DEAR BARON TECHNOLOGY FUND SHAREHOLDER:

PERFORMANCE

Baron Technology Fund (the "Fund") was down 5.75% (Institutional Shares) in the fourth quarter, underperforming the MSCI ACWI Information Technology Index, which rose 5.77%, due to differences in industry exposures and, to a lesser extent, stock selection.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Technology Fund Retail Shares[1,2]	Baron Technology Fund Institutional Shares[1,2]	MSCI ACWI Information Technology Index[1]	S&P 500 Index[1]
Three Months[3]	(5.76)%	(5.75)%	5.77%	7.56%
One Year and Since Inception (December 31, 2021)	(44.40)%	(44.30)%	(31.07)%	(18.11)%

MICHAEL A. LIPPERT AND ASHIM MEHRA
PORTFOLIO MANAGERS

Retail Shares: BTEEX
Institutional Shares: BTECX
R6 Shares: BTEUX

REVIEW & OUTLOOK

We believe investing in technology is a compelling and important way to capitalize on the rapid pace of change in the world, much of it driven by our lives becoming more interconnected, data-driven, and digital. Technology innovations continue to propel powerful and indisputable secular growth trends disrupting industries and yielding open-ended growth opportunities. We launched Baron Technology Fund to provide investors with a portfolio laser focused on these technology trends. By investing in this Fund, investors will gain concentrated exposure to companies capitalizing on durable-growth opportunities driven by such themes as cloud computing, electric vehicles (EVs), advanced semiconductors, and artificial intelligence (AI). These developments have resulted in a jet stream of secular tailwinds that we believe will not only blow through any macro headwinds over the near term but spur faster and more sustainable growth than other industry sectors.

This Fund is co-managed by Michael Lippert and Ashim Mehra. Mike has worked at Baron for over 21 years and is the portfolio manager of Baron Opportunity Fund and the Firm's Head of Technology Research. Ashim has worked at Baron for over 11 years and is the portfolio manager of Baron Innovators Fund and the leader of the Firm's internet, e-commerce, and media research efforts. Together, we have over three decades of combined experience in technology investing, a deep understanding of the key technology industry groups and opportunities they present, and a deep partnership forged over our decade-plus of working closely together. Our complementary backgrounds, Ashim as an engineer and Michael as an attorney, have enabled us to develop a comprehensive approach to portfolio management that incorporates rigorous due diligence, a long-term outlook, and a focus on innovation. Our goal is to help investors realize the full potential of their technology investments and gain the financial rewards that come with it.

Baron Technology Fund is an actively managed, all-cap fund that invests in U.S. and international companies benefiting from technology innovation. We plan to manage the Fund as a high-conviction portfolio with between 40 to 50 individual investments. The primary benchmark for the Fund is the

Performance listed in the above table is net of annual operating expenses. Annual estimated expense ratio for the Retail Shares and Institutional Shares is 1.98% and 1.73%, respectively, but the net annual expense ratio is 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 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.

1 The **MSCI ACWI Information Technology Index** includes large and mid cap securities across 23 Developed Markets (DM) countries and 24 Emerging Markets (EM) countries. All securities in the index are classified in the Information Technology sector as per the Global Industry Classification Standard (GICS®). MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. 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 redemption of Fund shares.

3 Not annualized.

BARON FUNDS 1987

MSCI ACWI Information Technology Index. By analytical and experiential design, the portfolio will be more diversified than this Index, with exposure to not only Information Technology (IT) industry groups, such as software, semiconductors, IT services, and electronic payments, but also such technology-driven verticals as EVs, digital media/advertising, and e-commerce. We caution investors that this dynamic may lead to a mismatch between the performance of our Fund and our IT-only primary benchmark. To be clear, our long-term goal is to deliver excellent absolute returns for our investors, as well as superior relative returns versus our primary benchmark, the broader market, and peers.

At Baron, we believe the formula for successful growth investing has always been to identify the best companies, management teams with vision and a track record of success, business models that are easy to analyze and understand, and to hold those investments for the long term. This philosophy/approach will remain the bedrock of our Fund. We will continue to focus our research, analysis, and investment decisions on identifying the undeniable, powerful, durable secular growth trends that will drive industry growth going forward, regardless of short-term economic cycles or stock market gyrations, and the individual companies that are leading or riding those trends and possess sustainable competitive advantages, profitable business models, and long-term oriented managers. Here is a partial list of the secular technology trends we plan to emphasize:

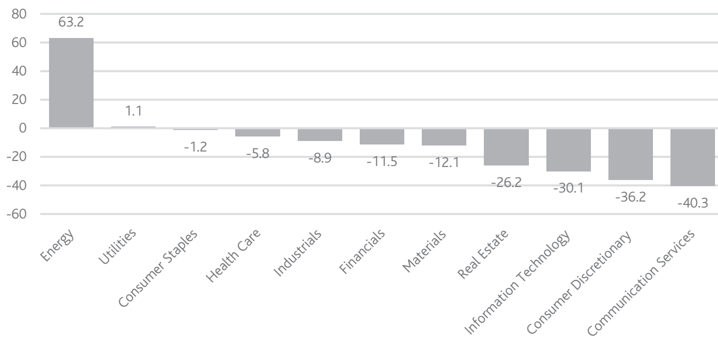
- Cloud Computing
- Software-as-a-service (SaaS)
- Artificial Intelligence
- Electric Vehicles/Autonomous Driving
- Semiconductors
- Digital Media/Services
- Targeted/Data-Driven Digital Advertising
- E-commerce
- Cybersecurity
- DevSecOps
- IT Services
- Electronic Payments

Our decades of investing have taught us that secular trends, durability of growth, and free cash flow (FCF) generation at scale are the key factors in long-term growth investing and ultimately stock returns. Faster-for-longer is a hallmark of all great growth stocks. It is what we look for in almost all our investments. But how does a management team and company achieve that? In our experience, it is through relentless disruptive innovation, trial and error, iterative improvement, and knocking down walls. It is expanding and then capturing a meaningful share of a company's total addressable market, or TAM, and by becoming a multi-product or service business with the right product-market fit, with the ambitious goal of being recognized as a *platform* company. Within our research team, we colloquially refer to such TAM expansion as *open-ended growth, second or third acts, or multiple TAMs*. Think about great growth companies that are now household names, such as **Microsoft Corporation** and **Amazon.com, Inc.**, our top two holdings. Each grew faster-for-longer because of second, third or more acts; each achieved better-than-expected open-ended growth because they developed multiple TAMs; and each created enormous shareholder value. Microsoft started with Windows on personal computers and servers, expanded into the Office suite (e-mail, spreadsheets, word processing) loaded on your device, and crossed the chasm to become a cloud leader with Azure and Office 365. Amazon launched its business as an online book seller and expanded category by category to become an e-commerce platform selling pretty much everything. It disrupted legacy logistics by building the "rails" that deliver products to your door the day after you order them, if not the same day; and it pioneered the current generation of cloud computing with Amazon Web Services. These are the types of companies we will be looking to include in our Fund's portfolio.

In all candor, 2022 was a terrible year to launch a technology-focused fund given the rotation out of growth-oriented segments of the market, such as IT, Consumer Discretionary, and Communication Services, and into Energy, Utilities, Health Care, Financials, and other value-leaning sectors. This backdrop made for a difficult year to be investing in the technology space as the graphic below depicts.

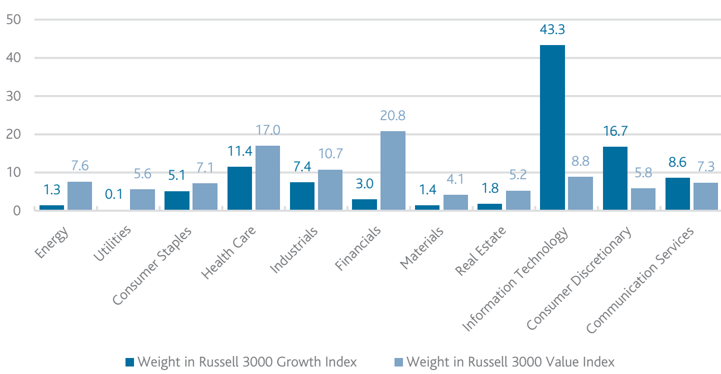
Russell 3000 Index Sector Returns

for Calendar Year 2022



Value vs. Growth Sector Weights

as of December 31, 2022



Sources: FactSet, FTSE Russell.

The pandemic accelerated digital transformations, and technology stocks reached record levels propelled by these tailwinds. The winds not only turned in 2022 but blew in a perfect storm. Technology stocks fell sharply because of the combined impact of rising rates (the Federal Reserve raised rates by 425 cumulative basis points, the fastest pace in 40-plus years), declining multiples, challenging macroeconomic conditions, heightened geopolitical risks (particularly the Ukraine war), and investors fleeing technology stocks for the perceived safety of other value-type sectors. So where are we now? We believe valuations are attractive for long-term investors. The secular trends we emphasize are not only intact but accelerating in terms of how they are disrupting industries and impacting all our lives. We believe these trends will drive outsized growth even during this period of economic weakness and should accelerate once the headwinds abate. Yet the broader technology space has been acting as though we've been in a recession for over a year now. Stocks have sharply retreated, multiples have compressed, and forward numbers (company guidance and Street estimates) have come down. Multiples have contracted below long-term averages–including pre-pandemic and higher interest rates eras, on an absolute and a growth-adjusted basis. Numbers have come down significantly for 2023 and forward projections for 2024 and 2025 appear reasonable and even conservative. While we eschew ever calling the bottom in short-term fundamentals or stock prices, we have run fact-based and pragmatic scenarios across our investments, and believe we are much closer to the bottom, if not already there, and at stock price levels where the risk/reward and upside/downside is in our favor, particularly over the long term (to be clear, by that we mean 2- to 3-year returns, not 5 or 10).

We have tactically responded to the sell-off by endeavoring to optimize our portfolio carefully and pragmatically by buying or adding to businesses that possess the key criteria described above (particularly, faster-for-longer and FCF generation), favoring those companies that our research indicates will be more resilient during this period of macro weakness and accelerate once the global economy starts to rebound. For example, this year we took advantage of the significant weakness in semiconductor stocks to buildout that part of our portfolio, as we believe the secular trends around cloud computing, accelerated computing, Internet of Things (including automobiles), and AI are only accelerating and the long-term demand for powerful and efficient chips extends as far as our research eyes can see. We also selectively leaned into our EV, software, digital media, and e-commerce investments. Among others, during the fourth quarter we initiated or added to:

Electric Vehicles: **Tesla, Inc.**

Semiconductors: **Advanced Micro Devices, Inc.**, **Monolithic Power Systems, Inc.**, **ASML Holding N.V.**, **indie Semiconductor, Inc.**, and **NVIDIA Corporation**

Software: **Datadog, Inc.**, **GitLab Inc.**, and **Cloudflare, Inc.**

Digital Media: **Meta Platforms, Inc.**

E-commerce/Cloud Computing: **Amazon.com, Inc.**

The theme we are most excited about for the next several years is AI. The public launch of ChatGPT in late November shook the world and may prove to be an inflection-point moment in the adoption of AI. ChatGPT is a sophisticated chatbot from OpenAI, built on top of a family of large language models (LLMs), that responds to text inputs and provides articulate answers in a detailed, natural language manner never seen before by the wider public. Use cases include writing natural answers, writing "creatively" (e.g., poems in the style of your choice), auto-completing and debugging code, summarizing long text, having conversations, etc. LLMs like ChatGPT, as well as text-to-images models like DALL-E, also from OpenAI, are a type of AI referred to as Generative AI. Other forms of AI that have been impacting our lives for years are known as recommendation systems. These include such widely adopted use cases as recommendations of search results on Google; videos to watch on YouTube, Netflix, TikTok, and Reels; products to buy on Amazon and other e-commerce sites; songs or podcasts to listen to on streaming services like Spotify; and what ads to show users on mobile applications, internet sites, and connected TV services. Moreover, autonomous driving systems, like Tesla's Autopilot, are also based on AI. We acknowledge there might be a little current hype around ChatGPT, but we have long been believers that AI is the next major secular tectonic shift, like mobile and cloud, and will be the most compelling force to power technology innovation and impact human life over the next decade. Aside from large platform players like Microsoft and Meta, we believe the prime beneficiaries of AI will be a subset of the semiconductor universe, particularly the accelerated computing leaders NVIDIA and Advanced Micro Devices, both of which are sizeable positions in the portfolio.

For 2022, nearly all our software holdings, e-commerce (particularly, Amazon and **Shopify Inc.**), and EVs (chiefly Tesla) detracted the most from the portfolio's absolute and relative performance. As touched on above, the e-commerce and EV verticals are not part of our primary IT-only benchmark and accounted for a significant amount of the Fund's relative underperformance for the year. All these industries and the companies within them were impacted by the gale force winds of rising rates/collapsing multiples and economic weakness. We retain conviction in the secular developments driving all these industries and believe the durable long-term growth trends for these industries will significantly exceed the broader economy. As outlined above, during the year we increased our positions in high-conviction holdings exposed to these digital transformation trends. Moreover, our lower exposure to **Apple Inc.** versus the substantial weight in our primary index (an average weight of 19.7% for the year) further detracted from relative performance.

Our strategy remains to run the well-honed Baron play in the year ahead: identify the best long-term investments and seek to buy or add to them at what we believe are attractive valuations. We are deeply invested in your success, as we are both material investors in the Fund alongside you. We are committed to learning from the past, iteratively improving our processes and judgments, and systematically testing our assumptions and questioning each other to yield better decisions. While 2022 was a challenging launch year, both of us have been investing across the technology space for a long time–and have been mentored by Ron Baron – and we are able put one year's worth of performance in proper perspective. We are optimistic about what the future holds for advancements in technology and the Baron Technology Fund.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Gartner, Inc.	0.77%
ASML Holding N.V.	0.70
NVIDIA Corporation	0.57
Mastercard Incorporated	0.54
Microsoft Corporation	0.44

Shares of **Gartner, Inc.**, the world's largest provider of syndicated research, contributed to our results in the quarter. Gartner is a business that our Firm has been investing in for over 15 years, counting among the Firm's longest tenured investments. By expanding beyond IT to the broader set of business services (a major "second act"), we estimate that Gartner's research TAM has inflected to exceed $100 billion of annual recurring revenue, at least 25 times larger than its current business. Gartner sells its research on a subscription basis with annual contract terms and upfront cash payments, creating valuable recurring revenue streams with high retention rates and verifiable pricing power. Its business model carries high incremental margins, as its research can be written once but resold indefinitely with minimal incremental costs. As a result, Gartner is generating significant cash flow, which management has deployed to make acquisitions and to repurchase stock. In the quarter, Gartner shares responded positively to the company's sustained business momentum despite growing concerns over macroeconomic conditions. For the third quarter, Gartner grew its research contract value at 14.5%, including 12.7% growth in its Global Technology

Services practice and 21.4% growth in its Global Business Services practice. Margins meaningfully exceeded expectations despite growing investments across the company, driven by Gartner's strong unit economics and high incremental margins. Finally, cash flow continued to meaningfully exceed net income, with the company allocating $1 billion to share repurchases through the first three quarters of the year.

Shares of **ASML Holding N.V.**, a designer and manufacturer of semiconductor production equipment with leading share in photolithography, rose during the quarter as the company maintained its strong near-term outlook and increased its longer-term outlook at its Capital Markets Day. While investors are expecting a slowdown in semiconductor capex in 2023, ASML's demand continues to exceed its capacity to produce and the company reported record bookings and backlog during its October earnings report. The company also reiterated its goal to significantly increase capacity through 2025 to continue to support its customers' strategic roadmaps. ASML has 100% market share in high-end lithography (extreme ultraviolet or EUV) equipment, which is a critical component of advanced semiconductor chip manufacturing, and therefore it maintains extremely close relationships with its customers that grant it high visibility for many years. The company remains well positioned to meet or possibly exceed its newly announced medium- and longer-term targets as its customers continue to build out more capacity in the coming years to support growing demand for global semiconductor devices.

NVIDIA Corporation is a fabless semiconductor mega cap that is a global leader in gaming cards and accelerated computing hardware and software. Despite the ongoing inventory correction in gaming, shares rose over 20% during the fourth quarter because of continued resilience in the company's data center segment, which beat expectations and grew more than 30% year-over-year, driven by robust demand for accelerating computing graphic processing units (GPUs) to power data-intensive, AI, and cloud workloads. Along these lines, the company announced an agreement with Microsoft and Oracle, in which it will go to market together with these cloud providers, receiving a revenue share for the usage by Microsoft/Oracle end customers of NVIDIA GPUs in the cloud as well as NVIDIA's AI Enterprise software suite as a service. This strategic announcement should both reduce hurdles for AI adoption in vertical industries as well as drive incremental usage-based, high-margin revenues for NVIDIA. In addition, OpenAI's ChatGPT uses NVIDIA GPUs to train its models and runs on NVIDIA GPUs in the Microsoft Azure cloud to provide its answers. We continue to believe that NVIDIA's end-to-end AI platform–both GPUs and increasingly high-margin software–and its leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, will enable the company to grow faster-for-longer for years to come.

Shares of global payment network **Mastercard Incorporated** outperformed after reporting strong quarterly results with 15% revenue growth and 13% earnings growth, despite significant headwinds from currency movements and the suspension of operations in Russia. Payment volume grew 21% in local currency, excluding Russia, as consumer spending remained resilient and international travel continued to recover as border restrictions are lifted. Major foreign currencies strengthened toward the end of the quarter, which should support future growth. We continue to own the stock due to Mastercard's long runway for growth and significant competitive advantages.

Shares of **Microsoft Corporation** outperformed despite a mixed fiscal first quarter due to macro challenges that negatively impacted results and guidance, including foreign exchange headwinds, weakening PC demand, and a cyclical slowdown in advertising spending. Total revenue beat Street expectations at 16% constant-currency growth (vs. estimates of 14%), but its Azure cloud computing business missed analyst projections by 1% for the second straight quarter, though it still grew a robust 42% year-over-year, as Microsoft helped its customers optimize existing workloads due to the macro backdrop. While the optimization of workloads is a short-term headwind, we believe it is the right thing to do and should help drive more consumption by customers over time. Our research continues to indicate that the longer-term secular trend of cloud computing remains healthy and intact. For example, in its fourth quarter CIO survey report, Morgan Stanley showed, among other things, that cloud computing was the second highest CIO spending priority (behind only security software), that cloud application workloads were expected to increase from 27% of total workloads today to 46% by the end of 2025, and that Azure was listed as the preferred cloud vendor and likely to take share over the short and long term.[1] Additionally, Microsoft is positioned to be a prime beneficiary of ChatGPT. Microsoft invested $1 billion in OpenAI in 2020 and is rumored to be considering investing an additional $10 billion for a 49% stake in the company. Moreover, ChatGPT runs on Microsoft's Azure platform, and Microsoft recently announced the general availability of its Azure OpenAI Service enabling Azure customers to access advanced AI models, including ChatGPT itself soon. We remain bullish on Microsoft's long-term opportunity in the cloud, and believe AI has the potential to be additive to growth for years to come.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Tesla, Inc.	–3.15%
Amazon.com, Inc.	–2.40
ZoomInfo Technologies Inc.	–0.98
CrowdStrike Holdings, Inc.	–0.82
The Trade Desk	–0.59

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Shares underperformed due to growing concerns regarding delivery volumes and vehicle pricing dynamics, as global demand appeared to be impacted by widespread macro downturns, COVID outbreaks in China, and higher interest rates (impacting vehicle financing). In addition, following the closing of CEO Elon Musk's acquisition of Twitter, Elon has dedicated a material portion of his time to that business, sold Tesla shares to fund the transaction, and attracted controversy arising from his public tweets and management of Twitter. Moreover, following a couple of years in which the industry, and Tesla, benefited from elevated prices due to robust demand in a supply-constrained environment, Tesla recently reduced prices across all key geographies. Despite these issues and concerns, which we take seriously and are carefully researching, our long-term investment conviction in Tesla remains intact, we believe Tesla's stock has been oversold and the current

[1] Microsoft Azure was the top vendor "you are using or likely to use in managing your hybrid cloud environment" at 46%; as well as the top "preferred public cloud vendor" today and for the next three years at 38% and 48%, respectively; and the top vendor "with largest gain or loss of incremental share of IT budget as a result of the shift to the cloud in 2023" at a net figure of 40%. Amazon was the second ranked vendor on all these surveys at 17%, 31%, 34%, and 24% net, respectively.

valuation is compelling, and we added to our position during the fourth quarter. Several points as to why we maintain conviction in the Company:

(1) We remain confident in Elon as Tesla's CEO and leader, and the highly capable and trusted management team working alongside him. While we don't align with everything Elon says and does, given our Firm's long-term investments in Tesla and SpaceX, we know him to be a leader and visionary, and to possess a unique skillset to drive amazing innovations others thought impossible.

(2) Tesla ended the third quarter with just under $22 billion of cash and effectively no recourse debt, it is expected (by the Street) to generate over $4 of run-rate earnings in the fourth quarter, it has generated $9 billion of FCF over the trailing 12 months, its near- and long-term earnings and cash flow power remains robust, and it has proven EV unit economics with its Model 3/Y line of vehicles achieving a high of $15,000 of gross profit per vehicle (ex all credits). Tesla will exit 2022 with a production rate of approximately 2 million vehicles and will end 2023 at a far higher level with the ramp of its new, localized, and more efficient factories in Texas and Berlin. In 2022, EV sales accounted for 10% of the global automotive market, and Elon's public target for Tesla is to sell 20 million EVs by 2030. With its scale, brand, direct-to-consumer model, unit-level economics, balance sheet, superior product lineup, manufacturing efficiencies, Cybertruck launching later this year, a lower-priced model with a $20,000 production cost launching next year, we think Tesla's management made the correct aggressive and disruptive move to lower prices and take market share, capitalizing on the relative weakness of its legacy automotive and far smaller EV competitors, as well as substantial consumer incentives in the U.S. under the Inflation Reduction Act (IRA). We always expected Tesla to reduce pricing as driving volume is a key strategy for the company, and the high-margin software (autonomous driving) and robotaxi opportunities inside of a larger fleet are substantial. We believe Tesla should be able to sell approximately four to five million EVs by mid-decade. Already, reports from all around the world of spiking consumer orders for Tesla vehicles abound.

(3) We believe the IRA will materially benefit Tesla's U.S. operations. Tesla currently holds roughly 60% of the EV market share in the U.S., making it by far the largest EV producer in the region. The IRA will offer 10% to 15% price reductions (tax rebates) for eligible consumers on eligible vehicles, and potentially even more for commercial customers. On top of that, the IRA's production tax credit of $45 per kilowatt hour can imply a roughly 30% cost reduction in the battery, the most expensive component in Tesla's cost of production.

(4) Tesla has several long-term growth drivers viewed as not much more than options by the Street, including full self-driving, robotaxis, commercial battery storage, and autonomous robots.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares of Amazon were down in the quarter, as the company guided to relative weakness in margins and its cloud business, due to the same macro headwinds and optimization trends impacting Microsoft Azure. We believe that Amazon is well positioned to improve profitability back to historical levels, particularly in its core North American retail division. We have already seen some of this play out with reports of Amazon's increased cost discipline and broad-based layoffs. We believe Amazon can sustain premium growth compared to the rest of the internet and software sectors, given its competitive strengths and scale. Longer term, Amazon has substantially more room to grow in e-commerce, where it has less than 15% penetration in its TAM, and cloud, where it is a clear leader in the vast and growing cloud infrastructure market.

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Shares of ZoomInfo detracted from performance after the company shared a weaker top-line outlook driven by meaningful macro weakness compounded by exposure to certain verticals, like software. We have researched and spoken to the company and industry experts in detail recently to assess short-term macro risks versus our longer-term growth thesis. We continue to closely monitor ZoomInfo's progress in overcoming elongated sales cycles in the current environment and test our conviction that they will be able to drive premium growth over time as it continues to innovate and make smart acquisitions to establish the company as the only broad platform vendor in its space.

CrowdStrike Holdings, Inc. is a market-leading cloud-native cybersecurity vendor. Shares declined on the back of a weaker-than-expected earnings report, in which revenue beat Street expectations but net new annual recurring revenue (ARR) slightly missed consensus due to elongated sales cycles that impacted deals with small- and medium-sized businesses (SMB) and phased start dates with larger customers. For example, instead of 100,000 endpoints starting on day one, 75,000 start on day one and 25,000 start six months later. For fuller context, in the fiscal third quarter, revenue grew 53%, ARR grew 54%, net new ARR was $198 million versus expectations about $218 million, and the business generated 30% FCF margins. Accounting for the net new ARR miss, the company offered conservative initial guidance for fiscal year 2024 (ending January 2024), with ARR growth in the low 30s, subscription revenue growth in the low-to-mid 30s, and FCF margins around the 30% level. While this was a painful reset, CrowdStrike noted its SMB win rates had improved, enterprise win rates remained consistent, its gross and net retention rates held best-in-class levels, and its emerging products were experiencing rapid adoption. Despite short-term weakness, Morgan Stanley's fourth quarter CIO survey showed security software projects remained the top CIO priority, and our research continues to indicate that CrowdStrike is one of the few true platforms in the security space.

The Trade Desk is the leading demand-side platform enabling agencies to efficiently purchase digital advertising across PC, mobile, and online video channels. Shares were down due to exposure to the macro-challenged digital advertising market, though peers were even more negatively impacted. Trade Desk continues to be well positioned in supporting advertising for the rapidly growing Connected TV market, which benefits from the secular shift from linear TV, and is validated by new ad-supported entrants Netflix and Disney+. Trade Desk also released a new version of its platform this quarter, which should aid adoption of its universal identification tool and drive share gains long term. Broadly, we remain positive given Trade Desk's technology, scale, and estimated 10% share in the $100 billion programmatic advertising market, and a small and growing subset of the $700 billion global advertising market.

Portfolio Structure

The Fund invests in companies of any market capitalization that we believe will deliver durable growth from the development, advancement, and/or use of technology. The Fund invests primarily in U.S. securities, but may invest up to 35% in non-U.S. securities. We ended the fourth quarter with 12.2% of net assets invested outside of the U.S., with the largest exposures being to the U.K. and the Netherlands.

At the end of fourth quarter, the largest market cap holding in the Fund was $2.1 trillion and the smallest was $540 million. The median market cap of the Fund was $32.2 billion, and the weighted average market cap was $443.6 billion.

Baron Technology Fund

The Fund had $3.3 million of assets under management. The Fund had investments in 40 unique companies. The Fund's top 10 positions accounted for 48.2% of net assets.

By GICS industry (See Table V), Software was the largest weight in the Fund at 34.6%, followed by Semiconductors & Semiconductor Equipment at 19.3%.

Table IV.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Microsoft Corporation	$1,787.7	$354.2	10.7%
Amazon.com, Inc.	856.9	272.1	8.2
Datadog, Inc.	23.3	128.5	3.9
ServiceNow, Inc.	78.4	125.8	3.8
NVIDIA Corporation	359.5	125.4	3.8
Endava plc	4.4	124.2	3.8
Gartner, Inc.	26.6	122.4	3.7
CoStar Group, Inc.	31.4	118.8	3.6
Tesla, Inc.	389.0	114.6	3.5
Ceridian HCM Holding Inc.	9.9	110.3	3.3

Table V.
Fund investments in GICS industries as of December 31, 2022

	Percent of Net Assets
Software	34.6%
Semiconductors & Semiconductor Equipment	19.3
IT Services	15.3
Internet & Direct Marketing Retail	8.2
Interactive Media & Services	7.0
Automobiles	4.1
Professional Services	3.6
Technology Hardware Storage & Peripherals	2.9
Media	2.0
Electronic Equipment Instruments & Components	1.6
Hotels Restaurants & Leisure	0.7
Cash and Cash Equivalents	0.7
Total	100.0%*

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

Recent Activity

Table VI.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Tesla, Inc.	$389.0	$107.2
Datadog, Inc.	23.3	93.1
Meta Platforms, Inc.	315.6	65.4
GitLab Inc.	6.8	34.4
Advanced Micro Devices, Inc.	104.4	21.0

For **Tesla, Inc.** see our discussion above.

During the quarter, we added to our position in **Datadog, Inc.**, a SaaS-based data analytics platform for cloud infrastructure monitoring, application performance monitoring, and log management. These products give customers better visibility to their cloud IT environments, help improve application performance, and reduce downtime by solving problems faster after they occur. We have tracked Datadog closely since its IPO, and have owned it in other Baron Funds, and decided to invest after building more conviction in the company's platform strategy, go-to-market advantages, and new product traction. Datadog's strong brand, ease of use, and compatibility with all major cloud computing services have powered one of the most efficient go-to-market models in software, with sales growth significantly outpacing sales and marketing spending. This has led to expanding FCF margins and enabled Datadog to invest more heavily than its competitors in new product development. Over the last three years, the company has released more than a dozen new products in complementary areas like cloud security and database monitoring. We see a long runway for profitable growth as customers continue to expand their cloud architectures, build new applications that need to be monitored, and adopt more Datadog products.

During the quarter, we initiated a position in **Meta Platforms, Inc.**, owner of Facebook and Instagram, the world's largest social networks. Prior to our purchase, shares had declined materially due to investor concerns about rising expenses in a difficult macro environment. Since our purchase, management has pivoted and demonstrated that it understands the need for serious cost discipline measures, including layoffs and reducing its data center and office footprint. Meanwhile, Meta's short video offering, Reels, has been improving with share gains against rival TikTok and monetization growing at a healthy pace. While the macroeconomic environment remains tricky for advertising and there are multiple moving pieces for the company, we believe Meta will utilize its leadership in mobile advertising, massive user base, and technological scale to maintain its strength in digital advertising with further monetization opportunities ahead.

This quarter we initiated a position in **GitLab Inc.**, a software development and IT operations (DevOps) platform that developers, product managers, IT operations teams, and security professionals use to collaborate throughout the software development lifecycle. For developers, GitLab addresses the planning, creation, verification, testing, and deployment of code. Once code is shipped into production, IT operations professionals use GitLab to continuously protect and monitor code and identify any issues or bugs for further updates. The GitLab platform helps more than 15,000 customers reduce time-to-market for new applications, automate continuous feature updates, reduce security vulnerabilities, and retain developer talent. GitLab is the only end-to-end DevOps platform that addresses all stages of the software lifecycle using a single codebase and unified data model, giving it a competitive advantage over point solutions. GitLab employs an open-source model, which has led to viral adoption among 30 million developers. More than 2,900 of these developers are active contributors to GitLab's product, enabling the company to release upgrades much faster than competitors. These consistent product enhancements have led to low churn and strong expansion in GitLab's existing customer base, driving a best-in-class 150%-plus dollar-based net retention rate. Given GitLab is in the early innings of monetizing its large active user base, and with only 1% penetration of the $43 billion application development software TAM, we see a long runway for growth ahead.

During the quarter, we added to our position in **Advanced Micro Devices, Inc.** (AMD), a global fabless semiconductor company focusing on high-performance computing technology, software, and products. AMD designs leading high-performance central and graphics processing units (known as CPUs and GPUs) and integrates them with hardware and software to build differentiated solutions for customers. AMD has been gaining meaningful share in personal computing and server end-markets over the past several years driven by the performance of its processors and technology and strong execution against its technology roadmap, and we believe share gains will continue over the coming years from a combination of AMD's continued advancements and Intel's stumbles in developing its own leading-edge technology. Additionally, AMD's recent Xilinx and Pensando acquisitions enhance its positioning within the data center market, a key growth engine for the semiconductor industry, and Xilinx specifically opens several new growth opportunities in diverse end-markets like industrial, automotive, and communications. The company also generates significant cash flow, giving it capital allocation optionality for further M&A and returning capital to shareholders.

Table VII.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
CoStar Group, Inc.	$ 31.4	$42.5
MongoDB, Inc.	11.3	41.1
Gartner, Inc.	26.6	38.1
Spotify Technology S.A.	15.8	31.3
Alibaba Group Holding Limited	202.1	28.1

We exited our positions in **MongoDB, Inc.**, **Spotify Technology S.A.**, and **Alibaba Group Holding Limited** in the quarter due to fundamental challenges and to fund other investments, such as those discussed in this letter.

The above sales of **CoStar Group, Inc.** and **Gartner, Inc.** were both trims because these stocks performed well relative to the rest of the portfolio during the year and had increased in position size. As Table IV shows, both remain top 10 holdings in the Fund.

To conclude, despite the current uncertain macroeconomic environment, we remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends across the broader technology space.

Sincerely,

Michael A. Lippert and Ashim Mehra
Portfolio Managers

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Risks: In addition to general market conditions, technology companies, including internet-related and information technology companies, as well as companies propelled by new technologies, may present the risk of rapid change and product obsolescence, and their successes may be difficult to predict for the long term. Technology companies may also be adversely affected by changes in governmental policies, competitive pressures and changing demand. 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. 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.

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

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