Baron High Growth Strategy

BARON CAPITAL

March 31, 2024

Dear Investor:

Performance

During the first quarter, Baron High Growth Strategy® (the Strategy) rose 15.30%, outperforming the broader market, including the Russell 3000 Growth Index (the Benchmark), which gained 11.23%, and the S&P 500 Index, which advanced 10.56%.

Table I.

Performance for annualized periods ended March 31, 2024 (Figures in USD)†1

	Baron High Growth Strategy (net)[2]	Baron High Growth Strategy (gross)[2]	Russell 3000 Growth Index[2]	S&P 500 Index[2]
Three Months[3]	15.30%	15.58%	11.23%	10.56%
One Year	46.81%	48.25%	37.95%	29.88%
Three Years	3.39%	4.41%	11.54%	11.49%
Five Years	19.44%	20.62%	17.82%	15.05%
Ten Years	15.86%	16.98%	15.43%	12.96%
Fifteen Years	18.57%	19.73%	17.56%	15.63%
Since Inception (June 30, 2000)[4]	10.43%	11.71%	7.15%	7.58%

Table II.

Calendar Year Performance 2019-2023 (Figures in USD)

	Baron High Growth Strategy (net)[2]	Baron High Growth Strategy (gross)[2]	Russell 3000 Growth Index[2]	S&P 500 Index[2]
2019	40.13%	41.50%	35.85%	31.49%
2020	88.86%	90.74%	38.26%	18.40%
2021	12.20%	13.30%	25.85%	28.71%
2022	(42.68)%	(42.12)%	(28.97)%	(18.11)%
2023	50.23%	51.71%	41.21%	26.29%

Review & Outlook

U.S. equities continued their strong run to begin the year, with all major market indexes achieving new all-time highs on multiple occasions during the first quarter. The S&P 500 Index finished the quarter at a record high, while the NASDAQ Composite peaked on March 22 before fading a bit to close the quarter. The rally was supported by robust economic data and relatively strong corporate earnings, which added fuel to investor hopes for a *soft landing*. Investors appeared unfazed by concerns about persistent inflation, the timing of Federal Reserve (Fed) rate cuts, record consumer and government debt, and potential government shutdowns. The focus remained on the *Magnificent Seven*, given the group's dominance in recent quarters and continued investor excitement surrounding their ability to gain from the widespread adoption of AI.

For Strategy reporting purposes, the Firm is defined as all accounts managed by Baron Capital Management, Inc. ("BCM") and BAMCO, Inc. ("BAMCO"), registered investment advisers wholly owned by Baron Capital Group, Inc. As of March 31, 2024, total Firm assets under management are approximately $43.0 billion. Gross performance figures do not reflect the deduction of investment advisory fees and any other expenses incurred in the management of the investment advisory account. Actual client returns will be reduced by the advisory fees and any other expenses incurred in the management of the investment advisory account. A full description of investment advisory fees is supplied in our Form ADV Part 2A. Valuations and returns are computed and stated in U.S. dollars. Performance figures reflect the reinvestment of dividends and other earnings. The Strategy is currently composed of one mutual fund managed by BAMCO; and separately managed accounts and one wrap account program managed by BCM. BAMCO and BCM claim compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of the Firm's strategies or a GIPS Report please contact us at 1-800-99-BARON. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse, promote or warrant the accuracy or quality of the report.

Performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. Past performance is no guarantee of future results.

† The Strategy's 3-, 5-, and 10-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Strategy's level of participation in IPOs will be the same in the future.

1 With the exception of performance data, most of the data is based on a representative account. Such data may vary for each client in the Strategy due to asset size, market conditions, client guidelines, and diversity of portfolio holdings. The representative account is the account in the Strategy that we believe most closely reflects the current portfolio management style for the Strategy. Representative account data is supplemental information.

2 The **Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market and the **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The indexes and the Strategy include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Strategy performance. Investors cannot invest directly in an index.

3 Not annualized.

4 The Strategy has a different inception date than its representative account, which is 2/29/2000.

Strategy performance was driven by our semiconductor, consumer internet, digital advertising, cloud computing, and cybersecurity investments capitalizing on the AI inflection, including **NVIDIA Corporation**, **Microsoft Corporation**, **Meta Platforms, Inc.**, **Amazon.com, Inc.**, **Advanced Micro Devices, Inc.**, **Astera Labs, Inc.**, **ASML Holding N.V.**, **CrowdStrike Holdings, Inc.**, and **The Trade Desk**, as well as health care names **Viking Therapeutics, Inc.** and **Shockwave Medical, Inc.**, which agreed to be acquired by Johnson & Johnson in early April, and, whose stock rose on reports of the deal. The primary detractors of Strategy performance were our electric vehicle (EV) investments, including EV pioneer **Tesla, Inc.**, fast follower **Rivian Automotive, Inc.**, and automotive semiconductor supplier **indie Semiconductor, Inc.** As we address below, while our long-term conviction regarding the interconnected triangle of disruptions impacting the global transportation industry – electric battery propulsion, autonomous driving, and shared mobility – has not changed, we acknowledge the weak current trends in EV purchases and heightened uncertainty surrounding the leading EV vendors. Because of this uncertainty, we decreased our exposure to the EV theme during the quarter and reduced our Tesla portfolio weight. At bottom, I believe the portfolio's strong quarterly performance, despite Tesla's sharp decline, speaks to the power of diversifying across several industries and a multitude of innovation-driven secular growth themes.

As of this writing, the market has pulled back to start April due to heightened concerns regarding inflation, interest rates, and the pace of anticipated Fed rate cuts, as well as fears regarding the potential for a wider conflict in the Middle East on growing tensions and military clashes between Israel and Iran. While the current retreat was triggered by macroeconomic and geopolitical anxieties, rather than any credible evidence prompting fundamental longer-term doubts, investors and traders have reduced exposure to recent AI winners, particularly across the semiconductor industry. To me, this feels like what's commonly called a *mid-cycle correction*, as many of these stocks are just weeks away from all-time highs and a slew of exciting product announcements, and all our research reinforces our view that AI is the most significant advancement impacting our now-digital world since the advent of the internet itself. I believe the more accurate construction of the current setting is that we find ourselves just past the first upward inflection in a generational S-curve for AI adoption and economic impact. Before long, every digital interaction –whether with business software, consumer apps, robots, cars, etc. – will be AI-powered. AI will make humans more productive doing their jobs, developing drugs, designing products, writing software, being creative, and more.

I will quickly reiterate some of the points made in my last letter. The secular trends we emphasize in the Strategy are real and intact. Other than the current pause in EV adoption – which we believe is primarily due to product launch gaps in Western markets – they are neither stopping nor slowing down. AI is real. Cloud computing is real. Digital media, entertainment, and commerce are real. Health care advancements are real. Semiconductors powering every single digital or electronic device are real. The history of investing, no matter what era, has proven the wisdom of owning the dominant trends and owning the big winners. The market has historically underestimated the long-term growth potential for top companies in new and innovative verticals. Over the last four or five decades, as technology innovations forged disruptive trends and spurred the (post-industrial) computing revolution, the best investments are those companies, now household names, that grew *faster for longer* than most experts initially predicted. The market misjudged the growth achieved by disruptive developments such as Microsoft's Windows operating system, Google's internet search engine, Amazon's e-commerce platform, Apple's iPhone, and Meta's Facebook and Instagram social apps. These companies always looked expensive when valued based on then-current Street estimates, but they weren't. They yielded great returns not because they were awarded premium multiples but because they crushed expectations on revenues, earnings, and cash flow. We believe the same thing will drive returns for the innovators and industry trends that populate our portfolio.

Below is a partial list of the secular megatrends we focus on:

- Cloud computing
- Software-as-a-service (SaaS)
- AI
- Mobile
- Semiconductors
- Digital media/entertainment
- Targeted digital advertising
- E-commerce
- Genetic medicine/genomics
- Minimally invasive surgical procedures
- Cybersecurity
- EVs/autonomous driving
- Electronic payments
- Robotics

We continue to run a high-conviction portfolio with an emphasis on the secular trends cited and listed. Among others, during the first quarter, we initiated or added to the following positions:

- Semiconductors: **Broadcom Inc., Taiwan Semiconductor Manufacturing Company Limited**, and **Astera Labs, Inc.**
- Digital Media: **Spotify Technology S.A.**
- Biotechnology/Pharmaceuticals: **Arcellx, Inc.** and **Legend Biotech Corporation**
- Autonomous Driving: **Mobileye Global Inc.**
- Real Estate Tech: **CoStar Group, Inc.**

NVIDIA Corporation sells semiconductors, systems, and software for accelerated computing, gaming, and generative AI. NVIDIA's stock rose in the first quarter, driven by continued strong demand for its accelerated computing chips that stand at the epicenter of the generative AI revolution. NVIDIA closed 2023 with unprecedented revenue growth at massive-scale, with a fourth-quarter revenue run rate just shy of $90 billion, growing over 3.5 times year-over-year with operating margins of 67%. Importantly, NVIDIA disclosed that 40% of its data center business for fiscal year 2024 was from inferencing (which can be thought of as the use of an AI application) and hinted that the fourth quarter level was likely even higher. This was received quite positively by investors as inferencing is viewed to be more sustainable than training, and it is evidence that NVIDIA's customers are earning returns on their AI investments. Moreover, at its recent GTC developer conference, NVIDIA further cemented its lead as the AI platform company, announcing several new innovations, including its next-generation Blackwell AI super chip; significant die-to-die and chip-to-chip bandwidth improvements with its 5th generation NVLink interconnection technology; its GB200 NVL72 computing system, where taking advantage of NVLink and software advancements, 72 Blackwell chips can act as one single massive GPU, yielding up to a 30 times improvement in inference performance compared to its Hopper generation of chips; and a new family of AI software called NVIDIA Inference Microservices, or NIMS, which make it easier for companies to build and scale generative AI workloads.

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Viking Therapeutics, Inc. develops metabolic disease medicines focusing on diabetes/obesity and MASH (metabolic steatohepatitis, or fatty liver). Their lead asset is VK2735, an injectable and oral version of a GLP-1/GIP combination weight loss medication that directly competes with established Eli Lilly products, Mounjaro, and Zepbound. Viking's second asset competes with Madrigal Pharmaceutical's recently approved MASH treatment. Viking's stock price rose in late February following positive top-line results from their Phase 2 clinical trial of VK2735. Both of their main assets appear to be more effective than their competitors in two very large potential revenue markets. After decades of focusing on oncology and rare diseases, the pharmaceutical industry is shifting back to lower-cost, higher-volume primary care medications, particularly obesity treatments. Viking has the potential to be a significant player in this space. To illustrate the potential size of the obesity market: if 50 million people (one-third of the current US addressable market) are treated at $2,000 per year, it would represent a $100 billion opportunity.

Microsoft Corporation is the world's largest software and cloud computing company. Microsoft was traditionally known for its Windows and Office products, but over the last five years, it has built a $135 billion run-rate cloud business, including its Azure cloud infrastructure service and its Office 365 and Dynamics 365 cloud-delivered applications. The stock contributed to performance because of continued strong operating results and investor enthusiasm regarding Microsoft's leadership across the secular megatrends of AI and cloud computing. The December quarter saw another set of better-than-expected financial results, highlighted by Microsoft Cloud growing 23% in constant currency and Azure revenue growing 28% in constant currency (flat sequentially from the September quarter). This was further bolstered by AI revenue contributing six points of growth (exceeding guidance of increasing contribution and three points from the previous quarter). March quarter guidance aligns with consensus, but the company provided higher guidance for the two most important segments, Productivity and Business Processes and Intelligent Cloud, reflecting continued strong trends across Microsoft Cloud, Azure, and AI. We remain confident that Microsoft is among the best-positioned companies in the software, cloud computing, and AI landscape due to its vertically integrated technology stack and broad sales distribution. We believe Microsoft will continue to gain market share across its businesses, driving sustainable, long-term, double-digit growth and best-in-class profitability.

Table III.
Top contributors to performance for the quarter ended March 31, 2024

	Percent Impact
NVIDIA Corporation	6.93%
Viking Therapeutics, Inc.	2.04
Microsoft Corporation	1.84
Meta Platforms, Inc.	1.52
Amazon.com, Inc.	1.23

Table IV.
Top detractors from performance for the quarter ended March 31, 2024

	Percent Impact
Tesla, Inc.	–1.79%
Rivian Automotive, Inc.	–0.99
indie Semiconductor, Inc.	–0.28
Rocket Pharmaceuticals, Inc.	–0.21
Endava plc	–0.20

Tesla, Inc. designs, manufactures, and sells EVs, autonomous driving software and charging services, and solar and energy storage products. Despite commencing deliveries of the highly anticipated Cybertruck, its first pickup truck that boasts innovative technologies and a space-age look and feel, the stock underperformed as Tesla's core automotive segment remained under pressure. In the first quarter, Tesla delivered only 386,000 units, down 8.5% year-over-year, well below expectations of 420,000 to 440,000 deliveries. Near-term challenges stem from a complex mix of macroeconomic and interest rate headwinds (higher rates increase the monthly cost of car ownership for most consumers), temporary factory closures, escalating competition in China, and Tesla's price adjustments in 2023. Like many investors, we viewed recent trends as more of a temporary perfect storm resulting from the fusion of these factors and a product launch gap, which we expected to close when Tesla launched its lower priced, next-gen vehicle, sometimes referred to as Model 2, opening large mass-market price segments to the company. However, a couple of weeks ago, Reuters reported that Tesla was planning to cancel the Model 2 vehicle and would instead prioritize its robotaxi operations. CEO Elon Musk denied the accuracy of this report but then announced that Tesla would hold a robotaxi unveiling on August 8. These events increased uncertainty regarding the company's near-term growth prospects, its strategic priorities, its product-launch cadence, its capital spending needs, and short- and mid-term earnings dynamics. We continue to anticipate significant growth opportunities maturing in the coming years, driven by either (1) the introduction of a lower-priced vehicle, which is expected to significantly increase Tesla's delivery volumes, or (2) rapid advancements in the commercialization of autonomous driving technology, which could yield new open-ended revenue streams and materially improve profitability and returns on invested capital. Balancing our confidence in Tesla's long-term prospects and technological leadership against the current uncertainties, we decided to trim our position to a level we deemed more appropriate under the current circumstances as we seek more clarity on these issues.

Shares of **Rivian Automotive, Inc.**, a U.S.-based EV manufacturer, detracted from performance. Despite substantial improvements in production and delivery volumes in 2023 as well as improved unit economics, Rivian's business remains constrained by its limited scale, negative gross margins, and elevated cash outflows. Additionally, Rivian expects to temporarily shut down its production facilities for upgrades, impeding anticipated production growth in 2024. Compounding these challenges is the potential for demand constraints, which may not keep pace with production. Nevertheless, the recent unveiling of Rivian's mass-market products, the R2 and R3, garnered enthusiastic responses, as

evidenced by over 68,000 pre-orders within the first 20 hours post-launch, but the company does not expect to begin production of the R2 models until 2026. In a strategic move, management opted to produce the R2 in Rivian's existing facility, deferring the construction of a new factory. This decision should help reduce mid-term capital expenditure obligations while ensuring higher utilization of the current production facility in Normal, IL.

Indie Semiconductor, Inc. is a fabless designer, developer, and marketer of automotive semiconductors for advanced driver assistance systems and connected car, user experience, and electrification applications. Shares fell during the quarter as the company guided revenue growth for 2024 below Street expectations as its customers digest excess inventory in the early parts of the year. While indie conservatively still expects to be growing at a healthy 25%-plus year-over-year growth rate, well above the industry and peers, investors are concerned the inventory digestion could last longer into 2024 than initially expected despite management confidence in a strong second half of 2024 driven by over 20 new projects layering in through the year across various automakers and applications. Despite the near-term softening, we believe indie remains well positioned for growth over the medium and long term supported by its $6.3 billion design win backlog (versus $220 million in 2023 revenue), and its large program ramps in 2025, including a marquee radar-related rollout, the biggest program in the company's history. We believe indie can continue to significantly outpace the broader industry and approach $1 billion in revenue by 2028 with premium margins, all supported by its contracted visibility.

Portfolio Structure

We invest in secular growth and innovative businesses across all market capitalizations, with the bulk of the portfolio landing in the large-cap zone. As of the end of the first quarter, the largest market-cap holding in the Strategy was $3.1 trillion and the smallest was $1.3 billion. The median market cap of the Strategy was $41.0 billion, and the weighted average market cap was $986.5 billion.

To end the quarter, the Strategy had $1.3 billion in net assets. We had investments in 47 unique companies. The Strategy's top 10 positions accounted for 54.0% of net assets.

Table V.
Top 10 holdings as of March 31, 2024

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$3,126.1	$180.2	13.8%
NVIDIA Corporation	2,258.9	151.3	11.6
Amazon.com, Inc.	1,873.7	87.6	6.7
Meta Platforms, Inc.	1,237.9	60.7	4.6
CoStar Group, Inc.	39.5	43.5	3.3
Advanced Micro Devices, Inc.	291.6	39.4	3.0
Gartner, Inc.	37.2	39.4	3.0
Tesla, Inc.	559.9	39.1	3.0
Visa Inc.	575.2	33.5	2.6
Space Exploration Technologies Corp.	180.3	31.2	2.4

Recent Activity

Table VI.
Top net purchases for the quarter ended March 31, 2024

	Quarter End Market Cap (billions)	Net Amount Purchased (millions)
Broadcom Inc.	$614.2	$24.9
Spotify Technology S.A.	52.3	18.6
Taiwan Semiconductor Manufacturing Company Limited	623.2	13.3
Arcellx, Inc.	3.7	9.9
CoStar Group, Inc.	39.5	6.4

During the quarter, we initiated a position at **Broadcom Inc.**, a global technology leader that designs, develops, and supplies a broad range of semiconductor and infrastructure software solutions. Broadcom's semiconductor solutions business focuses on complex digital, mixed-signal, and analog products across a variety of end markets, while its software products help customers plan, develop, automate, manage, and secure applications across various platforms. Broadcom's semiconductor business has historically been a market-leading franchise with high margins and market-level growth. Still, the emergence of AI-related demand has spurred more robust growth across its portfolio. Broadcom's AI-related revenue has grown significantly, from less than 5% of its semiconductor business to an expected 35% in its fiscal 2024. This growth is driven by its industry-leading Ethernet switch silicon business and, more importantly, its custom accelerated compute solutions, primarily Google's tensor processing unit, with two additional hyper-scale customers also ramping up their deployments. Broadcom partners with its consumer-internet hyper-scale customers to specifically tailor chip solutions to power their stable, large-scale workloads, offering significant savings on both upfront capex and energy consumption. In its software business, Broadcom recently closed the acquisition of VMware and is implementing its well-honed strategy of removing excess costs to drive incremental cash flow and significant earnings accretion.

With VMware, it is also investing in the product and upgrading customers from license to subscription models for the complete offering, creating a significant growth opportunity in the coming years. We believe the market underestimates both the growth opportunity from its custom accelerator business and the accretion and growth it will drive from the VMware acquisition. Combined, we believe these tailwinds will lead to strong earnings growth and a sustainable re-rating in the stock's valuation. The company will continue to use its significant free cash flow to pay a growing dividend and buy back shares over time.

We re-established a position in **Spotify Technology S.A.**, a leading global digital music service, offering on-demand audio streaming through paid premium subscriptions and an ad-supported free option. Spotify was among the originators of paid streaming music after the downloads/Napster era, with the Spotify App launching broadly in the early 2010s. Since then, streaming music has grown at an over 20% annualized pace, and Spotify has been the leading streaming music service globally (and in the U.S.) with over 600 million total monthly active users. Spotify has a strong user experience and has developed its product considerably over the last decade, especially with algorithmic recommendations and expansion into categories like podcasting. While we have monitored Spotify for some time due to its

product leadership and large market potential, we believe the last few months have represented a meaningful positive inflection point for the company. First, Spotify continues to prove that its market is far from completely mature – subscriber net adds accelerated in 2023, even as the product has been well known for years, thanks to targeted marketing in newer countries and the strengthening product value. Next, Spotify's gross margin profile continues to improve. In the past, we had some caution about Spotify's position as a lower gross-margin technology business due to its reliance on the catalogs from the Big Three music labels. Now, there is a clearer medium-term path to 30% gross margins with the rise of Spotify's artist promotions marketplace, continued adoption of its margin-accretive advertising business, podcasting becoming more profitable, and audiobooks with a pathway to becoming accretive to gross margins. Beyond gross margins, Spotify has recently become much more serious about operating discipline, with 2024 expected to be its first meaningfully profitable year after operating losses in 2021 and 2022. Next, Spotify demonstrated its ability to achieve price increases while seeing minimal churn, demonstrating the pricing power in its product and the broader streaming music industry. Finally, Spotify has continued to innovate with its product roadmap, with the introduction of audiobooks and features like AI DJ, differentiating it from other music streaming providers. Going forward, we believe Spotify has more room to grow in the areas we listed above. We continue to view Spotify as a long-term winner in music streaming with the potential to reach over one billion monthly active users as Spotify continues to increase its global market share and music listening habits mature internationally. We believe improving the value proposition for subscribers through audiobooks and other features will continue to differentiate the product and that the cadence of price hikes will increase (as suggested by recent news reports). Regarding profitability, we expect a meaningful gross margin and operating expansion in the next few years as Spotify's current efforts begin to be reflected in the numbers. Over time, we believe Spotify's increasing global share will give it further leverage in negotiations with its partners.

During the first quarter, we initiated a position in **Taiwan Semiconductor Manufacturing Company Limited**, the world's leading semiconductor foundry. Morris Chang founded Taiwan Semi in 1987 as the world's first dedicated semiconductor manufacturer, called a foundry. Until then, semiconductor chips were both designed and manufactured by the same company, which Intel still does today. Taiwan Semi disrupted the industry by positioning itself purely as a contract manufacturer. This new business model proved to be successful and paved the way for the emergence of *fabless* semiconductor innovators, such as NVIDIA and AMD, which only focus on designing chips while outsourcing manufacturing. Though many other foundry competitors have emerged over the last few decades, Taiwan Semi has outcompeted them all with superior technological execution and operating efficiency. Today, Taiwan Semi controls approximately 60% of the foundry market and has a near monopoly in manufacturing the world's most advanced chips. Taiwan Semi enjoys high barriers to entry, given the increasing cost and technological complexity of semiconductor manufacturing and its long-term, sticky customer relationships. We believe Taiwan Semi will sustain strong double-digit earnings growth for years to come, with rapidly growing demand for advanced chips for AI and high-performance computing and continued market share gains driven by its superior technology, reliability, and customer service. We expect Taiwan Semi to continue leveraging its scale advantage in a virtuous cycle: higher market share leads to increased profits, which fuel further R&D and capital spending. This in turn enables further technological differentiation and increased capacity, ultimately resulting in even greater market share. We are aware of the geopolitical risks concerning China but consider the likelihood of a military conflict over Taiwan to be a low-risk tail event.

Table VII.
Top net sales for the quarter ended March 31, 2024

	Quarter End Market Cap or Market Cap When Sold (billions)	Net Amount Sold (millions)
Alphabet Inc.	$1,777.3	$31.2
NVIDIA Corporation	2,258.9	23.0
Endava plc	3.7	13.2
Dynatrace, Inc.	13.7	9.3
Tesla, Inc.	559.9	6.8

We sold the remainder of our **Alphabet Inc.** position because, as we wrote in prior letters, we believe the advent and adoption of AI-based services present a hard-to-measure risk to Google's virtual search monopoly.

We slightly trimmed our investment in **NVIDIA Corporation**, but it remains our second-largest holding and our largest overweight position versus the Benchmark. We spread this capital around several of our other semiconductor investments, including Broadcom and others, as shown in the Review and Outlook section above.

We also exited our investments in **Endava plc** and **Dynatrace, Inc.** during the period.

I remain confident in and committed to the strategy of the Strategy: durable growth based on long-term, innovation-driven secular growth trends. We continue to believe that non-cyclical, durable, and resilient growth should be part of investors' portfolios and that our Strategy will deliver solid long-term returns for our investors.

Sincerely,

Michael A. Lippert
Portfolio Manager

The performance of accounts in the Strategy may be materially different at any given time. Differences that may affect investment performance include cash flows, inception dates, and historical prices. Positions may not be the same or may be traded at different times. In addition, accounts in the Strategy may be pursuing similar investment strategies, but may have different investment restrictions.

Risks: Past performance is not a guide to future performance. The value of investments and income from them may go down as well as up. Your capital is at risk. Securities issued by small and medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Companies propelled by innovation, including technology advances and new business models, may present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. Even though the Strategy is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Strategy's returns.

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.