Bio-Techne's revenue, with about half of that tied to NIH grants. Broader biotechnology funding has also been soft amid policy uncertainty and weak capital markets. As a result, management guided to low single-digit organic revenue growth for the June quarter, down from its prior expectation of high single-digit growth. While the challenging environment for U.S. academic research may persist in the near-term, we retain conviction in the stock. Bio-Techne's overall exposure to this end market remains limited, and we believe the current valuation is attractive.

#### Portfolio Structure

As of June 30, 2025, the Fund held 53 positions. The Fund's 10 largest holdings represented 49.1% of net assets, and the 20 largest represented 71.5%. The Fund's largest weighting was in the IT sector at 27.6% of net assets. This sector includes application software companies, IT consulting firms, and electronic components companies. The Fund held 22.3% of its net assets in the Industrials sector, which includes investments in research & consulting services businesses, aerospace & defense firms, and construction & engineering companies. The Fund held 14.3% of its net assets in the Health Care sector, which includes investments in life sciences companies and health care equipment, technology, and supplies companies. The Fund also had significant weightings in Financials at 12.9% and Consumer Discretionary at 7.8%.

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 (%)
Gartner, Inc.	2007	2.9	31.1	295.2	7.2
Guidewire Software, Inc.	2013	2.8	19.8	265.3	6.5
IDEXX Laboratories, Inc.	2006	2.5	43.1	261.5	6.4
Verisk Analytics, Inc.	2009	4.0	43.6	224.7	5.5
Space Exploration Technologies Corp.	2020	47.0	349.1	208.2	5.1
CoStar Group, Inc.	2016	5.0	33.9	173.4	4.2
Arch Capital Group Ltd.	2003	0.9	34.1	171.8	4.2
Amphenol Corporation	2019	26.2	119.4	161.3	3.9
Roper Technologies, Inc.	2011	7.4	60.9	129.3	3.1
Fair Isaac Corporation	2020	12.1	44.5	128.0	3.1

## Recent Activity

### Top net purchases for the quarter

	Quarter End Market Cap (\$B)	Net Amount Purchased (\$M)
Samsara Inc.	22.6	22.0
LPL Financial Holdings Inc.	30.0	17.2
DraftKings Inc.	21.3	7.5
MSCI Inc.	44.8	3.4
Procore Technologies, Inc.	10.2	1.7

**Samsara Inc.** was a new addition to the Fund during the quarter. The company provides a cloud-based software platform for commercial vehicle telematics, video-based driver safety, driver workflow automation, and industrial equipment monitoring. Its software collects and analyzes data from sensors and cameras installed in its customers' commercial trucks, construction equipment, warehouses, and other assets, helping companies visualize and improve the state of their operations. More than 20,000 customers in the transportation, field services, construction, utilities, and other industries have adopted Samsara, and the company recently became one of the fastest software companies ever to reach \$1.5 billion in ARR.

Samsara has been winning share from competitors in the \$51 billion market for connected fleet software because of its superior cloud native architecture, ability to address multiple use cases in a single platform, and its rapid product release cycle. Importantly, as Samsara continues to expand its connected asset base, we believe

it is building an unmatched data asset that drives better outcomes for its customers relative to its competitors. Capturing more than 14 trillion data points from over 80 billion miles driven spanning roughly 99% of major U.S. roads, Samsara uses AI to help companies optimize their vehicle routes, prevent accidents, improve asset utilization, conduct predictive maintenance, and lower insurance premiums. In fiscal year 2025, across its customer base, the company prevented 250,000 accidents and reduced carbon emissions by 3 billion pounds. Seeing a fast and tangible return on investment, customers have renewed and expanded their Samsara subscriptions at a healthy rate.

We anticipate a long runway for growth as Samsara expands into existing accounts and wins new customer logos. Samsara is less than 50% penetrated in its existing customers' vehicle fleets and has a significant opportunity to cross-sell newer non-vehicle products (which already account for more than \$200 million of ARR) into its base. The company has also increased its customer count by approximately 20% year-over-year every quarter and identified hundreds of thousands of potential new accounts to win. As it has scaled, Samsara has delivered healthy operating leverage, and we think free cash flow margins can expand to more than 20% longer term.

The Fund established a position in **LPL Financial Holdings Inc.**, the largest independent broker-dealer (IBD) in the U.S. LPL uses technology to help independent financial advisors run their practices more efficiently and service their clients more successfully. LPL should continue to benefit from secular growth in the demand for financial advice, and a shift among financial advisors away from large wire houses towards independent practices. We believe LPL, as the largest IBD, is well placed to continue gaining market share, as it offers its advisors high-quality technology, a range of affiliation models, and best-in-class financial incentives.

LPL invests more than its competitors in developing the technologies that allow advisors to run their practice smoothly. The company has also developed a range of possible outsourcing relationships for advisors to choose among, allowing a high degree of flexibility as they transition their practices to independence. LPL's scale allows it to spread their costs over a \$1.5 trillion-plus asset base. LPL then uses its superior scale to pay industry-leading economics to its advisors, who can earn payouts of over 90% of the revenue they generate. The combination of these benefits enables LPL to continue recruiting more assets onto its platform, which in turn reinforces these scale advantages. LPL also benefits from the long-term trend of rising asset prices, which grows its base of assets under management.

We believe that LPL is well positioned to continue winning new advisors and asset inflows. As it leverages its scale to continue developing its advisor offerings, LPL is gaining share in a growing market. With low teens asset growth and ongoing margin expansion, we believe that LPL can grow EBITDA at a mid-teens rate, and coupled with share repurchases, compound earnings per share at a high teens rate for an extended period.

**Top net sales for the quarter**

	Quarter End Market Cap (\$B)	Net Amount Sold (\$M)
Mettler-Toledo International Inc.	24.4	40.8
The Charles Schwab Corporation	170.4	26.4
West Pharmaceutical Services, Inc.	15.7	18.9
Gartner, Inc.	31.1	15.5
IDEXX Laboratories, Inc.	43.1	15.4

We managed down the Fund's weightings in several of our largest longtime holdings, including precision instruments provider **Mettler-Toledo International Inc.**, brokerage **The Charles Schwab Corporation**, injectable drug administration leader **West Pharmaceutical Services, Inc.**, IT research firm **Gartner, Inc.**, and veterinary diagnostics company **IDEXX Laboratories, Inc.**

**Outlook**

The Fund demonstrated strong outperformance during the first quarter of this year amid a sharp downdraft in the equity markets. Many of the factors cited for the markets' pullback - highly volatile U.S. tariff policies, concerns over the federal deficit, rising interest rates, a weakening dollar, geopolitical uncertainty, and extended valuations among the perceived beneficiaries of AI - remain largely unchanged. Yet, investors chose to discount those same concerns this past quarter.

The types of businesses we favor – high-quality companies that benefit from long-term secular growth drivers with highly visible and

growing earnings streams – did not perform as well as businesses that we believe to be more speculative and, in many cases, too highly valued to merit investment. This ongoing dynamic has predominated in equity markets throughout the past two- and-a-half years, contributing to among the most challenging periods for the Fund's investment approach in its nearly 40-year history.

Although we do not make investments predicated upon our view of changing macroeconomic or market developments, we remain confident that the types of businesses we own will soon be better appreciated - and more appropriately valued - by investors. The dynamic whereby particular types of stocks move in and out of favor has occurred often throughout the Fund's long history. We believe that our businesses' growth opportunities and competitive positions have continued to improve, while their absolute and relative valuations have become more compelling.

Sincerely,



Andrew Peck  
Portfolio Manager

- <sup>1</sup> 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.
- <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> For the period December 31, 1987 to December 31, 2024.
- <sup>5</sup> 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](http://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.

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

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. **Beta** explains common variation in stock returns due to different stock sensitivities to market or systematic risk that cannot be explained by the US Country factor. Positive exposure indicates high beta stock. Negative exposure indicates low beta stock.

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