DEAR BARON FINTECH FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended September 30, 2023, Baron FinTech Fund® (the Fund) rose 1.30% (Institutional Shares) compared with a 6.77% loss for the FactSet Global FinTech Index (the Benchmark). Since inception (December 31, 2019), the Fund has risen 6.50% on an annualized basis compared with a 2.22% decline for the Benchmark.

Table I.
Performance†
Annualized for periods ended September 30, 2023

	Baron FinTech Fund Retail Shares[1,2]	Baron FinTech Fund Institutional Shares[1,2]	FactSet Global FinTech Index[1]	S&P 500 Index[1]
Three Months[3]	1.14%	1.30%	(6.77)%	(3.27)%
Nine Months[3]	11.54%	11.82%	6.75%	13.07%
One Year	17.03%	17.39%	10.93%	21.62%
Three Years	(1.01)%	(0.74)%	(6.12)%	10.15%
Since Inception (December 31, 2019)	6.23%	6.50%	(2.22)%	9.61%

JOSH SALTMAN
PORTFOLIO MANAGER

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

This year's market rally stalled in the third quarter with the S&P 500 Index down over 3%. Persistent inflation and higher interest rates again weighed on investor sentiment. Hawkish commentary from the Federal Reserve raised expectations that interest rates will remain higher for longer, with U.S. Treasury yields reaching multi-decade highs. Fiscal deficits, high profile labor strikes, and the possibility of a U.S. government shutdown added to market weakness. Most sectors closed lower for the quarter except for Energy, which rose along with higher oil prices, and Communication Services, which rose mostly due to gains from mega-caps Alphabet and Meta. Small caps were down the most in the third quarter, falling further behind large caps for the year. Growth trailed value across most size segments, with the largest dispersion in small cap. Despite recent underperformance, growth continues to hold an advantage over value this year.

The Fund managed a small gain in a difficult third quarter, meaningfully outperforming the Benchmark and the broader market. Performance was broad-based with six of the Fund's seven investment themes outperforming the Benchmark. Leaders again outpaced Challengers (up 2.3% vs. down 0.5%, respectively) even though both categories outperformed the Benchmark.

Favorable stock selection in Tech-Enabled Financials drove over one-third of this quarter's outperformance, led by gains from alternative asset manager and insurance company **Apollo Global Management, Inc.** and independent broker-dealer **LPL Financial Holdings Inc.** Apollo was the top contributor after the company's insurance business, Athene, took in significant inflows due to greater investor demand for annuities. Given the strong growth in its insurance business, Apollo will likely exceed its full-year guidance. LPL 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 December 31, 2022 was 1.63% and 1.20%, 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 reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2034, 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 baronfunds.com or call 1-800-99-BARON.

† The Fund's 3-year 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 transactional-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 Fund includes 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; one cannot invest directly into 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.

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benefited from strong organic growth and higher interest rates. The company continued to gain market share as it amassed assets not only from new advisor recruitment but also increasingly from its ability to win large enterprise deals from banks and insurers. The higher interest rate environment raises the yield that LPL earns on client cash balances.

Stock-specific strength in Capital Markets more than offset the Fund's higher exposure to this lagging category. Electronic trading marketplace **Tradeweb Markets Inc.** led the way in the group as trading activity picked up nicely following a slow start to the year, with the company poised to return to double-digit revenue growth. Interest rate trading volume grew 31% in the third quarter, and credit trading activity improved with significant market share gains in U.S. corporate bonds. The other drivers of performance in the category were global investment bank **Houlihan Lokey, Inc.**, derivatives exchange **CME Group, Inc.**, and securities firm **Interactive Brokers Group, Inc.** Performance in Payments was bolstered by gains from **Mastercard Incorporated** and **Global Payments Inc.** Shares of global payment network Mastercard were up modestly after reporting a continuation of double-digit earnings growth and resilient payment volumes, while payments technology company Global Payments benefited from better-than-expected quarterly results and market share gains.

Solid stock selection in Information Services came from data and analytics company **Fair Isaac Corporation** and investment decision support tools provider **MSCI Inc.** Fair Isaac reported impressive quarterly earnings results and raised its full-year guidance for 2023. CEO Will Lansing is confident that the company can hold up relatively well amid an unpredictable macro backdrop and expressed optimism about momentum in the software business. Similarly, MSCI reported solid second quarter earnings and reiterated its full-year outlook due to stabilizing ESG trends along with continued robust performance in the Index and Analytics segments.

Partially offsetting the above was lower exposure to Enterprise Software, which was the top performing category in the Benchmark during the quarter.

Table II.
Top contributors to performance for the quarter ended September 30, 2023

	Percent Impact
Apollo Global Management, Inc.	0.55%
Intuit Inc.	0.54
Tradeweb Markets Inc.	0.41
Guidewire Software, Inc.	0.31
LPL Financial Holdings Inc.	0.30

Apollo Global Management, Inc. is an alternative asset manager and insurance company. Shares contributed in the quarter. Distress in the banking system from higher interest rates and deposit outflows, coupled with higher capital requirements, has caused banks to retreat from certain lending markets, which, in turn, has led to the growth of private credit. Apollo's captive insurance business, Athene, has seen significant inflows as the demand for annuities continued to increase, and Apollo has used the retirement assets sourced by Athene to provide private lending solutions at higher yields than the public credit market. Given strong growth in its insurance business, Apollo will likely exceed full-year guidance and should continue to benefit from the aforementioned trends. Apollo has a large opportunity to continue taking share from the public credit markets, and we remain bullish about its long-term prospects.

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares increased after the company reported financial results that exceeded Street expectations, with 13% revenue growth and 22% EPS growth in the recently completed fiscal year. Management provided favorable guidance for the next fiscal year that demonstrated confidence in the business momentum despite macroeconomic uncertainty. Intuit is benefiting from the sale of higher-value services and is well positioned to capitalize on increasing adoption of artificial intelligence given the company's vast datasets. We continue to own the stock due to Intuit's strong competitive position and numerous growth opportunities.

Tradeweb Markets Inc. operates electronic marketplaces for trading bonds, derivatives, and other financial instruments. Shares rose during the quarter as trading activity picked up nicely after a slower start to the year, with the company poised to return to double-digit revenue growth. Interest rate trading volume grew 31% in the third quarter, up from 9% growth in the prior quarter. Credit trading volume also accelerated with significant market share gains in U.S. corporate bonds. We believe Tradeweb can achieve solid growth in a variety of macroeconomic conditions and expect market share gains in U.S. Treasuries, interest rate swaps, and U.S. corporate bonds to drive long-term upside. We continue to own the stock due to Tradeweb's strong network effects, long track record of innovation, and significant growth opportunities from the ongoing electronification of the capital markets.

Table III.
Top detractors from performance for the quarter ended September 30, 2023

	Percent Impact
Block, Inc.	–0.56%
Adyen N.V.	–0.53
S&P Global Inc.	–0.41
Equifax Inc.	–0.32
Fiserv, Inc.	–0.31

Block, Inc. provides point-of-sale technology to small businesses and operates the Cash App ecosystem of financial services for individuals. Shares fell due to a confluence of factors, including slowing growth, a brief system outage, and the departure of a key executive who ran the Square business segment. Ongoing investor concerns over consumer spending and a recession did not help sentiment. Nevertheless, Block reported strong quarterly results with 27% gross profit growth and adjusted EBITDA more than doubling. We believe Block's businesses are resilient, and greater management focus on cost discipline should drive further margin expansion. We continue to own the stock due to Block's long runway for growth, durable competitive advantages, and track record of innovation.

Adyen N.V. provides technology that enables merchants to accept electronic payments. Shares collapsed after the company reported disappointing financial results for the first half of the year. While payment volume growth of 23% was solid, it slowed significantly from 41% in the prior period, which management attributed to greater competition and pricing pressure in North America. Adyen is still growing faster than the market, but the company lost wallet share with a few large merchants who shifted volumes to lower-priced competitors. We sold the stock because we believe Adyen's competitive advantages have narrowed over time, leading to less growth potential than we previously expected.

Shares of rating agency and data provider **S&P Global Inc.** gave back some gains from earlier this year due to investor concerns that rising interest rates will weigh on future debt issuance and asset-based fees. Management also removed its 2026 revenue target for the ESG segment due to a more uncertain regulatory landscape and political climate. On a positive note, S&P Global reported strong second quarter financial results, with 7% adjusted revenue growth and 11% EPS growth as ratings issuance returned to growth for the first time in six quarters. Management maintained full-year guidance as a more favorable outlook for the Ratings and Indices segments offset slower growth in the Market Intelligence segment. We continue to own the stock due to the company's long runway for growth and significant competitive advantages.

PORTFOLIO STRUCTURE

We seek to invest in competitively advantaged, growing fintech companies for the long term. We conduct independent, fundamental research and take a long-term perspective. 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. We do not try to mimic an index, and we expect the Fund will look very different from the Benchmark.

As of September 30, 2023, the Fund held 45 positions. The Fund's 10 largest holdings represented 41.0% of net assets, and the 20 largest holdings represented 67.4% of net assets. International stocks represented 12.8% of net assets. The market capitalization range of the investments in the Fund was $763 million to $480 billion with a median of $22.5 billion and a weighted average of $87.9 billion. The Fund's active share versus the Benchmark was 85.6%.

We segment the Fund's holdings into seven investment themes. As of September 30, 2023, Information Services represented 23.3% of net assets, Tech-Enabled Financials represented 22.5%, Payments represented 18.4%, Enterprise Software represented 13.3%, Capital Markets represented 9.0%, Digital IT Services represented 7.5%, and E-Commerce represented 4.6%, with the remainder in cash. Relative to the Benchmark, the Fund is underweight in Enterprise Software and Payments, and has overweight positions in Tech-Enabled Financials, Capital Markets, Information Services, Digital IT Services, and E-Commerce.

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 September 30, 2023, Leaders represented 77.2% of net assets and Challengers represented 21.3%, with the remainder in cash.

Table IV.
Top 10 holdings as of September 30, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Intuit Inc.	2020	$ 69.3	$143.2	$2.7	5.1%
Mastercard Incorporated	2020	306.1	373.0	2.7	5.1
Visa Inc.	2020	376.2	480.2	2.6	4.9
S&P Global Inc.	2020	67.9	116.3	2.4	4.5
Apollo Global Management, Inc.	2023	40.4	50.9	2.1	3.9
Fair Isaac Corporation	2020	11.1	21.6	2.0	3.8
LPL Financial Holdings Inc.	2021	12.9	18.1	1.9	3.6
The Progressive Corporation	2022	65.4	81.5	1.8	3.5
MercadoLibre, Inc.	2020	53.7	63.5	1.8	3.4
MSCI Inc.	2020	22.5	40.6	1.7	3.2

Table V.
Fund investments in GICS sub-industries as of September 30, 2023

	Percent of Net Assets
Transaction & Payment Processing Services	21.1%
Financial Exchanges & Data	20.7
Application Software	13.3
Investment Banking & Brokerage	8.9
IT Consulting & Other Services	7.5
Property & Casualty Insurance	7.1
Research & Consulting Services	5.4
Diversified Financial Services	3.9
Broadline Retail	3.4
Asset Management & Custody Banks	2.7
Real Estate Services	1.5
Diversified Banks	1.4
Internet Services & Infrastructure	1.2
Insurance Brokers	0.4
Cash and Cash Equivalents	1.4
Total	100.0%*

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

Recent Activity

During the quarter, we initiated two new positions and exited three positions. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended September 30, 2023

	Quarter End Market Cap (billions)	Net Amount Purchased (thousands)
Morningstar, Inc.	$10.0	$1,114.1
Arch Capital Group Ltd.	29.7	855.1
Apollo Global Management, Inc.	50.9	121.7
BlackRock Inc.	97.1	70.6
The Progressive Corporation	81.5	58.7

We initiated a position in **Morningstar, Inc.**, a leading provider of financial data and software for the investment industry. The company owns valuable data assets that are widely used by investors, fund managers, and consultants. We believe that Morningstar will benefit from rising demand for its proprietary financial information and significantly expand margins back to historical levels after completing a recent investment cycle.

Morningstar owns several unique data products that span both public and private markets. Key products include Morningstar Category, Morningstar Style Box, and Morningstar Rating, which are the de facto standards for mutual fund classification and ratings. Pitchbook aggregates data on privately held companies, such as valuations, fundraising rounds, ownership, and debt. Morningstar generates over 70% of its revenue from license-based products that are sold on a subscription basis. These products generate recurring revenues with high margins and pricing power. Aside from subscriptions, Morningstar also generates revenue from products with variable fees that are charged on a transactional basis or as a percentage of client assets.

Prior to our purchase, Morningstar shares had underperformed as operating margins had dipped into the low teens from their historic 20% to 25% range. This was caused by revenue declines in some of the more cyclical products as well as significant expense growth as the company increased headcount. This investment cycle appears to be over as management has slowed hiring and signaled their intention to improve operating efficiency. We believe that a slower pace of expense growth combined with a normalization in cyclical product sales will boost profit margins and drive rapid earnings growth. We took advantage of recent share price weakness to purchase this high-quality financial data business with earnings that should grow durably over a multi-year period.

We also initiated a position in **Arch Capital Group Ltd.**, a Bermuda-based insurance company. We believe Arch is a superior operator in the insurance industry, which is benefiting from favorable pricing trends and higher interest rates. While the insurance industry is notoriously cyclical with volatile earnings that vary based on market conditions and storm activity, Arch has produced exceptional results over many years. Since the company's recapitalization in 2001, book value per share has grown 16 times or at a 14% annualized rate (these rise to 18 times and a 15% annualized growth rate excluding unrealized losses on the investment portfolio related to higher interest rates).

Arch is a diversified provider of property & casualty (P&C) insurance, reinsurance, and mortgage insurance. The company focuses on underwriting specialty lines where knowledge and expertise provide a competitive edge. The diversity of Arch's operations gives it the flexibility to shift its business mix to target the most profitable product lines as market conditions change. Management allocates capital to the most attractive opportunities while following a *cycle management* strategy that encourages underwriting teams to grow during favorable market conditions and remain cautious in the soft period of the underwriting cycle. By employing this cycle management strategy, Arch acts like a value investor in the insurance industry. We observed this underwriting discipline during the most recent soft market when Arch's P&C net premiums written were essentially flat from 2014 to 2018 and return on equity was around 10%, thereby limiting the company's exposure to inadequately priced business and ensuring that it had ample capacity available when opportunities emerged. Today, P&C market conditions are much more favorable as premium rates have risen faster than claims costs. Arch has leaned into the hard market by growing P&C net premiums written by 34% year-to-date, while increasing ROE to over 21%. According to management, this faster growth and higher profitability would not have been possible without the greater use of data analytics that categorize and prioritize new business submissions to increase win rates and improve employee productivity.

Arch is led by an experienced management team with a long track record of success. Marc Grandisson was appointed CEO in 2018 but has been with the company since 2001. Marc and his team have been excellent stewards of capital. They maintain a strong balance sheet with moderate financial leverage, a low-risk investment portfolio, and a conservative reserving policy whereby reserves have developed favorably every year since 2003. Executive compensation is primarily based on ROE targets, which supports the goal of book value per share growth and aligns executive compensation with shareholder returns. Compensation for underwriters is based on ROE for all business written over the last 10 years, which contrasts with typical industry compensation practices based on short-term premium growth and market share. Management has been opportunistic on share repurchases and M&A. Since Arch acquired mortgage insurer United Guaranty for $3.3 billion in 2016, the mortgage segment has generated $5.4 billion of underwriting income. Management's cautious approach toward duration and credit risk for the company's investment portfolio has enabled Arch to benefit from higher interest rates with net investment income more than doubling on a year-to-date basis.

We believe Arch is attractively valued at 2 times book value and 11 times forward earnings. We expect book value per share to more than double over the next five years through a combination of sustained underwriting profits, higher investment income, and a reversal of unrealized losses on the fixed income portfolio. Even assuming a modest decline in the book value multiple, this should drive mid-teens share price returns over the long term.

Table VII.
Top net sales for the quarter ended September 30, 2023

	Net Amount Sold (thousands)
Adyen N.V.	$767.6
Accenture plc	451.4
MarketAxess Holdings Inc.	371.1
Equifax Inc.	295.3
nCino Inc.	138.5

We sold **Adyen N.V.** due to increasing competitive intensity and pricing pressure in the online payment processing industry. We had trimmed the position on strength prior to Adyen's half-year financial release and sold the remainder shortly after the release when it became apparent that Adyen had lost wallet share at some of its largest customers. While Adyen's single platform provides a technological advantage, we were concerned that Adyen's competitive advantage had narrowed over time, thereby limiting the growth opportunity and valuation upside.

We also sold **MarketAxess Holdings Inc.** due to concerns about increasing competitive intensity and slowing growth. We had owned MarketAxess because it was the dominant electronic platform for trading corporate bonds and had enjoyed many years of double-digit growth from the secular growth of electronic trading. However, earnings and market share in the company's core product area (U.S. high-grade corporate bonds) peaked in 2020 and have stagnated for the last three years. Meanwhile, competitor Tradeweb has been gaining share through innovation and cross-selling.

We trimmed **Accenture plc** and **nCino Inc.** after recent strength to fund the purchase of higher-conviction ideas. We trimmed **Equifax Inc.** due to concerns that rising interest rates would delay the mortgage recovery and pressure near-term earnings. We sold our tiny position in **Expensify, Inc.**

Outlook

Our outlook remains relatively unchanged from last quarter. The economy is OK but likely slowing as the lagged effects of tighter monetary policy take hold. While the Fed is likely near the end of its overnight rate hiking cycle, long-term interest rates have risen dramatically with the 10-Year U.S. Treasury yield approaching 5%, a level we haven't seen since 2007. Higher rates have the dual market effect of reducing cash flow for indebted individuals and companies and weighing on the values of long-duration assets, especially growth equities.

When it comes to the market and the economy, we heed the advice of Oaktree founder Howard Marks who wrote a memo in 2001 called "You can't predict. You can prepare." We don't know the future, but we can prepare for it, nonetheless. We have positioned the portfolio for the current environment by owning higher quality businesses with strong free cash flow, modest financial leverage, and limited refinancing requirements. We have also increased the mix of stable Leaders over less predictable Challengers while raising our exposure to Tech-Enabled Financials, which tend to benefit from higher interest rates.

Despite our relatively defensive positioning, we are optimistic about the Fund's prospects for next year and beyond. Many fintech stocks have already gone through their own version of a recession with multiples near decade lows. However, the outlooks for many of these businesses are more promising than they've been in the last two years for several reasons. First, many companies have already restructured or are in the process of restructuring their cost bases as they have accepted the cultural shift away from the wasteful spending era of 2016-2021 to one more focused on profitability. Second, even if the economy slows further next year, our Leaders will likely gain market share and become even more dominant. Third, we believe risk aversion remains high and company expectations are low among fintech investors. If companies deliver upside surprises, then we'd expect share prices to spike as positioning reverses.

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

Sincerely,

Josh Saltman
Portfolio Manager

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 baronfunds.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 is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. 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.

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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

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

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. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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