DEAR BARON NEW ASIA FUND SHAREHOLDER:

PERFORMANCE

Baron New Asia Fund (the "Fund") declined 7.89% (Institutional Shares) during the second quarter of 2022, while its principal benchmark index, the MSCI AC Asia ex Japan Index, declined 9.00%. The MSCI AC Asia ex Japan IMI Growth Index retreated 10.49% for the quarter. The Fund outperformed its principal benchmark index and the all-cap growth proxy during the quarter, led by a reversal and modest recovery of recent declines in China-related equities. In our view, this inflection in performance was coincident with ebbing concerns over China's potential support of Russia's invasion of Ukraine, a consensus view that China can manage its COVID challenge without economically destructive lockdown measures, and ongoing evidence that authorities are doubling down on policy easing, stimulus, and regulatory relief measures. As we highlighted the eventual likelihood of the above in our previous letter, the only surprise to us in second quarter performance was perhaps the speed at which market sentiment regarding China recovered. We offer the above as evidence of our view that China's macroeconomic, liquidity, and policy cycle is increasingly inversely correlated with that of the U.S./developed world and that China-related equities likely experienced a capitulation phase in the spring of 2022. Finally, we are encouraged by the improving relative performance of quality growth equities that materialized late in the second quarter alongside the apparent peaking of inflation expectations and sovereign bond yields. We believe this factor augers well in particular for our varied and substantial investments in quality growth stocks in India, which have been challenged year-to-date by inflation and global tightening concerns. While pleased with our relative performance during the quarter, we believe the historic scale of underperformance of growth stocks that began last year presents substantial additional recovery potential, should, as we currently envision, the leading indicators of inflation remain moderate. As always, we are confident that we have invested in many well-positioned and well-managed companies on a bottom-up basis that are poised to benefit from long-term and attractive investment themes.

MICHAEL KASS AND ANUJ AGGARWAL

PORTFOLIO MANAGERS

Retail Shares: BNAFX
Institutional Shares: BNAIX
R6 Shares: BNAUX

Table I.
Performance
For periods ended June 30, 2022

	Baron New Asia Fund Retail Shares[1,2]	Baron New Asia Fund Institutional Shares[1,2]	MSCI AC Asia ex Japan Index[1]	MSCI AC Asia ex Japan IMI Growth Index[1]
Three Months[3]	(8.01)%	(7.89)%	(9.00)%	(10.49)%
Six Months[3]	(22.12)%	(21.93)%	(16.28)%	(20.79)%
Since Inception (July 30, 2021)[3]	(20.80)%	(20.60)%	(18.95)%	(23.69)%

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 10.06% and 8.59%, respectively, but the net annual estimated expense ratio was 1.45% and 1.20% (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 **MSCI AC Asia ex Japan Index** measures the performance of large and mid cap equity securities representation across 2 of 3 developed markets countries (excluding Japan) and 8 emerging markets countries in Asia. The **MSCI AC Asia ex Japan IMI Growth Index** measures the performance of large, mid, and small cap securities exhibiting overall growth style characteristics across 2 of 3 developed markets countries (excluding Japan) and 8 emerging market countries in Asia. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. 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 does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

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Baron New Asia Fund

For the second quarter of 2022, we outperformed our primary benchmark, the MSCI AC Asia ex Japan Index, while also comfortably outperforming our all-cap Asia ex Japan growth proxy. During the quarter, Chinese equities delivered solid gains, and we are encouraged by China's growing commitment toward policy easing and regulatory support, as well as a lack of evidence that China is supporting Russia's campaign in Ukraine. As we suggested last quarter, China's challenges with COVID are likely transitory and this realization supported a modest recovery in equities during the past quarter, especially within our A share, China value-added investments. While still underperforming during the period, growth equities began to recover late in the quarter as investors increasingly rotated out of economically sensitive stocks, particularly energy and commodity producers, on growing concerns of aggressive monetary tightening and a global economic slowdown. From a sector or theme perspective, strong stock selection in the Industrials and Communication Services sectors contributed the majority of relative gains this quarter. Within Industrials, our investments across multiple themes, namely digitization (**Full Truck Alliance Co. Ltd.**), sustainability/ESG (**Hyundai Heavy Industries Co., Ltd.**), China value-added (**Estun Automation Co., Ltd.**, **Zhejiang Dingli Machinery Co., Ltd.**, and **Jiangsu Hengli Hydraulic Co., Ltd.**), and global security (**Korea Aerospace Industries, LTD.**) were key contributors to relative performance. Solid stock selection in Communications Services was once again primarily driven by our China value-added (**Kingsoft Corporation Ltd.**) and digitization (**Baidu, Inc.**) holdings. Favorable allocation effect and solid stock selection in the Information Technology sector also bolstered relative results. Finally, our cash position in a weak market contributed to relative performance during the quarter. Partially offsetting the above was adverse stock selection effect in the Consumer Discretionary sector, mainly due to investments in our supply-chain diversification (**Amber Enterprises India Ltd.** and **Dixon Technologies Ltd.**) and formalization of economy (**Titan Company Limited**) themes within India. Poor stock selection and negative allocation effect in the Real Estate sector (**Godrej Properties Limited**) also detracted from relative performance.

From a country perspective, solid stock selection and our underweight in Korea were the largest contributors to relative performance this quarter. Our lower weighting in Taiwan also stood out as a key contributor. Partly offsetting the above was adverse stock selection and our overweight in India, together with our active exposure to Japan. We remain excited about our investments in India and view current market weakness as an opportunity to add to our highest conviction ideas that have corrected with other growth equities and are trading at attractive valuations. We remain optimistic about a continued recovery in our China holdings. In our view, current stock prices do not fully reflect fundamental intrinsic value for many of our investments, especially within our China value-added theme and mainland A-share holdings.

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

	Percent Impact
Full Truck Alliance Co. Ltd.	0.42%
China Tourism Group Duty Free Corporation Limited	0.32
Kweichow Moutai Co., Ltd.	0.32
Kingsoft Corporation Ltd.	0.30
Yum China Holdings Inc.	0.30

Full Truck Alliance Co. Ltd. is the largest digital freight platform in the world. Shares of the China-based company rallied after a cybersecurity review greenlighted the use of its Apps to add new user registrations. We remain investors given digital platform penetration into China's four trillion RMB full truck-load market is still just in the single digits. We see major upside based on the expected rollout of transaction commissions to truckers from the current 6% market penetration and less than 1% take rate, and we expect revenue to grow at 50% CAGR over the next five years.

China Tourism Group Duty Free Corporation Limited, the largest operator of duty free stores in China, was a contributor to performance. COVID-related lockdowns across Shanghai and several other cities in the prior quarter pressured shares. In the second quarter, shares bounced back as restrictions were eased and Chinese consumers showed signs of catch-up spend. We believe China Tourism Group Duty Free will be the prime beneficiary of repatriation of overseas duty free spend back to China over the next half decade.

Kweichow Moutai Co., Ltd. produces the best known ultra-premium baijiu (a type of Chinese liquor). Moutai had lagged the broader emerging markets index since the relative peak in Chinese equities in early 2021, and we used that weakness as an opportunity to initiate a position. Shares increased during the second quarter, given Moutai's relative earnings resiliency and evidence that its efforts to shift volume mix into its own direct-to-consumer channels, where margins are much higher, are bearing fruit.

Shares of **Kingsoft Corporation Ltd.**, a leading Chinese office software, interactive entertainment, and cloud computing company, increased during the quarter due to strong growth in office software subscription revenue and users, the resumption of regulatory approvals for new video games, and stabilizing margins. We remain shareholders, as we expect Kingsoft will be the primary beneficiary of the rapid growth of China's office software market.

Shares of **Yum China Holdings Inc.**, master franchisee for KFC and Pizza Hut in China, rose in the second quarter, largely due to a recovery from weakness in the prior two quarters as COVID-related restrictions started to ease. We believe Yum China's fortress balance sheet will allow it to navigate even prolonged rolling lockdowns in China and accelerating underlying unit growth at high returns on capital implies earnings power as reopening continues.

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

	Percent Impact
Taiwan Semiconductor Manufacturing Company Ltd.	–1.22%
Samsung Electronics Co., Ltd.	–0.88
Bajaj Finance Limited	–0.74
Aarti Industries Limited	–0.65
Keyence Corporation	–0.47

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Ltd.** detracted in the second quarter due to macroeconomic uncertainties and softening demand for consumer electronics. We retain conviction that Taiwan Semi's technological leadership, pricing power, and exposure to secular growth markets, including high-performance computing, automotive, and IoT, will allow the company to deliver strong revenue growth over the next several years.

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** decreased during the quarter due to macroeconomic headwinds, end demand deterioration, and declining prices for DRAM and NAND semiconductors. We are confident Samsung will remain a global leader in memory, smartphones, and foundry services and is a key beneficiary of long-term semiconductor demand growth.

Bajaj Finance Limited detracted in the quarter. As a leading non-bank financial company in India, we think Bajaj is well positioned to benefit from growing demand for consumer financial services such as mortgages, personal and credit card loans, vehicle financing, and other related products. Rising inflationary pressures and a likely slowdown in economic activity in India were key drivers for weak performance during the quarter. We retain conviction in Bajaj due to its best-in-class management team, robust long-term growth outlook, and conservative risk management frameworks.

Aarti Industries Limited declined during the quarter. As a leading specialty chemicals manufacturer in India, Aarti is well positioned to gain global market share due to accelerating supply-chain diversification outside of China. The underperformance was primarily driven by near-term earnings headwinds due to rising raw material costs, and a likely slowdown in global business activity that impacts end demand for its products. We retain conviction in Aarti due to its dominant market position and believe it can sustain earnings growth of 18% to 20% over the next three to five years.

Shares of **Keyence Corporation** fell in the quarter, primarily driven by a broad sell-off in growth equities along with investor expectations of a business slowdown in Europe due to the Ukrainian war and the spread of COVID in China. We retain conviction. As a global leader in machine vision and factory automation solutions, we think the company is positioned to benefit from rising adoption of industrial automation equipment to enhance productivity. We believe Keyence can sustain mid-teens earnings growth over the next three to five years.

Portfolio Structure

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

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Ltd.	4.6%
Tencent Holdings Limited	3.7
Alibaba Group Holding Limited	3.3
Samsung Electronics Co., Ltd.	3.1
Reliance Industries Limited	3.1
Kweichow Moutai Co., Ltd.	2.5
Yum China Holdings Inc.	2.5
ICICI Bank Limited	2.4
Bharti Airtel Limited	2.4
Hong Kong Exchanges and Clearing Limited	2.1

Exposure by Country

Table V.
Percentage of securities by country as of June 30, 2022

	Percent of Net Assets
China	41.4%
India	25.7
Korea	8.0
Hong Kong	6.6
Taiwan	6.3
Japan	2.9
Indonesia	2.2
Thailand	0.9
United States	0.8

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing world companies of all sizes can exhibit attractive growth potential. At the end of the second quarter of 2022, the Fund's median market cap was $14.0 billion, and we were invested 54.2% in giant-cap companies, 29.0% in large-cap companies, 10.1% in mid-cap companies, and 1.5% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the second quarter, we added a few new investments to our existing themes, while also increasing exposure to several positions that were established in earlier periods. We continue our endeavor to add to our highest conviction ideas. We were active in adding to our China value-added theme, most notably by initiating positions in **Beijing Oriental Yuhong Waterproof Technology Co., Ltd.**, **ACM Research, Inc.**, and **Jiangsu Hengli Hydraulic Co., Ltd.** Yuhong is China's leading producer of waterproofing materials for property and infrastructure. The company has been rapidly consolidating market share in a fragmented industry and is now larger than the next 10 competitors combined. We expect strong, sustained secular growth in the waterproofing industry due to favorable policy measures that require higher quality construction standards and a tightening of building regulations. Yuhong, the industry pioneer, has the highest quality product set, the longest execution track record, and strong pricing power. In our view, the company is well-positioned to grow earnings at a 30% CAGR over the next few years.

ACM is a semiconductor production equipment company with principal operations in China. In our view, ACM will be a key beneficiary of the rapid fab capacity expansion in China, gain domestic market share as fabs shift to local suppliers for self-sufficiency, and will expand overseas in the longer term. We believe ACM will successfully expand its product portfolio beyond its industry-leading wafer cleaning tools. ACM's differentiated technology, reflected in its attractive gross margin profile and orders from tier-1 chipmakers, represents an enduring competitive advantage, in our view. We expect the company to generate strong double-digit earnings growth over the next several years.

Hengli is China's largest manufacturer of hydraulic components such as cylinders, pumps, and valves. These are mission-critical components of construction machinery with high barriers to entry. We were impressed with Hengli's success in displacing foreign competition in China to become the dominant supplier of hydraulic cylinders for excavators, commanding more than a 50% market share. The company has successfully competed with international brands both domestically and abroad due to its high-quality products at lower costs, while historically generating over a 30% return on invested capital. Recently, Hengli has expanded into hydraulic pumps and valves as well as non-excavator construction machinery segments with much larger addressable markets. We expect Hengli to replicate its success in gaining market share from foreign competition in these new verticals and maintain double-digit earnings growth.

During the quarter, we also increased exposure to our digitization theme by initiating an investment in **Coupang, LLC**, which operates the largest e-commerce portal in Korea. The company listed in early 2021 at the relative peak of high-growth internet stocks and subsequently underperformed due to a sequence of COVID-related earnings misses and multiple compression across its peer group. By the second quarter of 2022 the stock was trading roughly 70% below its IPO price. In our view, the material correction in Coupang's stock price created an attractive entry point. We are impressed by the company's proprietary logistics network that required nearly a decade and billions of dollars to build, allowing Coupang to offer delivery speeds and service levels unmatched by other operators in Korea (or virtually any operator globally). We believe this is a source of long-term, durable competitive advantage that was no longer reflected in the valuation and thus offered an attractive opportunity. Adding to our conviction, the company's first quarter earnings results demonstrated that COVID-related headwinds that had plagued its performance in 2021 were subsiding and margins in its core e-commerce business were turning a corner and rising, a trend we believe will continue. Korea's unusually fragmented e-commerce industry implies Coupang can sustain years of rapid growth as a consolidator in an industry where market leaders tend to benefit from inherent network effects. Additionally, the company's revenue growth increasingly includes higher margin income streams (discretionary vs. staples, commissions on third-party sales, fulfillment, advertising, subscription), a positive sign for margin trajectory and ultimate profitability, contrary to many global operators that started with higher margins and are now experiencing margin dilution in a drive towards greater customer frequency.

As part of our fintech disruption theme, we initiated a position in **Lufax Holding Ltd** during the quarter. We are encouraged by China's increased commitment toward policy easing and regulatory support which is creating attractive investment opportunities in several technology related businesses, including Lufax. The company is a leading financial technology platform in China that focuses on lending to underserved small- and medium-sized enterprises (SMEs) and provides wealth management solutions to the middle-income and affluent segments of the population. In our view, facilitating credit to SMEs is critical for China's economic success. After a protracted regulatory reboot of the sector, Lufax now stands to benefit from potential government and regulatory support toward the SME segment. The company has an effective distribution strategy and differentiated risk-sharing model compared to traditional lenders, which we believe represents a durable competitive advantage.

Finally, we added to several of our existing positions during the quarter, including **Hong Kong Exchanges and Clearing Limited**, **Kweichow Moutai Co., Ltd.**, **AIA Group Limited**, **Techtronic Industries Co. Ltd.**, **Baidu, Inc.**, **Samsung Electronics Co., Ltd.**, **Zai Lab Limited**, **China Conch Environment Protection Holdings Limited**, **MediaTek Inc.**, and **Full Truck Alliance Co. Ltd.**

During the quarter, in our endeavor to concentrate capital in holdings for which we have the highest conviction around their quality and return potential and eliminate lower conviction or smaller holdings over time, we exited positions in **Yonyou Network Technology Co., Ltd.** and **Yantai Jereh Oilfield Services Group Co., Ltd.**

Outlook

While the second quarter of 2022 fortunately did not deliver the geopolitical shock value of the first quarter, the global equity retreat did continue, while volatility across capital markets and inter-market leadership remained high. In our view, perhaps the seminal event during the quarter was a perceived transition in market sentiment despite no material change in the Russia/Ukraine conflict and the associated risk of commodity supply disruptions. To us, this suggests the likely passing of peak inflation panic, at least for the current year. If for the first four of five months of the year the U.S. Federal Reserve appeared misguided and behind the curve, a more aggressive tone and commitment to tighten financial conditions gained the respect of market participants and appears for now to have re-established the Fed's inflation-fighting credentials. Coincident with this transition, market behavior shifted from fearing inflation to fearing a recession, should the Fed provoke one while remaining principally focused on taming inflation. The evidence is mounting that inflation expectations have peaked and the odds of recession are rising. Since reaching a peak in recent months to the end of the second quarter:

- The U.S. 5-year breakeven inflation rate declined 30% from 3.73% to 2.62%.
- The U.S. 2-year breakeven inflation rate declined 33% from 4.93% to 3.29%.
- The spot WTI oil price declined 15% from $124/barrel to $106/barrel.
- The spot copper price declined 21% from $4.87/lb. to $3.83/lb.
- The spot lumber price declined 41% from $1,074 to $637.
- The U.S. 10-Year Treasury bond yield declined 15% from 3.49% to 2.98%.
- The U.S. 10-Year real Treasury bond yield declined 27% from 0.89% to 0.65%.

The fact that this repricing has occurred during a period where the risk of major COVID-related shutdowns across China has been receding only lends greater credibility to the notion that inflation has peaked, and should this prove to be the case, we would expect global growth equity relative performance also to have bottomed, with material headroom for recovery in the coming months and quarters. In fact, we note that growth equity relative performance began to improve as U.S. Treasury yields peaked in June.

Turning to the Asian markets, we note another key inflection point in the recent quarter; Asian equities, defined as the MSCI AC Asia ex Japan Index, materially outperformed both the S&P 500 Index and global indexes and have now outperformed for the year-to-date period. This encompasses a period when China-related equities, by far the largest component of the Index, battled geopolitical, sanction, and COVID concerns. Such outperformance by Asian and/or emerging market ("EM") equities in a weak or global bear market is unusual and, in our view, may be signaling a major long-term inflection point in relative performance. Regarding China, we recount from our first quarter letter; "We remain encouraged by pervasive evidence of impending regulatory relief, financial easing, and economic stimulus in China. While the recent escalation of COVID-related challenges defers China's economic and equity-market recovery somewhat, in our view, the mid-March equity market capitulation likely represents a bottom for this asset class, and perhaps by extension, for EM equities in general." In an encouraging yet preliminary sign, China-related equities began to recover and outperform, and as defined by the iShares MSCI China ETF, China was one of the only jurisdictions to deliver a positive return in the second quarter, as COVID and geopolitical concerns abated and Chinese authorities doubled down on policy easing, stimulus, and regulatory relief measures. In short, contrary to most jurisdictions, China's inflation readings are contained, while its economic and earnings outlook is improving. As equity valuations remain compressed, we continue to believe China offers material upside potential, notwithstanding the recent recovery and outperformance. While Indian equities, which represent the second major pillar of exposure in the Fund, retreated during the quarter in sympathy with growth equities in general, we are encouraged by signs of a relative bottom coincident with a peak in inflation expectations and interest rates.

From a longer-term perspective, we remain confident that EM, Asian, and international equities are poised for a sustained period of outperformance following the past decade of underperformance. After a couple of false starts in recent years that, in our view, were truncated by the exogenous shocks of COVID-19 and Russia's invasion of Ukraine, we believe the evolving geopolitical and global security environment suggests this transition in leadership is even more likely. After a 30-year period of globalization that led to subdued capital investment, the changing nature of U.S./China relations and Russia's aggression necessitate a global capital investment cycle. Such a cycle has nearly always correlated with EM and international outperformance as these economies and markets are more sensitive to the beneficiaries of such an environment. While we believe longer-term inflation expectations may be peaking, we also believe that commodity prices are likely to remain elevated for some time relative to the past several years, which will be necessary to incent long-term investment in secure energy, commodity, and agricultural supply and help fund de-globalization. We view this scenario as a transfer of wealth away from global consumers and towards the owners of real assets and producers of industrial goods, which happen to be more concentrated in EM and international jurisdictions. Of course, this phenomenon is in addition to the longer-term fundamental factors we often cite such as economic reforms in key EM countries such as India, the shift in emphasis towards value-added and high return sectors in China, and the passing of peak global dollar demand, which coupled with an order of magnitude increase in supply of U.S. Treasuries/dollars, suggests a dollar bear market awaits. A dollar bear market has historically favored EM and international assets on a relative basis. We are encouraged by the recent performance of Asian and EM equities, and the relative performance of our client portfolios, and as always, we remain confident that we have invested in a collection of well-positioned and well-managed companies with substantial long-term investment return potential.

Thank you for investing in the Baron New Asia Fund.

Sincerely,

Michael Kass and Anuj Aggarwal
Portfolio Managers

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. In addition, investments in developing countries may have increased risks due to a greater possibility of settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. Government actions, bureaucratic obstacles and inconsistent economic reform within the Indian government have had a significant effect on the Indian economy and could adversely affect market conditions, economic growth and the profitability of private enterprises in India. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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

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