DEAR BARON FINTECH FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended March 31, 2023, Baron FinTech Fund® (the Fund) rose 4.83% (Institutional Shares) compared with an 8.24% gain for the FactSet Global FinTech Index (the Benchmark) and a 7.50% gain for the S&P 500 Index (the Index). Since inception (December 31, 2019), the Fund has risen 5.42% on an annualized basis compared with a 2.15% decline for the Benchmark and a 9.46% gain for the Index.

Table I.
Performance†
Annualized for periods ended March 31, 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]	4.78%	4.83%	8.24%	7.50%
One Year	(16.31)%	(16.09)%	(17.67)%	(7.73)%
Three Years	10.43%	10.71%	8.67%	18.60%
Since Inception (December 31, 2019)	5.18%	5.42%	(2.15)%	9.46%

JOSH SALTMAN
PORTFOLIO MANAGER

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

U.S. equities posted gains to start the year, but the path higher remained turbulent as investors grappled with tightening financial conditions and concerns of a recession. Stocks rose in January as moderating inflation and softer economic indicators raised hopes that the current cycle of interest rate hikes might be ending. The rally was supported by easing supply-chain constraints, falling energy prices, and the reopening of the Chinese economy from pandemic lockdowns. The rebound stalled in February as resilient economic data and persistently high inflation left investors concerned that the Fed would keep rates higher for longer. The sudden failures of Silicon Valley Bank (SVB) and Signature Bank exacerbated the market sell-off in early March, but federal regulators quickly intervened to prevent contagion from spreading throughout the banking sector. The episode ignited a market rebound in late March given investor expectations that the banking turmoil would cause the Fed to potentially pivot on rate hikes and resume its balance sheet expansion.

Against this confusing market backdrop, the Fund appreciated during the first quarter yet trailed the Benchmark and the broader market. During the quarter, three of the Fund's seven investment themes outperformed the Benchmark: E-Commerce, Capital Markets, and Information Services. Challengers outperformed Leaders (up 9.0% vs. up 3.9%, respectively) in a generally risk-on environment where growth outpaced value and last year's laggards rebounded to become this year's winners. While the Index posted solid returns during the quarter, gains were concentrated in just a handful of large tech-related companies, while the median stock in the U.S. was roughly flat. The Fund's lack of exposure to seven mega-cap winners (Apple, Microsoft, NVIDIA, Tesla, Meta, Alphabet, and Amazon) represented a nearly 5% headwind to performance relative to the Index.

Unfavorable stock selection in Tech-Enabled Financials coupled with unique exposure to Digital IT Services accounted for most of the underperformance relative to the Benchmark. Weakness in Tech-Enabled Financials was driven by declines from online brokerage firm **The Charles Schwab Corp.** and independent broker-dealer **LPL Financial Holdings Inc.** as multiple bank failures caused investors to sour on financial stocks. We remain shareholders and offer additional details on Schwab and LPL later in this letter. Similar to last quarter, the Fund's unique exposure to Digital IT Services proved costly as outsourced software development providers **Endava plc**, **Globant S.A.**, and **CI&T, Inc.** were negatively impacted by concerns about macroeconomic uncertainty weighing on client demand. We retain

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, 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, 2033, 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.

† 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 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.

conviction given our belief that these companies will continue growing rapidly in a large global market for IT services. Within Information Services and Enterprise Software, the Fund's relative underperformance was largely driven by stocks that we didn't own as several of last year's biggest losers in the Benchmark rebounded to become this year's biggest winners, at least so far. We seek to invest in long-term winners, so the Fund tends to underperform during speculative rallies in lower-quality stocks. We are undaunted by this short-term phenomenon and expect that it will be short-lived.

These adverse impacts were somewhat offset by favorable stock selection in Capital Markets and E-Commerce as well as meaningfully lower exposure to the lagging Payments theme. Strength in Capital Markets was attributable to double-digit gains from market operators **MarketAxess Holdings Inc.**, **Tradeweb Markets Inc.**, and **CME Group, Inc.**, as these businesses benefited from a pickup in trading activity. Latin American e-commerce and payments leader **MercadoLibre, Inc.** bolstered performance in E-Commerce after reporting strong results and a favorable outlook.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
MercadoLibre, Inc.	1.27%
MSCI Inc.	0.70
Intuit Inc.	0.66
Tradeweb Markets Inc.	0.54
Guidewire Software, Inc.	0.53

MercadoLibre, Inc., the largest e-commerce platform in Latin America, contributed to performance. The company reported quarterly earnings that were well above Street expectations, driven by margin expansion and strong performance across both the commerce and fintech segments. Management expects rapid growth and margin expansion to persist over time. Additionally, we believe retrenchment by large e-commerce competitors could lead to faster market share gains for MercadoLibre, especially in Brazil. We continue to own the stock because of MercadoLibre's dominant competitive position and long runway for growth.

Shares of **MSCI Inc.**, a leading provider of investment decision support tools, contributed to performance. The company reported resilient fourth quarter earnings results and gave a cautiously optimistic outlook for 2023. MSCI also benefited from improved performance in the global equity markets in the quarter, which most directly impacts MSCI's asset-based fee revenue. We retain conviction as MSCI owns strong "all weather" franchises and should benefit from numerous secular tailwinds in the investment industry.

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares contributed after the company reported quarterly results that exceeded Street expectations with 14% revenue growth and 42% EPS growth. Management expressed confidence in their outlook and reaffirmed full-year financial guidance, which came as a relief to investors who feared a macro-driven guidance cut. 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 contributed due to robust trading activity and market share gains. Average daily trading volume in the first quarter grew 16% for interest rate products and 23% for U.S. high-grade corporate bonds. Tradeweb also reported quarterly financial results that exceeded Street expectations with 9% revenue growth on a constant-currency basis and 18% EPS growth. 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.

Shares of property and casualty (P&C) insurance software vendor **Guidewire Software, Inc.** contributed to performance for the quarter. The company has crossed the mid-point of its cloud transition and is now demonstrating more consistent recurring revenue growth and durable gross margin expansion. We believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%. During the quarter, Guidewire's largest competitor was acquired by a private equity firm at a meaningful premium to Guidewire's current valuation. We believe this acquisition will enhance Guidewire's win rates and pricing power while highlighting the significant valuation upside relative to the current share price.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
The Charles Schwab Corp.	–1.37%
Endava plc	–0.37
LPL Financial Holdings Inc.	–0.32
BILL Holdings, Inc.	–0.23
Network International Holdings Ltd.	–0.23

Shares of online brokerage firm **The Charles Schwab Corp.** declined during the quarter following the failure of SVB, which led to weakness across financials more broadly. Despite running a very different business than SVB, Schwab is facing deposit pressure from cash sorting in the wake of SVB's collapse. As customers move uninvested cash balances into higher-yielding money market funds, Schwab must replace this depleted cash with higher-cost funding. This trend has pressured earnings forecasts and contributed to recent share price weakness. We trimmed our exposure but retain conviction in the long-term value of Schwab's franchise. Despite the banking turmoil, Schwab saw faster organic growth with $132 billion of net new assets during the first quarter. We remain encouraged by the firm's exceptional client loyalty, robust organic growth, and industry-leading unit costs. We believe Schwab is well positioned to retain clients and increase long-term earnings growth.

Endava plc provides outsourced software development for business customers. Shares fell after the company reduced financial guidance to reflect slower bookings as macroeconomic uncertainty weighed on client decision-making in December. Nevertheless, the company reported solid quarterly results, with 30% revenue growth and 26% EPS growth. Management noted that bookings have improved in the first couple of months of 2023, and they expect annualized revenue growth to quickly return to greater than 20%. We remain investors because we believe Endava will continue gaining share in a large global market for IT services.

LPL Financial Holdings Inc. is the largest independent broker-dealer in the U.S. Following a strong run in 2022, the stock detracted in the quarter. The weakness was largely driven by turmoil in the banking industry after the failure of SVB, which caused investors to sour on financial stocks in general. We believe LPL is immune from most of the issues facing banks. LPL is not a bank itself, has a relatively small balance sheet, and has a low-risk, short-duration securities portfolio. The banking crisis has caused investors to take a more dovish view on the path of interest rates, which is a headwind to LPL's earnings as the economics on a large portion of client cash is tied to floating rates. However, we believe the company has an attractive growth profile even in a lower interest rate environment.

BILL Holdings, Inc. is a leading provider of cloud-based software that simplifies, digitizes, and automates complex back office financial operations. The company reported decent quarterly earnings, but the stock fell due to a forward outlook that was below investor expectations. In particular, macro-related pressure on small-to-medium-sized businesses (SMBs) led to slower payment volume growth and somewhat lower net adds. In addition, while Street analysts do not expect the SVB failure to have a direct impact on its business, they have expressed some concerns that the fallout will further dampen the backdrop for SMBs. Despite the potential near-term macro-related headwinds, we retain conviction as the digitization of business-to- business payments is a powerful secular trend with a long runway for continued growth and BILL remains well positioned to be a winner in the SMB market.

Network International Holdings Ltd. is a payment processing company serving the Middle East and Africa. Shares detracted in the quarter as 2023 financial guidance was below market expectations. Network's business is facing near-term headwinds from macro weakness in South Africa, inflation and currency pressures, and higher taxes. Nevertheless, we remain encouraged by underlying strength in the core business, which continues to grow at a mid-teens organic rate, and the company's progress in new markets such as Saudi Arabia. Network operates in countries that are in the early stages of electronic payment penetration, a multi-year trend that should sustain durable growth.

Portfolio Structure

We seek 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. 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 March 31, 2023, the Fund held 46 positions. The Fund's 10 largest holdings represented 43.4% of net assets, and the 20 largest holdings represented 68.2% of net assets. International stocks represented 15.3% of net assets. The market capitalization range of the investments in the Fund was $645 million to $475 billion with a median of $18.1 billion and a weighted average of $93.6 billion. The Fund's active share versus the Benchmark was 87.0%.

We segment the Fund's holdings into seven investment themes. As of March 31, 2023, Payments represented 22.1% of net assets, Information Services represented 21.5%, Tech-Enabled Financials represented 16.3%, Enterprise Software represented 13.0%, Capital Markets represented 9.6%, Digital IT Services represented 9.4%, and E-Commerce represented 7.0%, with the remainder in cash. Relative to the Benchmark, the Fund is most underweight in Enterprise Software and Payments and has unique exposure to Digital IT Services along with overweight positions in Capital Markets, Information Services, and Tech-Enabled Financials.

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 March 31, 2023, Leaders represented 73.8% of net assets and Challengers represented 25.2%, with the remainder in cash. Since September 2021, the Fund's exposure to Leaders has steadily increased, while the exposure to Challengers has steadily decreased, reflecting our more defensive positioning.

A notable change in sector classifications took place during the quarter. The Global Industry Classification Standard (GICS), which is a system for categorizing public companies by sectors and industries, changed the industry classification of payment stocks from Information Technology (IT) to Financials. Within the Index, eight companies (including Visa and Mastercard) have been moved from IT to Financials. As of March 17 (the date of the GICS change), this change increased the Financials sector weighting in the Index by 2.7% to 13.0%, while the IT sector weighting decreased by 3.1% to 25.9%. Following the GICS changes, the eight Payments companies now account for 20.8% of the Financials sector in the Index. While this change has no impact on our portfolio construction, the Fund's exposure to Financials is now 65.1% compared to 36.9% just three months ago.

Table IV.
Top 10 holdings as of March 31, 2023

	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	$475.3	$2.8	6.2%
Mastercard Incorporated	2020	306.1	346.4	2.5	5.6
Intuit Inc.	2020	69.3	125.1	2.1	4.7
S&P Global Inc.	2020	67.9	113.1	2.1	4.6
MSCI Inc.	2020	22.5	44.8	1.8	4.1
Accenture plc	2020	133.7	189.7	1.8	4.0
LPL Financial Holdings Inc.	2021	12.9	15.9	1.6	3.6
MercadoLibre, Inc.	2020	53.7	66.2	1.6	3.5
The Progressive Corporation	2022	65.4	83.7	1.6	3.5
Fair Isaac Corporation	2020	11.1	17.7	1.5	3.5

Table V.
Fund investments in Baron fintech themes as of March 31, 2023

	Percent of Net Assets
Payments	22.1%
Information Services	21.5
Tech-Enabled Financials	16.3
Enterprise Software	13.0
Capital Markets	9.6
Digital IT Services	9.4
E-Commerce	7.0
Cash and Cash Equivalents	1.0
Total	100.0%*

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

Table VI.
Fund investments in GICS sub-industries as of March 31, 2023

	Percent of Net Assets
Transaction & Payment Processing Services	26.7%
Financial Exchanges & Data	20.5
Application Software	12.9
IT Consulting & Other Services	9.4
Investment Banking & Brokerage	8.4
Research & Consulting Services	6.8
Property & Casualty Insurance	5.3
Broadline Retail	3.5
Asset Management & Custody Banks	2.1
Internet Services & Infrastructure	1.3
Diversified Financial Services	1.3
Insurance Brokers	0.9
Cash and Cash Equivalents	1.0
Total	100.0%*

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

Recent Activity

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

Table VII.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
WEX Inc.	$ 7.9	$657.0
Apollo Global Management, Inc.	36.0	641.6
Interactive Brokers Group, Inc.	34.9	558.9
Fiserv, Inc.	71.0	416.0
Verisk Analytics, Inc.	29.7	256.1

We initiated a position in **Interactive Brokers Group, Inc.**, a leading brokerage firm that enables institutional and individual investors to trade securities, commodities, and foreign currencies from a single platform. Interactive Brokers targets sophisticated investors with complex needs, including those who trade multiple asset classes across global markets and use leverage to finance trades. The company differentiates itself through its low prices, the vast array of markets that it serves, and its strong growth from international markets. Interactive Brokers has 2.2 million accounts, a customer base that has more than quadrupled in the last five years and has more recently been growing over 20% per year.

We have long been admirers of the company's founder and chairman, Thomas Peterffy. He founded the company that would become Interactive Brokers in 1977 when he bought a seat on the American Stock Exchange as an options market maker. With a background in computer engineering, Peterffy was the first to use computers to calculate options prices while others were still doing manual calculations. This automation allowed Peterffy to increase trading efficiency, and he ultimately built the world's largest electronic options market-maker. In 1993, Interactive Brokers added brokerage capabilities, allowing clients to use the same infrastructure that the company had spent years building for its own trading. Interactive Brokers eventually sold the market-making business to focus exclusively on the more profitable brokerage business. Thomas remains the face of the company and owns 70% of the shares.

Interactive Brokers' key differentiation is its low prices, which are enabled by its highly automated, low-cost infrastructure. The company offers its clients superior execution prices, competitive margin and securities lending rates, and attractive yields on uninvested cash balances. Peterffy has been applying the same strategy of using automation to reduce costs since the earliest days of the company. Almost half of the employees are software engineers who seek to automate many of the processes that competitors perform manually. This keeps Interactive Brokers' headcount and costs low, with the company generating over $1 million of revenue per employee and earning a 67% adjusted pretax profit margin in 2022.

Beyond its low prices, the company offers trading in a wide range of assets and markets, which makes it attractive to professional investors. Clients can trade equities, options, futures, fixed income, currencies, and other assets in over 150 markets in 33 countries and 26 currencies. This range of services is matched only by large investment banks, which typically serve only the largest clients. This global focus also extends to the company's client base, with nearly 80% of clients located outside the U.S. While the brokerage market in the U.S. is well served and highly competitive, other countries have few options for accessing global financial markets. Interactive Brokers serves clients in over 200 countries, providing the company with a long runway for growth as more of the global population begins to invest its wealth. The company is benefiting from higher interest rates by earning interest income on uninvested client cash, but it has minimal interest rate risk by keeping the duration of its securities portfolio extremely short (only three to four weeks) and has low cash sorting risk by passing along higher yields to customers.

With its low-priced offering and leading range of capabilities, we believe that Interactive Brokers is well positioned to continue its rapid pace of account growth. The company's focus on automation should enable it to remain the low-cost provider, while earning best-in-class margins and achieving double-digit revenue and earnings growth over the long term.

We also initiated a new position in **Apollo Global Management, Inc.**, one of the largest alternative asset managers in the world with $548 billion of assets under management. While Apollo's roots are in private equity (PE), the majority of the business and much of the growth potential is in private credit, which refers to lending by non-banks. Apollo has a captive annuity and life insurance company, Athene, which it uses to source retirement funds that it can then deploy in alternative investments. The company is unique because it is one of the few scaled investors that can source retirement funds and has deep investment expertise in alternative investments. Through continued growth of assets under management, we believe that Apollo is well placed to grow its multiple earnings streams.

Apollo was founded in 1990 as a PE manager. While Apollo was and remains a successful PE investor, particularly in complex situations, CEO and co-founder Marc Rowan realized there was a large opportunity to deliver lower but less risky returns to investors with a different risk appetite, namely retirees. While most alternative asset managers have to consistently raise new capital to invest, retirement assets are a large source of near-permanent capital. Moreover, the long duration of these assets makes them a good candidate for deploying into illiquid, alternative investments. This insight led to the creation of Athene in 2009. While Athene was initially a separate company with Apollo as its sole asset manager, the two companies merged in 2022.

We believe Apollo has a large opportunity to continue growing its assets under management. The pool of retirement funds is vast, and in Athene, Apollo has built from scratch one of the leading annuity and life insurance providers in the country. Beyond the sourcing of retirement funds, Apollo has also developed a range of origination platforms that allow it to invest in low-risk, high-quality loans and thus earn an excess return above what it has promised to retirees. These origination platforms fill gaps in the lending markets that banks have been vacating since the Great Financial Crisis (GFC) of 2008-2009 and are another source of competitive advantage that helps generate returns. Private credit is one of the fastest growing segments within the alternative asset management industry. Management estimates the opportunity for private credit to replace fixed income is $40 trillion, or nearly 20 times larger than the private credit market size today.

With Apollo being a specialist in the fast-growing private credit market, owning the scaled proprietary platforms needed to source capital and make investments, and having a highly talented employee base led by a pioneering founder-CEO, we think Apollo is well placed to continue growing its assets under management and earnings at a mid-teens rate. We view the current valuation of 10 times earnings as highly attractive and providing a substantial margin of safety.

Table VIII.
Top net sales for the quarter ended March 31, 2023

	Amount Sold (thousands)
The Charles Schwab Corp.	$448.8
Fidelity National Information Services, Inc.	410.8
DLocal Limited	199.0
Intuit Inc.	174.1
Nuvei Corporation	140.9

We trimmed our position in **The Charles Schwab Corp.** due to greater headwinds from cash sorting. We had expected cash sorting to moderate by now, but the bank runs at SVB, Signature Bank, and First Republic exacerbated this trend and reduced our earnings forecast. We reinvested the sale proceeds into Interactive Brokers, which is less susceptible to cash sorting. We remain Schwab shareholders because we believe these headwinds are adequately reflected in the share price, and the company's long-term growth prospects remain intact.

We sold **Fidelity National Information Services, Inc.** during the quarter. We have owned the stock since the Fund's inception, which was shortly after the Fidelity-Worldpay merger in 2019 created a fintech behemoth across bank software, capital markets software, and payment processing. The COVID-19 pandemic made it difficult to assess the integration and business performance in 2020 and 2021, but we believed the company's competitive position and growth opportunities remained intact. However, weakness emerged in 2022, leading to missed financial targets and management departures. Activist investors got involved, and new management plans to undo the Worldpay acquisition by spinning off the Merchant payment business. We expect that a turnaround strategy will be difficult, so we exited the position.

We also exited **DLocal Limited** and **Nuvei Corporation** due to slowing earnings growth and greater uncertainty about the sustainability of both companies' competitive advantages in an increasingly crowded payments market.

OUTLOOK

Turmoil across several banks in March rekindled fears of another banking crisis like what we saw during the 2008-2009 GFC. SVB, Signature Bank, and Silvergate Bank were closed by regulators, First Republic received rescue financing from large banks, and Credit Suisse was forced to sell to UBS. While the confluence of these events is unsettling, we believe today's banking conditions are very different from those 15 years ago. Problems at banks today are driven primarily by the liability side of balance sheets rather than the asset side, with funding costs being a far greater concern than credit quality. The Federal Reserve increased the overnight rate by 4.75% in just one year, the largest increase since 1980. Higher yields from money market funds and Treasury bills create stiff competition for capital, thereby draining deposits from banks and forcing banks to pay more for the deposits that remain. Higher funding costs reduce banks' earnings and their willingness to lend. We expect regional banks that rely heavily on spread-based income to be the most challenged by deposit pressures, while large banks with more diversified sources of non-interest income should be less impacted. After quick actions by the regulators in the aftermath of the SVB collapse, the liquidity crisis appears to be over and bank contagion risk appears to be contained. Small bank deposits stabilized at the end of March after seeing significant outflows earlier in the month. The key risk has now shifted from rapid bank runs to a slower-motion credit crunch. Large banks report that they have not materially tightened lending standards, but many regional banks report that they have already reduced their lending or plan to do so soon. We therefore expect that credit tightening will impose a drag on economic growth.

From our conversations with management teams and our evaluations of monthly data, business trends remained sound through much of the first quarter but decelerated in March, which may have implications for the rest of the year. Consumer spending slowed in March after relatively strong activity in the first two months of the year. Fallout from turmoil in the banking sector caused a slowdown in corporate bond issuance and may have slowed decision-making on large software implementations and digital transformation projects. We expect slower growth across most companies as the lagged effects of the Fed hiking cycle reverberates through the economy.

We believe the Fund is well positioned to withstand an economic slowdown for several reasons. First, the vast majority of our companies are profitable, generate free cash flow, and have modest debt levels. Second, several of our holdings have idiosyncratic or counter-cyclical growth drivers. For example, trading activity at **CME Group, Inc. MarketAxess Holdings Inc.,** and **Tradeweb Markets Inc.** tends to rise during periods of market volatility and economic uncertainty, while slower economic growth has little impact on **The Progressive Corporation's** price increases and policy growth. Third, low valuations already reflect softer earnings outlooks for many of our stocks. We continue to lean into our more defensive Leaders over our higher-growth Challengers.

We are monitoring the impacts of generative artificial intelligence (AI) on the fintech landscape. We have been amazed by the rapid advances in large language models, such as ChatGPT, which have the potential to increase automation and efficiency across many aspects of our lives. Some of our holdings are already incorporating AI into their operations. **Intuit Inc.** has been investing in AI for over five years to distill insights from its vast data troves and to more quickly deliver new solutions to customers. For example, AI is used to power cash flow planning tools for small business QuickBooks customers and to efficiently match up TurboTax customers with live tax experts. **Visa Inc.** uses AI to monitor transactions for suspicious activity. In contrast, **Interactive Brokers Group, Inc.** found that AI-written software code contained bugs, was inefficiently structured, and created security risks. It's still very early days in the adoption of AI and we are still evaluating who the ultimate winners and losers will be, but we suspect that AI will enhance our competitively-advantaged companies.

Private market valuations for fintech companies are starting to catch up to the steep drops we saw in the public markets last year. Payment processor Stripe raised $6.5 billion, representing the second largest fintech funding round ever (only behind Ant Financial's $14 billion round in 2018). However, Stripe's valuation of $50 billion declined substantially from the $95 billion valuation it achieved in March 2021. EToro, a social platform for trading stocks and cryptocurrencies, completed a private market funding round at a $3.5 billion valuation, down 66% from the $10.4 billion valuation from its now-cancelled SPAC acquisition announced in March 2021. According to investment bank FT Partners, the total dollar volume of global fintech deal activity has declined for six straight quarters after peaking in the third quarter of 2021. Activity this past quarter fell 65% from a year ago and 85% from the peak, although the pace of decline eased up a bit as more active private fundraising offset declines in M&A. As mentioned in prior letters, we think reduced private capital investment into the fintech industry will temper competitive intensity and increase profitability for publicly traded incumbents, which should be a meaningful tailwind for the Fund over time.

Despite the slowdown of capital markets and M&A activity, investment bank and longtime Fund holding **Houlihan Lokey, Inc.** launched a newly formed fintech industry coverage group. A veteran investment banker was hired to lead a team of over 30 financial professionals and to identify and integrate financial technology innovations within the firm to enhance client service and the firm's operations. The company press release noted, "Financial technology continues to grow at a breakneck pace as the digital revolution continues and even accelerates with greater adoption of AI. Despite current challenges facing many fintech companies, as valuations have contracted from the pandemic-induced euphoria, the overall market is in its early innings. Challenges ranging from broad underserved markets to ensuring safe transactions to addressing the inevitable growth of regulation from the recent crypto and bank crises remain opportunities to be addressed by both emerging and incumbent players." We wholeheartedly agree and are excited by the long-term opportunities in a market that is still in the early innings of growth.

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. **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).