Dear Baron FinTech Fund Shareholder:

Performance

In the quarter ended June 30, 2022, Baron FinTech Fund (the "Fund") fell 22.40% (Institutional Shares) compared with a 16.10% decline for the S&P 500 Index (the "Benchmark") and a 22.80% decline for the FactSet Global FinTech Index (the "Index"). Since inception (December 31, 2019), the Fund has risen 3.81% on an annualized basis compared with an 8.27% gain for the Benchmark and a 5.25% decline for the FactSet Global FinTech Index.

Table I.
Performance
Annualized for periods ended June 30, 2022

	Baron FinTech Fund Retail Shares[1,2]	Baron FinTech Fund Institutional Shares[1,2]	S&P 500 Index[1]	FactSet Global FinTech Index[1]
Three Months[3]	(22.51)%	(22.40)%	(16.10)%	(22.80)%
Six Months[3]	(35.44)	(35.34)	(19.96)	(32.66)
One Year	(35.48)%	(35.30)%	(10.62)%	(40.15)%
Since Inception (December 31, 2019)	3.55%	3.81%	8.27%	(5.25)%

JOSH SALTMAN
PORTFOLIO MANAGER

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

U.S. equities suffered a disappointing quarter as investors grappled with persistently high inflation, rising interest rates, worsening geopolitical tensions, and COVID-related lockdowns in China. Most of the major U.S. market indexes entered bear market territory during the quarter, led by the NASDAQ Composite Index, which is down more than 30% since peaking in November 2021. There were few places to hide with 86% of all U.S. stocks and 80% of all global stocks down during the quarter. Growth once again underperformed value by a wide margin, which weighed on relative performance for fast-growing fintech stocks.

In a difficult period for the broader fintech category, Baron FinTech Fund performed in line with the more comparable Index as favorable stock selection was offset by negative impacts from differences in theme exposures. In other words, we owned better-performing stocks in worse-performing fintech segments. Four of the Fund's seven investment themes outperformed the Index: Tech-Enabled Financials, Capital Markets, Information Services, and Enterprise Software. On the flipside, the Fund's investments in E-Commerce, Digital IT Services, and Payments trailed the Index. Leaders meaningfully outperformed Challengers (-15.51% vs. -35.85%) in this risk-off environment.

Favorable stock selection in Tech-Enabled Financials was responsible for most of the relative gains, with **LPL Financial Holdings Inc.** and **Kinsale Capital Group, Inc.** leading the group. LPL's shares outperformed because the company benefits from higher interest rates and continues to win asset inflows despite market volatility. Kinsale's shares outperformed after the company reported strong financial results and because P&C insurers are often viewed as defensive stocks during market downturns. The Fund's holdings in the Payments and Information Services themes also contributed to relative performance. Within Payments, lower exposure to this lagging theme and outperformance of **Visa, Inc.** and **Mastercard Incorporated** added the most value. These global payment networks are viewed as safe havens during market downturns but are also benefiting from resilient payment volumes and a sharp rebound in international travel. Strength in Information Services was broad based, led by data and analytics provider **Fair Isaac Corporation**, real estate data and marketing platform **CoStar**

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.57% and 1.18%, respectively, but the net annual estimated 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 Baron Fund expenses pursuant to a contract expiring on August 29, 2032, 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 www.BaronFunds.com or call 1-800-99BARON.

1 The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. 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 indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact 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.

BARON FUNDS 1987

Group, Inc., and financial exchanges and data companies **S&P Global Inc.** and **MSCI, Inc.**

These positive impacts were offset by losses in the E-Commerce and Digital IT Services themes. Weakness in E-Commerce was partly due to the underperformance of **MercadoLibre, Inc.** and **Shopify Inc.** MercadoLibre was the third largest detractor due to currency depreciation along with a broader sell-off in Brazilian consumer and global internet stocks during the quarter. Shopify was hurt by continued post-pandemic e-commerce normalization as economies reopen along with investor concerns about Amazon's new Buy with Prime offering. The Fund's unique exposure to Digital IT Services weighed on performance as outsourced software developers **Endava plc** and **Globant, S.A.** were down sharply due to concerns about macroeconomic uncertainty potentially weighing on client demand even though recent trends have been strong.

Table II.
Top contributors to performance for the quarter ended June 30, 2022

	Percent Impact
Expensify, Inc.	0.02%
The Progressive Corporation	0.02
Alkami Technology Inc.	0.01
Kinsale Capital Group, Inc.	0.01

Shares of **Expensify, Inc.**, an expense management software provider for businesses, contributed to performance. The company reported strong quarterly earnings, expressed confidence in the business outlook, and initiated a share repurchase authorization. High-growth software stocks have recently been out of favor, but we retain long-term conviction in Expensify due to its large addressable market, rapid pace of innovation, and impressive combination of growth and profitability.

The Progressive Corporation is a leading property and casualty insurance company. Shares contributed during the period held after we took advantage of temporary weakness in the stock to build a position; shares subsequently rebounded, buoyed by strengthening market sentiment. We retain conviction in Progressive's long-term prospects given its deep underwriting expertise, leading position in a hardening auto insurance market, and improving conditions for the insurance business overall.

Shares of **Alkami Technology Inc.**, a cloud-based digital banking platform, contributed to performance. The company reported good first quarter earnings results and reaffirmed its plan to achieve profitability by the end of next year. The near-term market dynamics for high-growth but unprofitable software stocks are volatile, but we retain long-term conviction in Alkami. We believe the company is well positioned to grow revenue 25% or more for the next several years, barring a major economic recession.

Specialty insurer **Kinsale Capital Group, Inc.** contributed after reporting quarterly results that beat consensus expectations. Gross written premiums grew 45% and EPS grew 47%. Market conditions remain favorable with rate increases above loss cost trends, leading to faster premium growth, better margins, and favorable reserve development. We continue to own the stock because we believe Kinsale is well managed and has a long runway for growth in an attractive segment of the insurance market.

Table III.
Top detractors from performance for the quarter ended June 30, 2022

	Percent Impact
Block, Inc.	–1.61%
Endava plc	–1.50
MercadoLibre, Inc.	–1.29
Nuvei Corporation	–1.22
Shopify Inc.	–0.98

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 mixed quarterly results with more modest growth in the Seller business offsetting strength in Cash App. While integration of recently acquired Afterpay is progressing well and credit metrics remain healthy, the buy-now-pay-later business slowed due to greater competitive intensity. We continue to own the stock due to Block's long runway for growth, sustainable competitive advantages, and unique corporate culture.

Endava plc provides consulting and outsourced software development for business customers. Shares fell despite strong business momentum, with 51% revenue growth and 43% EPS growth in the prior quarter and a more positive outlook for the fiscal year. The share price decline reflected concern about macroeconomic uncertainty potentially weighing on client demand and the impact of currency depreciation, given that two-thirds of revenue comes from non-U.S. customers. We believe Endava will continue gaining share in a large global market for IT services.

Shares of **MercadoLibre, Inc.**, the largest e-commerce platform in Latin America, declined due to continued selling pressure on global internet stocks, depreciation of the Brazilian real (where MercadoLibre generates 50% to 60% of revenue), and concerns that nonperforming loans in its fintech arm will rise due to consumer weakness in Brazil. We continue to own the stock because we believe MercadoLibre will be the dominant e-commerce and fintech provider in Latin America, a market that still has a decade of double-digit growth ahead of it.

Nuvei Corporation provides payment processing services mostly for online merchants around the world. Quarterly financial results exceeded Street expectations, with 43% revenue growth and 31% EPS growth, and management reaffirmed full-year guidance of 30% organic revenue growth. However, shares fell due to soft guidance for the second quarter, adverse foreign currency movements, and concerns about a broader slowdown in e-commerce. We remain shareholders due to Nuvei's numerous growth opportunities and strong execution.

Shopify Inc. is a cloud-based software provider offering an operating system for multi-channel commerce. Shares fell due to continued post-pandemic e-commerce normalization as economies reopen, concerns about competition following Amazon's announcement of Buy with Prime, as well as the broader sell-off in growth stocks. We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth as it currently addresses less than 1% of global commerce spend.

Portfolio Structure

The Fund seeks to invest in competitively advantaged, growing fintech companies that we can own for years. We conduct independent, fundamental research and take a long-term perspective. The Fund invests 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 June 30, 2022, the Fund held 46 positions. The Fund's 10 largest holdings represented 42.5% of net assets, and the 20 largest holdings represented 66.1% of net assets. International stocks represented 17.0% of net assets. The market capitalization range of the investments in the Fund was $1.3 billion to $423.3 billion with a median of $13.3 billion and a weighted average of $79.2 billion. The Fund's active share versus the Benchmark was 95.4%.

We segment the Fund's holdings into seven investment themes. As of June 30, 2022, Information Services represented 22.3% of net assets, Payments represented 17.0%, Enterprise Software represented 14.3%, Tech-Enabled Financials represented 13.6%, Digital IT Services represented 11.6%, E-commerce represented 8.0%, and Capital Markets represented 7.6%, with the remainder in cash.

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. We expect stocks in both categories to outperform over time, but Leaders tend to have steadier performance than less-proven Challengers. As of June 30, 2022, Leaders represented 63.5% of net assets and Challengers represented 30.9%, with the remainder in cash.

Table IV.
Top 10 holdings as of June 30, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Visa, Inc.	2020	$376.2	$423.3	$2.4	5.6%
LPL Financial Holdings Inc.	2021	12.9	14.8	2.3	5.3
Mastercard Incorporated	2020	306.1	306.8	2.1	5.0
Intuit Inc.	2020	69.3	108.7	2.0	4.7
S&P Global Inc.	2020	67.9	114.6	2.0	4.6
Accenture plc	2020	133.7	184.7	1.7	4.1
Endava plc	2020	2.6	4.9	1.7	3.9
MSCI, Inc.	2020	22.5	33.5	1.4	3.2
BlackRock Inc.	2021	116.4	92.9	1.3	3.2
Equifax Inc.	2022	29.6	22.4	1.2	2.9

Table V.
Fund investments in GICS sub-industries as of June 30, 2022

	Percent of Net Assets
Data Processing & Outsourced Services	26.0%
Financial Exchanges & Data	16.3
Application Software	14.0
IT Consulting & Other Services	11.6
Research & Consulting Services	7.9
Investment Banking & Brokerage	7.1
Asset Management & Custody Banks	3.2
Property & Casualty Insurance	3.1
Internet & Direct Marketing Retail	1.8
Interactive Media & Services	1.2
Internet Services & Infrastructure	1.1
Insurance Brokers	1.0
Cash and Cash Equivalents	5.6
Total	100.0%*

* Individual weights may not sum to 100% due to rounding.

Recent Activity

During the quarter, the Fund initiated one new position and exited two positions. In this time of high inflation and rising interest rates, we are increasingly focused on investing in companies with strong balance sheets and durable cash flows. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended June 30, 2022

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
The Progressive Corporation	$68.0	$687.3
Globant, S.A.	7.3	231.6
CME Group, Inc.	73.6	227.1
Guidewire Software, Inc.	6.0	123.3
Endava plc	4.9	119.6

We initiated a position in **The Progressive Corporation**, the third-largest auto insurer in the U.S. and a top-15 homeowners insurance carrier. After having followed the company for years, we believe Progressive is a best-in-class insurer that should continue gaining market share in a fragmented industry. Progressive has 14% share of the U.S. personal auto insurance market, up from 8% ten years ago, while achieving industry-leading profitability. The company has a long track record of superior underwriting, which was honed by its early focus on the non-standard market for risky drivers that most carriers avoid. In contrast to its less profitable competitors, Progressive has a long-standing commitment to earn a combined ratio of 96% or better, with this margin target forming a key part of incentive compensation for most employees. This underwriting know-how and discipline have helped Progressive consistently gain market share through industry pricing cycles when peers sacrifice growth to mitigate losses. In addition, Progressive's strategy of selling direct to consumers has helped it reduce costs and gain share as consumers increasingly choose to purchase insurance by themselves rather than through brokers. Progressive is run by an experienced management team, most of whom have spent decades at the company (e.g., CEO Tricia Griffith joined Progressive in 1988 as a claim rep).

Throughout its history, Progressive has relied heavily on technology, data, and analytics to operate more efficiently and price risk more accurately. For example, the company was the first to use credit scores in its underwriting algorithms and has developed a substantial amount of know-how from over 20 years of experience with usage-based insurance and analyzing the data from 43 billion driving miles derived from telematics devices. Progressive continues to use data and technology to test new variables, better segment its customers, and update its rates more frequently than competitors. Selling policies direct to customers online instead of through the traditional agent model is another way in which Progressive has used technology to its advantage. Back in 2020 when we were researching insure-tech start-ups Root and Metromile, the management teams of those companies touted their superior underwriting models based on proprietary telematics data. However, we subsequently learned from their regulatory rate filings that most of their original product designs and rates were copied directly from Progressive. While we didn't invest in Root or Metromile, our research into those companies gave us a greater appreciation for Progressive's market leadership and competitive advantages.

The personal auto insurance market is approximately $250 billion in size and is recession-resistant given that auto insurance is legally required for drivers in almost every state. The industry is currently experiencing a hard market wherein carriers are raising prices and cutting back on marketing to offset higher losses from more frequent and costly accidents. Progressive has historically performed well during times like this because it's usually among the first to recognize mounting loss pressures and take corrective underwriting actions, resulting in faster margin improvement and an earlier return to customer acquisition while competitors are still retrenching and raising prices. Rising interest rates provide a financial tailwind from higher interest income on the company's nearly $50 billion fixed income portfolio, with each 1% rise in interest rates adding an estimated 11% to earnings. We believe that Progressive will continue gaining market share and growing earnings at a double-digit rate for many years to come.

Table VII.
Top net sales for the quarter ended June 30, 2022

	Amount Sold (thousands)
PayPal Holdings, Inc.	$386.6
Duck Creek Technologies, Inc.	175.5
Moody's Corporation	115.8
Nuvei Corporation	59.8
MarketAxess Holdings Inc.	13.9

We exited our remaining position in **PayPal Holdings, Inc.** after selling most of our shares earlier this year. We had owned PayPal since the Fund's inception because we believed it was gaining share in the fast-growing global e-commerce market, had numerous growth opportunities beyond online payments, and enjoyed significant competitive advantages from its large two-sided network. Business momentum accelerated during the pandemic, and management provided impressive growth targets at its investor day in February 2021 calling for 15% user growth, 25% payment volume growth, 20% revenue growth, and 22% EPS growth on an annualized basis over the next five years. However, business momentum slowed faster than expected as the economy reopened, and management subsequently withdrew their multi-year growth targets. We became concerned about increasing competition for online checkout (from Shopify, Apple Pay, and Amazon Pay), slow progress in product diversification, and potential market share losses for the branded checkout button that were being masked by growth from lower-margin services. We decided that a narrowing competitive moat meant that PayPal's formerly great business was becoming less great over time, so we exited the position.

We also exited our small position in **Duck Creek Technologies, Inc.** and reinvested the proceeds into its larger competitor **Guidewire Software, Inc.** Both companies are leading providers of core systems software for the global insurance industry. Duck Creek was an early mover to the cloud and up until recently had been growing faster than Guidewire, which was a few years behind in its cloud migration due to its large base of legacy customers using older on-premise software. However, we believe Guidewire has closed the technology gap and is now growing faster than Duck Creek off a much larger base. We estimate that Guidewire's win rate relative to Duck Creek's is close to 75%, up from 55% to 60% a year ago, due to Guidewire's growing list of reference customers and its R&D investments being five times larger than Duck Creek's.

Outlook

Rising interest rates and greater economic uncertainty have weighed on valuations across the fintech sector. We believe investors have become more discerning about the durability of business models, expected profitability, the duration of growth, and the cost of capital. This is vividly illustrated by the precipitous drop in the combined value of all cryptocurrencies from $3 trillion in November 2021 to $1 trillion today, which has weighed on sector valuations and contributed to the collapse of several crypto-related businesses. Klarna, the world's largest buy-now-pay-later provider and previously one of the most valuable privately held fintech companies, saw its valuation in a recent funding round slashed by 85% from last year's $46 billion valuation due to continued operating losses and intensifying competition. Almost every consumer-facing neobank and insure-tech company that went public over the last two years is down 50% or more from their offering prices.

We believe greater investor discipline in the fintech market is healthy and should be a boon for the Fund. We focus on identifying businesses with open-ended growth opportunities, durable competitive advantages, and outstanding management teams and then investing at attractive prices. Frothy valuations for fast-growing yet unproven businesses had become widespread over the past several years, but the broad market pullback has exposed inferior business models and reset the valuations of good businesses to more favorable levels.

We expect that tighter capital availability will temper competitive intensity and improve returns for our holdings. Financing activity for private fintech companies skyrocketed in 2021 to a record $142 billion, more than triple the volume raised in all of 2020 and greater than the combined financing volume from 2017 to 2019. VC investors encouraged start-ups to seek growth at any price without a clear path to profitability, leading to pricing pressure and a more difficult competitive environment. This huge influx of capital weighed on industry profitability and contributed to a slower pace of market share gains for incumbent fintech companies. However, these dynamics may be shifting. Funding levels are down this year with global fintech VC funding projected to decline 28% in the second quarter according to CB Insights. If this trend persists, it could shift the competitive environment in favor of incumbents as VC investors advise portfolio companies to be more disciplined in their investment spending to focus on profitable growth and cash preservation.

This year's market pullback has been broad-based and, in many cases, indiscriminate. Several of our core holdings have seen significant share price declines despite strong fundamentals. Many of these businesses are doing well even if their stocks aren't. For example, shares of financial software provider **Intuit Inc.** are down 40% year-to-date despite excellent momentum across its business and the company raising guidance. Intuit is on track to exceed 20% organic revenue and earnings growth this year, and we believe the company has multiple growth drivers that will enable it to more than double earnings over the next five years. Assuming no further multiple contraction, which we think is a reasonable assumption at the current valuation, we think the stock can more than double over the same time frame. Another example is IT services provider **Endava plc**, whose shares are down 47% year-to-date even though financial results have consistently exceeded expectations and management's outlook remains bright. Earnings have more than tripled over the last five years, and we expect earnings to triple again in the next five years as Endava enables digital transformation for enterprise customers around the world. In his book *Beating the Street*, Peter Lynch writes, "Often, there is no correlation between the success of a company's operations and the success of its stock over a few months or even a few years. In the long term, there is a 100 percent correlation between the success of the company and the success of its stock. This disparity is the key to making money; it pays to be patient, and to own successful companies." This concept is a key part of our investment strategy.

Our long-term outlook for fintech remains bright despite near-term headwinds from higher interest rates, FX changes, and market volatility. We view these headwinds as cyclical and temporary, not as secular and permanent. We expect our Payments companies will continue to benefit from nominal consumption growth, rebounding cross-border travel, and the shift to digital payments around the world. Our Information Services companies continue to provide vital data with high incremental margins and pricing power. Our Enterprise Software companies provide mission-critical services that help customers run their businesses, resulting in high customer retention and cross-selling opportunities. Our Digital IT Services companies are technology arms dealers that are enabling never-ending digital transformations for banks, insurers, and other businesses. Our E-Commerce companies should see a return to rapid growth after normalizing for the effects of the pandemic due to the convenience and rising adoption of online shopping around the world. Our Capital Markets companies are benefiting from digitization by providing greater transparency and lower costs in the financial markets. And our Tech-Enabled Financials companies employ unique strategies to gain market share in the massive financial sector, which comprises over 20% of the global economy. With these secular tailwinds at our back, we focus on finding the best fintech businesses that we believe can at least double in value in five years. Valuations are reasonable after the recent growth stock sell-off, making our return hurdle much easier to achieve.

Thank you for investing in Baron FinTech Fund. We are working hard to identify good investment ideas that we expect will generate attractive returns over the long term.

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 1-800-99BARON or visiting www.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. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management.

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).