

Baron FinTech Fund®

Retail Shares: BFINX | Institutional Shares: BFIIX | R6 Shares: BFIUX



Josh Saltman
Portfolio Manager

Dear Baron FinTech Fund Shareholder,

Performance

In the quarter ended June 30, 2025, Baron FinTech Fund® (the Fund) rose 9.26% (Institutional Shares) compared with a 13.82% gain for the FactSet Global FinTech Index (the Benchmark). Since inception, the Fund has risen at a 12.53% annualized rate compared with 4.55% for the Benchmark.

U.S. equity markets managed gains in a period of heightened volatility. Risk-off sentiment early in the quarter centered around President Trump’s “Liberation Day” tariff announcement on April 2, which market observers viewed as more severe than expected and likely to slow economic growth and boost inflation. Equity indices quickly fell by double-digit rates before bottoming on April 8. Markets subsequently rebounded after Trump paused most tariffs to allow for negotiations and China and U.S. officials agreed to a de-escalation of tariffs. Other market catalysts were resilient corporate earnings, dovish Federal Reserve commentary following muted inflation readings, positive AI news, improving consumer sentiment, and a rebound in M&A and IPO activity. The sudden Israel-Iran war threatened to upend market momentum, but a ceasefire was quickly brokered and the market resumed its advance to close the quarter at a record high.

Large-cap stocks outperformed mid- and small-caps during the quarter and are ahead for the year as well. The Magnificent Seven complex resumed its leadership role during the quarter, accounting for most of the S&P 500 Index’s gains. The group appreciated more than 20% in the period, outpacing the 10.9% gain for the Index and the 6.9% gain for all stocks in the Index outside of the Magnificent Seven. Small caps remain in negative territory this year, down 2%, while larger-cap stocks are up about 6%, having recovered all losses from early in the year. Growth outperformed value across all market caps during the quarter. Growth is now outperforming this year,

Annualized performance (%) for period ended June 30, 2025¹

	Fund Retail Shares ^{1,2}	Fund Institutional Shares ^{1,2}	FactSet Global FinTech Index ¹	S&P 500 Index ¹	MSCI ACWI Index ¹
3 Months ³	9.20	9.26	13.82	10.94	11.53
6 Months ³	7.69	7.82	5.26	6.20	10.05
1 Year	27.43	27.74	23.24	15.16	16.17
3 Years	20.08	20.36	13.49	19.71	17.35
5 Years	10.36	10.63	4.98	16.64	13.65
Since Inception (12/31/2019)	12.26	12.53	4.55	14.37	11.02

representing a meaningful turnaround from the end of March when value was ahead by a wide margin. Beyond the U.S., both developed and emerging market equities were up double digits for the quarter.

During the second quarter, the Fund rose more than 9% but trailed the Benchmark and the S&P 500 Index. Underperformance versus the Benchmark was driven by stock selection in Information Services, Payments, and Tech-Enabled Financials. Challengers outperformed Leaders by a wide margin (up 24% versus up 5%, respectively), which weighed on relative performance given the Fund’s lower exposure to Challengers. The Fund’s lack of exposure to the Magnificent Seven was a headwind to performance against the broader market as was the Fund’s high exposure to Financials given the sector trailed the broader Index by more than 5% in the period.

Weakness in Information Services was widespread, led by poor performance from data and analytics companies **Fair Isaac Corporation** (FICO) and **Verisk Analytics, Inc.** FICO’s shares

Performance listed in the above table is net of annual operating expenses. The gross annual expense ratio for the Retail Shares and Institutional Shares as of April 30, 2025 was 1.56% and 1.13%, respectively, but the net annual expense ratio was 1.20% and 0.95% (net of the Adviser’s fee waivers), 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 waives and/or reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2035, 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 or call 1-800-99-BARON.

underperformed due to regulatory pressure from the Federal Housing Finance Agency, with new director Bill Pulte criticizing the price of FICO scores in the conforming mortgage market. Rising interest rates and the potential ramifications for lending activity also pressured the stock. Verisk's shares lagged alongside other defensive stocks during the quarter despite solid quarterly earnings and upbeat management commentary. Financial exchanges and data providers **S&P Global Inc.**, **MSCI Inc.**, **Moody's Corporation**, and **Morningstar, Inc.** were other detractors in the category, likely reflecting a market rotation into more speculative stocks.

The principal detractor in Payments was **Fiserv, Inc.**, a global payments and bank technology provider. Fiserv's shares fell after reporting weaker-than-expected earnings results and slowing payment volumes for Clover, its small business payments platform. Global payment networks **Visa Inc.** and **Mastercard Incorporated** were up slightly but underperformed on a relative basis after performing well earlier in the year. Underperformance reflected concerns about the competitive threat from stablecoins given the blowout returns of stablecoin issuer Circle Internet Group following its IPO in June. We believe such concerns are overdone and remain confident in the networks' growth prospects and competitive advantages.

Performance in Tech-Enabled Financials was hindered by declines from our insurance holdings, including **The Progressive Corporation** and **Arch Capital Group Ltd.** Insurance stocks gave back some of their gains from earlier in the year, partially reflecting a market rotation into more speculative stocks and away from defensive sectors like insurance. In addition, insurance pricing trends are softening after a nearly five-year "hard market" period with rising prices and expanding margins. While remaining focused on the long-term growth prospects and competitive advantages of our insurance holdings, we are also mindful of the cyclicity of the insurance sector and have trimmed our exposure following an extended period of outperformance.

Somewhat offsetting the above was higher exposure to Capital Markets, where financial services platform **Robinhood Markets, Inc.** and online brokerage firm **Interactive Brokers Group, Inc.** performed well. Robinhood was the largest overall contributor due to heightened market volatility and strong underlying performance of equities and cryptocurrencies. The company also announced new products in the crypto space, including tokenized trading of U.S. stocks and private assets, expanding its total addressable market. Interactive Brokers' performance was driven by strong quarterly results and a rebound in equity markets.

Solid stock selection in E-Commerce coupled with higher exposure to this better performing theme also added to performance. Strength in E-Commerce came from Latin American e-commerce platform **MercadoLibre, Inc.**, whose share price was lifted by better-than-expected results across gross merchandise volume, total payment volume, revenue, and operating margins.

Top contributors to performance for the quarter

	Contribution to Return (%)
Robinhood Markets, Inc.	1.59
MercadoLibre, Inc.	1.42
Intuit Inc.	1.03
Guidewire Software, Inc.	0.99
Interactive Brokers Group, Inc.	0.95

Robinhood Markets, Inc., a provider of commission-free trading and investing tools, contributed to performance. The stock benefited from higher trading activity amid elevated market volatility and strong performance across both equity and cryptocurrency markets. The company continues to gain share in a large and growing market, with customer assets of \$255 billion up 89% from a year ago. In addition, Robinhood announced new crypto-related products—including tokenized trading of U.S. stocks and private assets—broadening its addressable market and further boosting investor sentiment. We continue to own the stock due to its long-term earnings potential, driven by strong account growth, rising client assets, and rapid pace of product innovation.

MercadoLibre, Inc., the leading e-commerce marketplace and fintech provider in Latin America, contributed to performance during the quarter. The company reported strong quarterly results with revenue up 37% and EPS up 44%. Margin outperformance was driven by faster revenue growth in Argentina, where the company earns its highest margins. Management cited a more favorable macroeconomic backdrop in Argentina as lower interest rates boost credit demand, reduce funding costs, and promote higher consumption. These gains offset higher spending on new distribution centers and growth in the company's credit card portfolio. Across its Latin American markets, MercadoLibre continues to gain share with gross merchandise volume up 40% and total payment volume up 72% on a constant currency basis. We continue to view MercadoLibre as a leading beneficiary of the secular growth of e-commerce and digital banking in Latin America.

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares rose after the company reported better-than-expected quarterly results and raised its annual guidance. In the most recent quarter, revenue grew 15% and earnings per share grew 18%, with TurboTax revenue exceeding Street expectations due to greater adoption of higher-priced Live assisted services. Revenue growth remained strong in the small business segment despite macroeconomic concerns, and the Credit Karma segment also delivered rapid growth. We continue to own the stock due to Intuit's strong competitive position and numerous growth opportunities.

Top detractors from performance for the quarter

	Contribution to Return (%)
Fiserv, Inc.	(0.82)
The Progressive Corporation	(0.26)
Clearwater Analytics Holdings, Inc.	(0.18)
Tradeweb Markets Inc.	(0.17)
Intapp, Inc.	(0.17)

Global payments company **Fiserv, Inc.** detracted from performance after reporting weaker-than-expected earnings results and slower payment volume growth from its important Clover product. Clover enables small businesses to accept payments and manage operations through integrated software, hardware, and capital offerings, making it more comprehensive than a standard payment acceptance service. While Clover's revenue grew at a healthy 20% rate, investors were concerned that the deceleration in payment volume signaled rising competitive pressures. Challenging year-over-year comparisons and the timing of Easter played a role, but management did not clearly address these dynamics, which added to investor unease. Despite softer volumes, we believe Clover remains well positioned, supported by channel checks that indicate strong customer satisfaction and appropriate pricing. We expect Clover to continue gaining market share and Fiserv to compound EPS at a double-digit rate over many years.

Shares of leading auto insurance company **The Progressive Corporation** fell during the quarter. Progressive is experiencing a "Goldilocks" moment, with strong performance across key metrics. In the June quarter, policies in force grew 15%, earned premiums grew 18%, and the underwriting margin of 14% far exceeded the company's 4% long-term target. However, competition is heating up as peers achieve rate adequacy and advertise more aggressively. Investors have become increasingly concerned that Progressive's premium growth and margins will moderate, weighing on sentiment and contributing to the stock's underperformance. While the backdrop for earnings growth may become more challenging, we remain shareholders given Progressive's strong fundamentals and best-in-class execution. We continue to view Progressive as a superior operator that's well positioned to gain market share while maintaining a disciplined underwriting approach.

Clearwater Analytics Holdings, Inc. provides portfolio accounting and reporting software. While the company reported strong quarterly earnings and its business fundamentals remain solid, shares fell as investors sought evidence that management can successfully integrate its three recent acquisitions without disrupting the core business. Insider selling also weighed on sentiment, but that overhang now appears largely resolved. We believe Clearwater has meaningful competitive advantages and the potential to grow revenue at a high teens to 20% rate for several years. The company has an efficient business model that should drive 40%-plus adjusted EBITDA margins over time.

Portfolio Structure

We seek to invest in competitively advantaged, growing fintech companies for the long term. We invest in companies across all market capitalizations and geographies. The quality of the ideas and level of conviction determine the position size of each investment.

As of June 30, 2025, the Fund held 46 positions (37 excluding those smaller than 1%). The Fund's 10 largest holdings represented 40.9% of net assets, and the 20 largest holdings represented 67.8% of net assets. International stocks represented 11.5% of net assets. The market capitalization range of the investments in the Fund was \$804 million to \$704 billion with a median of \$34 billion and a weighted average of \$124 billion. The Fund's active share versus the Benchmark was 88.0%.

We segment the Fund's holdings into seven investment themes. As of June 30, 2025, Tech-Enabled Financials represented 28.0% of net assets, Information Services represented 20.9%, Enterprise Software represented 15.8%, Capital Markets represented 14.7%, Payments represented 11.4%, E-Commerce represented 6.5%, and Digital IT Services represented 0.5%. Relative to the Benchmark, the Fund remains underweight in Enterprise Software, Payments, and Hardware, and has overweight positions in Tech-Enabled Financials, Capital Markets, E-Commerce, Information Services, and Digital IT Services.

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 June 30, 2025, Leaders represented 70.8% of net assets and Challengers represented 26.9%, 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 (%)
MercadoLibre, Inc.	2020	53.7	132.5	3.5	4.6
Visa Inc.	2020	376.2	703.8	3.4	4.5
S&P Global Inc.	2020	67.9	165.5	3.3	4.4
Mastercard Incorporated	2020	306.1	510.3	3.2	4.3
LPL Financial Holdings Inc.	2021	12.9	30.0	3.2	4.3
Intuit Inc.	2020	69.3	219.7	3.2	4.2
Guidewire Software, Inc.	2020	9.1	19.8	3.1	4.2
Tradeweb Markets Inc.	2020	11.1	32.0	2.8	3.7
Interactive Brokers Group, Inc.	2023	33.8	94.3	2.5	3.3
KKR & Co. Inc.	2024	88.9	118.5	2.4	3.2

Fund investments in GICS sub-industries

	Percent of Net Assets (%)
Financial Exchanges & Data	19.9
Application Software	15.9
Investment Banking & Brokerage	15.0
Transaction & Payment Processing Services	15.0
Property & Casualty Insurance	6.5
Research & Consulting Services	4.9
Asset Management & Custody Banks	4.8
Broadline Retail	4.6
Diversified Financial Services	3.0
Diversified Banks	2.4
Internet Services & Infrastructure	1.9
Insurance Brokers	1.3
Life & Health Insurance	1.0
Real Estate Services	1.0
IT Consulting & Other Services	0.5
Cash and Cash Equivalents	2.3
Total	100.0*

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

Recent Activity

We added one new position during the quarter and made minor changes elsewhere. Below we discuss some of our top purchases and sales.

Top net purchases for the quarter

	Quarter End Market Cap (\$B)	Net Amount Purchased (\$K)
The Charles Schwab Corporation	170.4	662.7
CME Group, Inc.	99.3	535.3
Alkami Technology Inc.	3.1	474.6
Ategrity Specialty Holdings LLC	1.0	391.3
Clearwater Analytics Holdings, Inc.	6.2	115.2

During the quarter, we invested in the IPO of **Ategrity Specialty Insurance Company Holdings**, a provider of property & casualty insurance to small businesses in the excess and surplus lines (E&S) market. In contrast to the heavily regulated admitted market, the E&S market gives insurers more flexibility on policy terms and pricing, enabling more profitable underwriting of non-standard risks. Ategrity solely operates in the E&S market, similar to existing Fund holding **Kinsale Capital Group, Inc.** The market for small business insurance tends to be less competitive than the large business segment since most insurers can't serve small businesses in a cost-efficient manner. By contrast, Ategrity profitably serves this segment by using data and automation to more efficiently ingest new policy submissions, segment risks, and quote prices. This enables Ategrity to underwrite small business policies in a high-speed, low-touch manner, which

also makes the company an attractive partner to insurance brokers who value timely quotes.

With less than 1% share of the E&S market, Ategrity has a long runway for growth. Ategrity has been growing written premiums at over 20% per year while ceding over 30% of its business to outside reinsurers. Post-IPO the company will be over-capitalized and will retain more of the business that it generates, resulting in faster growth in earned premiums and higher margins from a lower expense ratio. We purchased the stock at 1.5 times book value and less than 10 times our EPS estimate for next year, a discount to peers and providing significant upside from earnings growth and multiple expansion.

We added to our position in discount broker **The Charles Schwab Corporation** as the company continues to rebound from challenges related to higher interest rates and regional banking failures two years ago. The balance sheet is improving as client inflows and cash generation enable the repayment of short-term funding, resulting in lower funding costs and a higher net interest margin. In the recent quarter, revenue grew 25% and EPS grew 56% with 14% growth in client assets. We expect earnings growth to remain elevated over the next several years.

We also added to financial exchange operator **CME Group, Inc.** during the quarter. The company benefits from higher trading volumes during periods of market volatility, making the stock a unique portfolio diversifier. Over the long term, the company benefits from global capital markets expansion, increasing demand for risk management tools, and bank capital requirements that favor CME's centrally cleared securities over non-cleared OTC products. CME has significant competitive advantages due to its proprietary products, deep liquidity pools, and capital efficiencies for its customers. These advantages lead to high margins, low capital intensity, and strong capital returns to shareholders. Given the uncertain path of inflation and interest rates, we believe demand for CME's financial derivatives should remain firm. The company's average daily trading volume increased 15% year-to-date as of June 30. While easing market volatility may cause trading activity to slow from record high levels, we believe CME provides an attractive hedge against tariff- and macro-related uncertainty. We also believe concerns about competition from an upstart derivatives exchange are overblown and created an attractive entry point to increase our position.

Top net sales for the quarter

	Quarter End Market Cap (\$B)	Net Amount Sold (\$M)
Fiserv, Inc.	95.6	1.5
The Progressive Corporation	156.4	0.5
Accenture plc	187.3	0.2
Arch Capital Group Ltd.	34.1	0.2
Globant S.A.	4.0	0.1

We reduced our position in **Fiserv, Inc.** due to a slowdown in Clover payment volumes and higher execution risk from the recent CEO transition. We trimmed **The Progressive Corporation** as the company laps a cyclical peak in growth and margins. We also trimmed

Accenture plc due to slow growth and longer-term concerns about the impact of generative AI on the business model.

Outlook

The economic outlook is rosier today than it was three months ago when financial markets were awash in fear, uncertainty, and doubt. As trade deals begin to take shape, companies can incorporate tariffs into their plans and investors can adjust their expectations accordingly. Alongside positive trade developments, equity markets have rebounded and volatility has cooled. Unemployment remains low and card payment volume trends are stable, which bode well for our consumer finance and payment companies. Rising asset prices and steady interest rates support our retail broker and asset manager holdings, while easing inflation and improving corporate confidence should support our capital markets businesses.

Throughout the volatility of the first six months of the year, we made limited changes to the portfolio and remained fully invested. As discussed in last quarter's letter, we construct the portfolio with an expectation of economic fluctuations and invest in companies that will thrive over a full economic cycle. In financial markets, we know that the only certainty is uncertainty, which is why we can confidently hold our positions during inevitable market pullbacks. We believe the Fund is more diversified with less correlation across our holdings than most other sector funds. This means that some positions will do well in risk-on markets like what we saw in the second quarter, while others will thrive in risk-off markets like what we saw in the first quarter. We don't try to predict the future but rather focus our efforts on investing in competitively advantaged growth companies in the attractive fintech sector that we expect will outperform over time.

IPOs have returned after a multi-year dry spell, including several in the financial services and fintech space. Stablecoin issuer Circle Internet Group was by far the standout, with shares rising well above its offering price due to excitement over the growth potential of stablecoins and greater regulatory clarity for cryptocurrencies. Other notable financial and fintech IPOs this quarter included Chime (a digital banking and payments company), eToro (a European online broker), Aspen Insurance (a property and casualty insurer), Slide Insurance (a Florida homeowners' insurer), and **Ategrity Specialty Insurance Company Holdings** (a specialty property and casualty insurer). We evaluated all of these opportunities and remain highly selective. The pipeline of private companies looking to go public is full, and we expect additional IPOs in the months ahead.

Thank you for investing in the Fund. We remain significant shareholders alongside you.

Sincerely,



Josh Saltman
Portfolio Manager

¹ 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.

¹ 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 **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. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The MSCI ACWI Index and the Fund include reinvestment of dividends, net of withholding taxes, while the FactSet Global Fintech 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.

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.

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.

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Active Share a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark.

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