



QUARTERLY LETTER | JUNE 30, 2025

Baron Opportunity Fund[®]

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

Dear Baron Opportunity Fund Shareholder,

Performance

During the second quarter, Baron Opportunity Fund[®] (the Fund) posted solid gains, increasing 23.27% (Institutional Shares), outperforming the Russell 3000 Growth Index (the Benchmark), which gained 17.55%, and the S&P 500 Index, which advanced 10.94%. For the first half of 2025, the Fund appreciated 8.52%, beating both the Benchmark and the S&P 500 Index, which gained 5.80% and 6.20%, respectively.

Review and Outlook

Market Backdrop

Last quarter I wrote that the short-term market is a confidence game and subject to swings in investor sentiment. This quarter, with the potent cocktail of the tariff pause and the steady advancement of AI, investor optimism was reinvigorated.

Despite declining by double digits in early April, all major U.S. indexes rebounded to finish in positive territory for the quarter. Risk-off sentiment to start the period centered around President Trump's April 2 tariff announcement, which Wall Street strategists viewed as more severe than expected and likely to slow economic growth, boost inflation, and increase the odds of a recession. The S&P 500 Index fell more than 12% over the next four trading days, nearly entering bear market territory from its all-time high in February (down almost 19%). The technology-heavy NASDAQ Composite Index officially entered a bear market on this retreat. After bottoming on April 8, U.S. equities rebounded due to positive trade developments. On April 9, President Trump announced a 90-day pause on most reciprocal tariffs to allow for negotiations. China was the only country excluded from the pause, but U.S. and Chinese officials eventually agreed to a de-escalation of tariffs on May 12, alleviating investor concerns and contributing to additional market gains. Other market catalysts included resilient corporate earnings



Michael Lippert
Portfolio Manager

Annualized performance (%) for period ended June 30, 2025[†]

	Fund Retail Shares ^{1,2}	Fund Institutional Shares ^{1,2,3}	Russell 3000 Growth Index ¹	S&P 500 Index ¹
3 Months ⁴	23.20	23.27	17.55	10.94
6 Months ⁴	8.40	8.52	5.80	6.20
1 Year	26.09	26.37	16.89	15.16
3 Years	28.30	28.61	25.07	19.71
5 Years	15.99	16.28	17.55	16.64
10 Years	18.02	18.33	16.38	13.65
15 Years	17.01	17.32	17.13	14.86
Since Inception (2/29/2000)	10.21	10.39	7.77	8.15

amid tariff-driven pressures, dovish Federal Reserve commentary following muted May inflation, improving consumer sentiment, a ramp in M&A and IPO activity, and AI tailwinds from NVIDIA Corporation's strong earnings results.

Performance

We continue to manage the Fund with an unwavering focus on “where the world is headed, not where it's been”—capitalizing on powerful secular growth trends that disrupt industries and drive sustained, high-impact opportunities. Transformative secular trends—such as AI; autonomous transportation; robotics; digital commerce, media, finance; advanced therapeutics, and minimally invasive surgery—will shape the future and drive long-term investment returns. This relentless approach and our investments across these trends yielded strong investment returns during the second quarter, with the Fund

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of January 28, 2025 was 1.31% and 1.05%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser may waive or reimburse certain Fund expenses pursuant to a contract expiring on August 29, 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.

closing the period up over 23%, beating the Benchmark by 572 basis points, with relative strength coming primarily from stock selection.

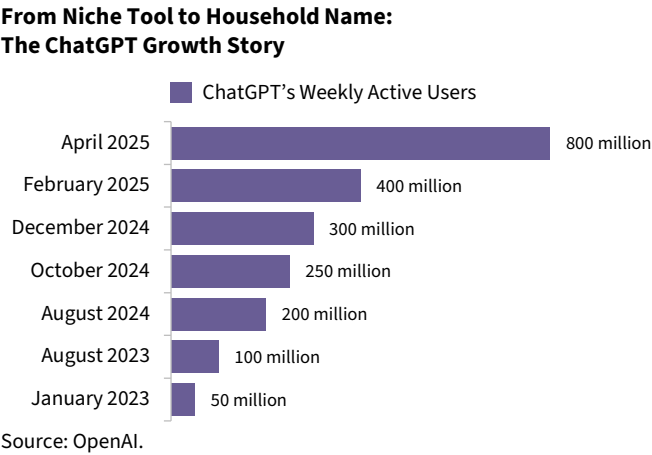
Our Information Technology (IT) investments accounted for about 90% of Fund outperformance in the period, with over 90% of our IT outperformance resulting from stock selection. Within IT, our semiconductor and systems software investments—semiconductor businesses **Broadcom Inc.**, **indie Semiconductor, Inc.**, **NVIDIA Corporation**, and **Taiwan Semiconductor Manufacturing Company Limited**, and systems software companies **Cloudflare, Inc.**, **Zscaler, Inc.**, and **Snowflake Inc.**—led the way. Our strong IT stock selection was further enhanced by the Fund’s meaningfully lower exposure to **Apple Inc.**, which significantly lagged during the period. Other top relative contributors were a diverse set of digital services leaders, including **Spotify Technology S.A.**, the world’s most popular music and audio streaming service; **Duolingo, Inc.**, a leading language-learning application; and **Hinge Health, Inc.**, an innovative digital health care company that automates care for joint and muscle health, whose IPO we participated in during the period.

Techology and AI Highlights

Trump Administration. In our last letter, despite heightened uncertainty about tariffs and AI-related trade restrictions, we wrote: “The Trump administration’s words and actions...underscore a commitment to prioritizing AI for national and economic security and a broader goal of maintaining U.S. AI leadership.” On May 7, the administration announced its intention to rescind the Biden administration’s AI Diffusion rule, with a spokesperson saying it would be replaced with “a much simpler rule that unleashes American innovation and ensures American AI dominance.” Earlier in the second quarter, the administration sent mixed signals by banning NVIDIA from selling its H20 low-end AI chip to China, but just this week NVIDIA announced that it had received assurances from the U.S. government that export licenses for its H20 chips will be granted, with the company expecting to resume shipments “very soon.” Also this week, David Sacks, well known from the All-In podcast, and now the White House AI and Crypto Czar, reiterated the administration’s AI policy goals in a CNBC interview: “President Trump assigned us this mission of winning the AI race and there’s really three ways I think we do that. Number one is innovation. We have to outcompete our global adversaries. There is just no substitute for innovation. You can’t regulate your way to winning the AI race. And in the U.S. innovation is done by the private sector... Number two is AI infrastructure. We have to have the biggest, the most, the best AI infrastructure...The third is AI exports. We have to basically export American technology around the world. We have to make it the global standard. In Silicon Valley we understand that the companies that win are the ones that create the biggest ecosystem. They have the most developers on their platform ... [W]e want American technology to be the global standard. We want the most people using it. We want data centers across the world to be adopting the American technology stack...[W]e want to have a mentality of expanding adoption...of American technology. That’s the way we win the AI race.” We agree with these goals, Sacks’ observations, and the criticality of private sector innovation to win the race.

AI adoption and revenue growth. While we are still in the early innings of AI adoption and revenue generation, some notable examples

show faster growth than ever experienced before in the digital age. ChatGPT has set records for user acquisition: it hit 100 million monthly active users (MAUs) within just two months of its release (by January 2023), and 100 million weekly (not monthly) active users by August 2023, 200 million by August 2024, 400 million by February 2025, and 800 million by April 2025.



In contrast, it took TikTok nine months and Instagram 2.5 years to reach 100 million MAUs. From an AI monetization perspective, some of the pioneers have achieved stunning growth: OpenAI is projected to do more than \$12 billion of revenue in 2025, up from \$2.7 billion in 2024; Anthropic’s revenue run rate has quadrupled since the start of this year, ramping from about \$1 billion to about \$4 billion; and Microsoft reported a total AI revenue run rate of \$13 billion for the December 2024 quarter, growing 175%.

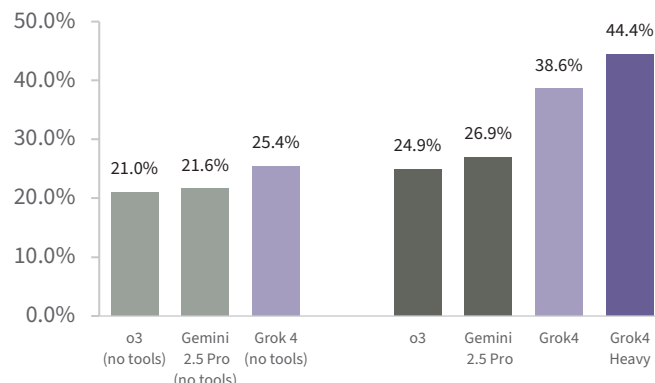
AI ROI. Investors and analysts continue to debate AI’s return on investment as companies like the AI frontier model builders (OpenAI, xAI, Anthropic, and Meta) and the hyperscalers (Microsoft Azure, Amazon Web Services, Google Compute, and Oracle Cloud Infrastructure) continue to invest massive amounts in AI training and inference infrastructure. We believe these companies and their leaders have their eyes on the prize—an immense prize. NVIDIA’s CEO Jensen Huang has pronounced: “No technology has ever had the opportunity to address a larger part of the world’s GDP than AI.” If you are not in the race, you are out of this competition and relegated to watching from the sidelines and becoming disrupted and irrelevant, much like Nokia during the smartphone revolution. Today, even 30 years into the Internet digital era, technology spending only accounts for 5%—about \$5 trillion—of the \$110 trillion of global GDP, with human labor representing about 45% to 50%. The pursuit of Artificial General Intelligence (AGI), which can perform any intellectual task a human can, and Artificial Superintelligence (ASI), which surpasses human intelligence, will disrupt and transform the global economy and “impact every industry” (quoting Jensen again). AI’s leaders understand the prize is in the trillions, not billions.⁵ McKinsey has estimated a long-term AI opportunity of \$4.4 trillion in added productivity growth,⁶ but this strikes us as merely the first fraction of the real 10-to-20-year opportunity. In a recent report Goldman Sachs evaluated the “over \$350 billion in cumulative CapEx spent on the first wave of AI infrastructure to develop Large Language Models (LLMs).” The report calculated \$925

billion in savings from the first wave across the Fortune 500 by 2030 resulting from headcount reductions and employee productivity gains. Goldman cited benchmarks disclosed by large corporations, including JP Morgan planning to cut 10% of Consumer & Community Banking operations headcount over five years; Amazon seeing a smaller corporate workforce in upcoming years; and IBM citing 30% cost savings in its customer service costs tied to the use of chatbots and agents and 40% to 70% reductions in procurement costs from the adoption of AI tools.

Morgan Stanley Q2 2025 CIO Survey. Highlights we found noteworthy: (i) 37% of CIOs expect IT spending to increase as a percentage of total revenue over the next three years versus 11% who expect it to decline, translating to a 3.4 times up-to-down ratio, which is healthy but below recent highs from the Q3 2023 survey; (ii) AI sustained its position at the top of the CIO priority list, followed by cloud computing and security software; (iii) security software remained the most defensive area of IT spend by a wide margin, followed by compliance software, CRM applications, and AI and process automation; (iv) 60% of CIOs expect to have AI-based workloads in production by the end of 2025; and (v) CIOs estimate 68% of application workloads to reside in the public cloud by the end of 2027 (from 44% today).

xAI's Grok 4 release. After being founded by Elon Musk just two-and-a-half years ago, on July 9 xAI released its highly anticipated Grok 4 model, built on the largest coherent AI accelerator (or GPU) cluster in the world. Grok 4 benchmarking showed best-in-class results against leading models from OpenAI, Anthropic, Google, and others. These achievements provide more proof that multiple AI scaling laws remain intact. XAI trained Grok 4 on Colossus, the world's largest compute cluster, with over 200,000 high-performance NVIDIA GPUs all networked together as a single AI training computer. XAI stressed that Grok 4 benefited not only from scaling next-token prediction pretraining to unprecedented levels (100 times more compute than Grok 2), but reinforcement learning (RL)⁷ training that refined Grok's reasoning abilities to new heights (using 10 times more compute than Grok 3). These RL and reasoning capabilities enable Grok to use tools like a code interpreter and web browsing in situations that are usually challenging for LLMs. Grok can use advanced keyword and semantic search tools, run its own queries to find knowledge from across the web, and employ powerful tools to find information from deep within X. On the Grok 4 Livestream, Elon stated that Grok "is the smartest AI in the world;" if given a graduate student GRE exam, "it will get near-perfect results in every discipline of education... from humanities to...languages, math, physics, engineering;" and it "is post graduate PhD level in everything...better than PhD level in every subject...no exceptions." Elon did allow that Grok "at times may lack common sense and has not yet invented new technologies or discover[ed] new physics, but that is just a matter of time." As shown below, Grok achieved unprecedented results on a benchmark called Humanity's Last Exam,⁸ a 2,500 question test across a broad range of subjects. The most knowledgeable human might only score up to 5% on this benchmark, but Grok 4 achieved 25% accuracy with no tools and almost 39% with tools; Grok 4 Heavy, which can use multiple AI agents to derive answers, scored over 44% with tools. Elon described the current tools as "fairly primitive," and said more "powerful tools" would be enabled later this year.⁹

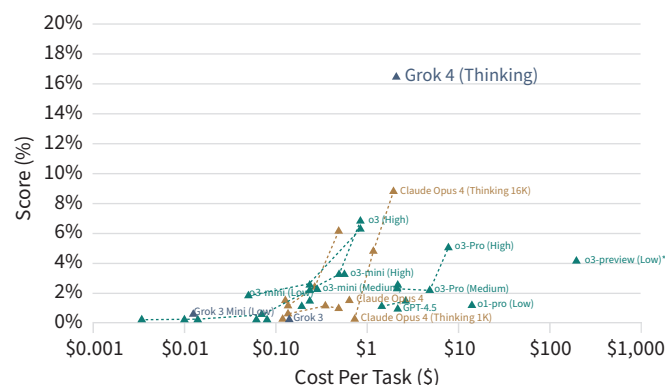
Humanity's Last Exam



Source: xAI.

On another exam, ARC-AGI 2,¹⁰ a benchmark that tests a model's ability to handle reasoning tasks, plotting models based on their score percentage, Grok 4 looks like an outlier, scoring 15.9% (nearly double Anthropic's Cloud Opus 4 model).

ARC-AGI-2 Leaderboard



Source: ARC Prize, Inc.

xAI plans to ramp its AI compute cluster towards 1 million GPUs. Elon emphasized that "we're at the beginning of an immense intelligence explosion...[w]e're at the intelligence big bang," but the "real test" for AI is "reality." Will AI "invent a new technology...improve the design of a car or a rocket or create a new medication...Does the rocket get to orbit? Does the car drive? Does the medicine work?" Elon, who has a history of bold predictions, stated "[Grok] may discover new technologies as soon as later this year and I would be shocked if it has not done so next year...it might discover new physics next year."

Tesla's Robotaxi launch. Starting back in late 2016, Tesla equipped every vehicle it produced with a standardized set of cameras, computing hardware, and communication devices. By the end of the second quarter of 2025, Tesla's fleet had scaled to 7.5 million vehicles, and it had driven over 3.5 billion cumulative miles with Full Self Driving (Supervised). Tesla has been leveraging this data, together with large-scale AI training compute infrastructure and advanced algorithms, to develop its autonomous driving software.¹¹ After years of investment and development, Tesla launched its Robotaxi service in Austin on June 22. This marked a significant step toward the company's long-term goal of operating a large, fully autonomous

ride-hailing network. As expected, the initial rollout was limited in geographic coverage, user base, and fleet size. In less than a month, however, the company more than doubled the original coverage area in Austin. Additionally, on June 27, just five days after the Robotaxi launch, Tesla completed its first fully autonomous vehicle delivery, transporting a new Model Y from the factory directly to a customer.

AI acqui-hires. There are a limited number of people with strong technical AI backgrounds and experience. This has led to a war for talent among the top companies. Social media has near-daily reports of talent leaving one AI player to join another. Recently, there has been a flurry of acqui-hire deals designed to avoid anti-trust scrutiny. These include: (i) Meta’s \$14.8 billion investment in ScaleAI, acquiring a 49% minority nonvoting stake and hiring Scale AI’s CEO, Alexander Wang, to lead Meta’s newly formed Superintelligence team; (ii) Google’s \$2.4 billion deal to hire Windsurf’s leadership team, beating out OpenAI after its \$3 billion acquisition fell apart over Microsoft concerns regarding Windsurf’s intellectual property; (iii) Microsoft’s acqui-hire deal, valued at \$650 million, to land the entire leadership team from Inflection AI and appoint Mustafa Suleyman as CEO of Microsoft AI; and (iv) OpenAI’s \$6.5 billion of iO Products, a startup co-founded by former Apple design chief Jony Ive, underlying OpenAI’s goal of developing a new class of AI devices.

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

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

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

- Digital/other health care: **Eli Lilly and Company**, **Exact Sciences Corporation**, and **Hinge Health, Inc.**
- Software: **The Trade Desk**, **Samsara Inc.**, and **Datadog, Inc.**
- Digital sports gaming/entertainment: **DraftKings Inc.**
- Infrastructure services/solutions: **Quanta Services, Inc.**
- Digital media/entertainment: **Spotify Technology S.A.**
- EVs/autonomous driving/robotics: **Tesla, Inc.**

Top contributors to performance for the quarter

	Contribution to Return (%)
NVIDIA Corporation	4.44
Broadcom Inc.	3.31
Microsoft Corporation	2.45
Spotify Technology S.A.	1.98
Meta Platforms, Inc.	1.36

NVIDIA Corporation is a semiconductor and systems company specializing in compute and networking platforms for accelerated computing. NVIDIA has captured a dominant position in AI infrastructure with a comprehensive portfolio spanning semiconductor accelerators, networking solutions, modular and rack-scale systems, and software. NVIDIA shares rebounded from their first quarter retreat, as signs emerged that the AI cluster buildouts are likely to extend into 2026, with NVIDIA maintaining its leadership. NVIDIA delivered a better-than-feared April 2025 quarter, with data center revenues growing 73% to \$39.1 billion, despite a \$2.5 billion impact from the Trump administration’s H20 China export ban, which would have beaten Street expectations by \$5 billion to \$6 billion if not for the ban. NVIDIA’s new Blackwell chip accounted for \$11 billion in revenue, the fastest ramp in the company’s history. Management provided solid July 2025 quarter guidance, with total revenue expected to grow over \$6 billion sequentially adjusted for the China ban. This guidance stripped out all AI-related revenue contributions from China, effectively de-risking that part of its business. Below are some CEO Jensen Huang highlights from the May earnings call:

- “There are now multiple scaling laws. There’s the pre-training scaling law, and that’s going to continue to scale because we have...data that came from reasoning that are now used to do pre-training. And then the second is post-training scaling law using reinforcement learning human feedback, reinforcement learning AI feedback, reinforcement learning verifiable rewards. The amount of computation you use for post-training is actually higher than pre-training...And the third part, this is the part that you mentioned, is test-time compute or reasoning, long thinking, inference scaling...The amount of tokens generated, the amount of inference compute needed is already 100 times more than the...one-shot capabilities of large language models in the beginning.”
- “And the reason that is so different than data centers of the past is because AI factories are directly monetizable through its tokens generated. And so the token throughput of our architecture being so incredibly fast is just incredibly valuable to all of the companies that are building these things for revenue generation reasons and capturing the fast ROIs.”
- “[G]oing forward, I think it’s fairly safe to say that...almost all software will be infused with AI, all software and all services will be...ultimately based on machine learning, and the data flywheel is going to be part of improving software and services, and that the future computers will be accelerated...[We]’re in the beginning of this new era. And then lastly, no technology has ever had the opportunity to address a larger part of the world’s GDP

than AI...[T]his is now a software tool that can address a much larger part of the world's GDP more than any time in history. And so the way we think about growth...has to be in the context of that. And when you take a step back and look at it from that perspective, we're really just in the beginnings."

Broadcom Inc. is a leading semiconductor and enterprise software company, generating approximately 60% of revenue from semiconductors and 40% from software. The company is strategically positioned at the intersection of high-performance AI compute and networking infrastructure, while also demonstrating disciplined execution in software. Broadcom has continued its leadership in networking silicon from the cloud era to the AI era and emerged as the most reliable silicon partner for AI foundational model builders to design custom chips to train and inference their frontier models. Shares rose during the quarter on continued momentum in Broadcom's AI product lines. In its April quarter, Broadcom reported over \$15 billion in total revenue, up 20%; over \$4.4 billion in AI revenue, up 40%; and over \$6.6 billion in software revenue, up 25%. Broadcom continued to demonstrate excellent profitability, with operating margins over 65% and free cash flow margins at 43%. On the company's earnings call and during other public appearances, Broadcom CEO Hock Tan confirmed that all programs supporting the company's projected \$60 billion to \$90 billion serviceable addressable AI market by 2027 were "on track," inference demand had emerged as an important AI revenue opportunity, and that the company's AI revenue growth should accelerate to the 50% to 60% level for fiscal years 2025 and 2026.

Microsoft Corporation is the world's largest software and cloud computing company. Microsoft was traditionally known for its Windows and Office products, but over the last five years it has built a \$160 billion run-rate cloud business, including its Azure cloud infrastructure service and its Office 365 and Dynamics 365 cloud-delivered applications. Shares outperformed on the back of a strong March quarter, driven primarily by its Azure business accelerating 400 basis points to 35% constant-currency growth, well ahead of expectations. For the June quarter, management guided Azure growth to hold at the 34% to 35% level, again above expectations of 31% to 32%, commenting that "whereas they hoped to have supply demand in balance by end of the fiscal year, they now expect to be AI constrained past June as planned demand is growing a bit faster," Microsoft remains well positioned across the overlapping software, cloud computing, and AI landscapes.

Spotify Technology S.A. is a leading global digital music service, offering on-demand audio streaming through paid premium subscriptions and an ad-supported model. Spotify shares performed well, attributable to both solid underlying results and the company's durability in an unpredictable macro environment. In the quarter, Spotify continued its path to structurally increase gross margins, aided by their high-margin artist promotions marketplace, podcasts becoming more profitable, and audiobooks coming in at a higher margin than core music. Spotify remains a sticky subscription product with relative resilience in times of consumer uncertainty. Notably, paid users continued to grow at a double-digit pace despite price hikes. Spotify also continues to innovate on the product side, calling 2025 the "year of accelerated execution," with aims to improve

advertising, expand into video, and release a Super Premium tier. We believe Spotify's market-leading scale, attractive freemium model, product leadership, and pure-play focus will keep the company competitively advantaged over time. We view Spotify as a long-term winner in music streaming with potential to reach 1 billion monthly active users in the next five years.

Top detractors from performance for the quarter

	Contribution to Return (%)
Apple Inc.	(0.68)
Vertiv Holdings Co	(0.23)
argenx SE	(0.21)
Arista Networks, Inc.	(0.20)
HubSpot, Inc.	(0.18)

Apple Inc. is a leading manufacturer of consumer electronics, computer software, and online services. Shares declined amid mounting headwinds, including new U.S. tariffs on Apple's China-centric supply chain, which are pressuring gross margins, and increased regulatory scrutiny of the App Store model in both the U.S. and Europe. These developments have introduced greater uncertainty around the growth and profitability of Apple's high-margin services business. While we continue to admire Apple's brand, ecosystem, and long-term innovation capabilities, the ongoing regulatory overhang and heightened risk to margins and growth prospects led us to exit the position and reallocate capital to holdings with more compelling risk/return profiles.

Vertiv Holdings Co is a leading provider of critical digital infrastructure solutions for data centers, including power distribution and cooling technologies. We initiated a position late in the first quarter after the stock fell sharply on the market weakness described above. The stock continued to fall in early April on continued negative news flow related to tariffs. We chose to sell our small position (less than 100 basis points) and garner a short-term tax loss. In 20/20 hindsight, this was a mistake, and we should have continued to build our position on weakness. Vertiv rallied back sharply later in the second quarter as the market became more confident around data center capital spending and Vertiv's sustainable competitive advantage, but the stock was a detractor for the Fund as we did not participate in that rally.

Argenx SE is a biotechnology company best known for developing Vyvgart, the leading FcRn inhibitor for the treatment of autoimmune conditions. The Vyvgart product launch continues to proceed quite well in both generalized myasthenia gravis (MG) and chronic inflammatory demyelinating polyneuropathy (CIDP). Shares underperformed, however, as Vyvgart's first quarter sales missed elevated investor expectations due to a combination of seasonality (related to insurance reverification) and higher Medicare Part D utilization and associated discounts. Our interviews of treating neurologists and management continue to suggest that Vyvgart is an important treatment option for MG and CIDP patients and will continue to grow, and we think the recent availability of the prefilled syringe presentation will accelerate adoption. Over time, we expect Vyvgart to demonstrate efficacy in an ever-expanding range of

autoantibody-driven autoimmune conditions and drive north of \$10 billion in revenues. We were pleased to see argenx present encouraging Vygart phase 2 myositis data at a recent medical conference. Beyond Vyvgart, argenx is progressing additional pipeline drugs, including empasiprubart and ARGX-119, each of which are potential blockbusters.

Portfolio Structure

We invest in secular growth and innovative businesses across all market capitalizations, with the bulk of the portfolio landing in the large-cap zone. Morningstar categorizes the Fund as U.S. Large Growth. As of the end of the second quarter, the largest market cap holding in the Fund was \$3.9 trillion and the smallest was \$500 million. The median market cap of the Fund was \$46.4 billion, and the weighted average market cap was \$1.2 trillion.

To end the quarter, the Fund had \$1.65 billion of assets under management. We had investments in 43 unique companies. The Fund’s top 10 positions accounted for 56.3% of net assets.

The Fund has had positive inflows year to date.

Top 10 holdings

	Quarter End Market Cap (\$B)	Quarter End Investment Value (\$M)	Percent of Net Assets (%)
NVIDIA Corporation	3,855.0	196.1	11.9
Microsoft Corporation	3,697.0	126.3	7.6
Amazon.com, Inc.	2,329.1	106.5	6.4
Broadcom Inc.	1,296.5	102.9	6.2
Spotify Technology S.A.	157.3	90.1	5.4
Meta Platforms, Inc.	1,855.8	86.4	5.2
Tesla, Inc.	1,023.2	76.0	4.6
Space Exploration Technologies Corp.	349.1	69.6	4.2
The Trade Desk	35.4	38.6	2.3
Eli Lilly and Company	738.8	38.0	2.3

Recent Activity

Top net purchases for the quarter

	Quarter End Market Cap (\$B)	Net Amount Purchased (\$M)
Eli Lilly and Company	738.8	37.6
Exact Sciences Corporation	10.0	15.1
The Trade Desk	35.4	13.2
DraftKings Inc.	21.3	12.8
Hinge Health, Inc.	4.1	10.4

We initiated a position in **Eli Lilly and Company** during the quarter. Lilly is a global pharmaceutical company, best known for developing and selling GLP-1 medications for diabetes and obesity. The most recent generation of GLP-1 drugs (brand names Mounjaro/Zepbound) not only offer superb blood sugar control for diabetics but can drive

20%-plus weight loss and likely improve cardiovascular outcomes in both diabetic and non-diabetic obese patients. We estimate that in the U.S. alone, there are about 32 million type 2 diabetics and an additional roughly 105 million obese patients who would qualify for GLP-1 drugs. We think that these drugs will become the standard of care for both diabetes and obesity and will become at least a \$150 billion drug category. We view Lilly as the leader in the space, setting a high efficacy bar with its current GLP-1s and continuing to innovate and develop next-generation treatments that are more effective and more convenient. Lilly’s Mounjaro/Zepbound are the most effective drugs approved today and have been taking share. We are excited about Lilly’s once-daily oral orforglipron, which recently showed Phase 3 data in type 2 diabetes that rivaled Novo Nordisk’s injectable Ozempic. We expect Phase 3 orforglipron in obesity this summer to also be competitive with Novo Nordisk’s injectable Wegovy. Beyond orforglipron, Lilly is also studying a high efficacy injectable (retatrutide) in Phase 3 that we think will drive 25%-plus weight loss, an amylin hormone analogue (eloralintide) that can be combined with Zepbound in Phase 2, and a muscle-preserving drug bimagrumab (which can also be combined with Zepbound) in Phase 2. We continue to believe this market is in the early innings of uptake, the adoption of GLP-1s will drive Lilly to double its total revenues by 2030, and Lilly has the pipeline of drugs to sustain its leadership position.

We also initiated a position in **Exact Sciences Corporation**, a leading molecular diagnostics company focused on the early detection of colorectal cancer. Exact Sciences is best known for Cologuard, a non-invasive stool test that can test for colorectal cancer. 106 million adults in the U.S. are eligible for colorectal cancer screening and half are not up to date. Colonoscopies are the gold standard for colorectal cancer screening, but they are invasive and require significant preparation. In contrast, Cologuard is non-invasive and requires significantly less time commitment. Cologuard adoption is growing, and the test now accounts for about 13% of colorectal cancer screening. We are increasingly hearing from doctors and patients that they are considering Cologuard ahead of colonoscopies. Shares underperformed in 2024 as adoption of Cologuard slowed and investors worried about competition from competitor Guardant Health’s launch of a colorectal cancer blood test. We believe shares are well positioned to re-rate as each fear is dispelled: (i) we expect Exact Sciences’ commercial restructuring to continue to drive volume growth reacceleration, and (ii) Guardant’s blood test is less sensitive than Cologuard and we think blood tests will be relegated to patients who refuse more sensitive screening options. Our big picture is that Cologuard is the best option for colorectal cancer screening and Exact Sciences will continue to penetrate this market.

The Trade Desk is the leading independent internet advertising demand-side platform, enabling agencies to efficiently purchase digital advertising across desktop, mobile, and online video channels. As we addressed in our last letter, we added to our position last quarter after shares declined meaningfully during the quarter following the company’s first earnings miss in 33 quarters as a public company, along with forward guidance that came in slightly below investor expectations. Since this “first miss ever,” we have done substantial research to validate our thesis and continued adding to

our position. We believe Trade Desk has been executing well, with the company-wide reorganization complete, a strong pipeline of joint business plans with brands, and the Kokai platform upgrade adoption back on track. While we continue to watch the competitive landscape as Amazon enters the market more meaningfully, we believe Trade Desk represents the best option for advertisers for biddable Connected TV inventory. Trade Desk’s core positioning and strategy has also been validated, as major companies like Netflix, Disney, and Spotify have chosen to open their ad inventory to the company. Long term, we believe Trade Desk has a substantial runway for future growth. The company’s addressable opportunity set remains large and under-penetrated, as it has only an estimated 10% share in the more than \$100 billion programmatic advertising market, a small and growing subset of the over \$700 billion global advertising market.

Top net sales for the quarter

	Quarter End Market Cap or Market Cap When Sold (\$B)	Net Amount Sold (\$M)
Apple Inc.	2,970.6	58.0
HubSpot, Inc.	26.2	11.6
Arista Networks, Inc.	81.2	10.6
Vertiv Holdings Co	22.6	9.1
Duolingo, Inc.	18.6	6.2

We exited our **Apple Inc.** position as described above.

We sold **HubSpot, Inc.** and redeployed that capital in software names listed above.

We sold our **Arista Networks, Inc.** and **Vertiv Holdings Co** investments during the early April market retreat to garner short-term tax losses, as described above.

We trimmed our **Duolingo, Inc.** position after the company’s shares had performed quite well.

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

Sincerely,



Michael A. Lippert
Portfolio Manager

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 **Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The Fund includes reinvestment of dividends, net of withholding taxes, while the Russell 3000® Growth Index and S&P 500 Index include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

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 Not annualized.

⁵ See Elon Musk's July 9, 2025 X post: "The value of AI companies will exceed non-AI probably by an order of magnitude."

⁶ McKinsey January 27, 2025 report.

⁷ Reinforcement learning (RL) is a way to train an AI model, like Grok 4, to make smart decisions by learning from trial and error, much like a person or animal might learn a new skill. Imagine teaching a dog to fetch a ball: you reward it with a treat when it does well, and over time, it learns the best actions to get more treats. In RL, the AI model is the "dog," and each action gets a "reward" (a score) based on how good or bad it is. xAI uses RL after its initial training, called post-training, to fine-tune Grok's behavior and improve its answers.

⁸ From an xAI slide: "Humanity's Last Exam, a benchmark at the frontier of human knowledge, designed to be the final closed-ended academic benchmark of its kind with broad subject coverage. The dataset consists of 2,500 challenging questions across over a hundred subjects."

⁹ Gemini is a Google model; o3 is from OpenAI.

¹⁰ ARC-AGI stands for Abstraction and Reasoning Corpus – Artificial General Intelligence. ARC-AGI benchmark tasks are easy for humans but hard for AI, highlighting shortcomings in AI reasoning and adaptability.

¹¹ From Tesla's Q1 2025 Update slide deck: "a vision-only architecture with end-to-end neural networks trained on billions of examples of real-world data."

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

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

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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