Dear Baron Technology Fund Shareholder:

Performance

During the first quarter, Baron Technology Fund® (the Fund) rose 14.73% (Institutional Shares), outperforming the MSCI ACWI Information Technology Index (the Benchmark), which increased 12.05%. The Fund also outperformed the broader S&P 500 Index, which rose 10.56%.

Table I.
Performance
Annualized for periods ended March 31, 2024

	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]	14.84%	14.73%	12.05%	10.56%
One Year	52.72%	53.08%	40.52%	29.88%
Since Inception (December 31, 2021)	1.63%	1.93%	7.08%	6.13%

MICHAEL A. LIPPERT
PORTFOLIO MANAGER

ASHIM MEHRA
PORTFOLIO MANAGER

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

Performance listed in the above table is net of annual operating expenses. The gross annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2023 was 4.58% and 5.04%, respectively, but the net annual expense ratio was 1.20% and 0.95% (net of the Adviser's fee waivers and expense reimbursements), 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 waives and/or reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2034, 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 baronfunds.com or call 1-800-99-BARON.

1 The **MSCI ACWI Information Technology Index Net (USD)** 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 MSCI ACWI Information Technology Index Net (USD) and the Fund include reinvestment of dividends, net of foreign withholding taxes, while the S&P 500 Index includes reinvestment of dividends before taxes. Reinvestment of dividends positively impacts 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

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 22nd 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. Their focus remained on the *Magnificent Seven* given the group's dominance in recent quarters and continued investor excitement surrounding their ability to gain from widespread adoption of AI.

The Fund remains exposed to AI and other industry trends driving the performance of these technology leaders. Fund performance during the quarter was driven, in large part, by our research-based allocations among the *Magnificent Seven*. **NVIDIA Corporation** (semiconductors), **Amazon.com, Inc.** (cloud computing/e-commerce), **Microsoft Corporation** (cloud computing/software), and **Meta Platforms, Inc.** (digital media/advertising) were our top four contributors during the quarter (as shown in the table below), and much of the Fund's relative outperformance came from the Fund's significantly lower exposure to Benchmark heavyweight **Apple Inc.** Other meaningful contributors across the semiconductor, software, digital media/advertising, a real estate tech verticals included **Advanced Micro Devices, Inc.** (semiconductors), **Taiwan Semiconductor Manufacturing Company Limited** (semiconductors), **Lam Research Corporation** (semiconductors), **Micron Technology, Inc.** (semiconductors), **ASML Holding N.V.** (semiconductors), **Broadcom Inc.** (semiconductors/software), **Astera Labs, Inc.** (semiconductors), **CoStar Group, Inc.** (real estate tech), **The Trade Desk** (digital advertising/software), **CrowdStrike Holdings, Inc.** (software), **Marvell Technology, Inc.** (semiconductors), and **Spotify Technology S.A.** (digital media/advertising). The primary detractors from Fund 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, during the quarter we deliberately allowed positive fund inflows to decrease our exposure to Tesla and we exited our investment in Rivian during the period.

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 us, 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. We 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. We would encourage our investors and readers of this letter to stick with their long-term conviction and not get spooked by or try to time this short-term volatility[4], and to consider increasing their investments across their favorite secular themes and durable-growth investment vehicles on this correction.

We will quickly reiterate some of the points made in our last letter. The secular trends we emphasize in the Fund 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. 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, 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 have been those companies, now household names, that grew *faster for longer* than most experts initially predicted. The market misjudged the growth that would be achieved by such disruptive developments 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 technology trends that populate our portfolio.

We continue to run a high-conviction portfolio with an emphasis on the secular trends cited above. Among others, during the first quarter we initiated positions in or increased portfolio weights of the following positions:

- Digital Media/Advertising: **Spotify Technology S.A. and Meta Platforms, Inc.**
- Semiconductors: **Broadcom Inc.**
- Real Estate Tech: **CoStar Group, Inc.**
- Cloud Computing/E-Commerce: **Amazon.com, Inc.**
- Software: **Microsoft Corporation, Snowflake Inc., Guidewire Software, Inc., and Intapp, Inc.**

We remain steadfast in our belief that exposure to the broader IT sector should be a material part of an investor's portfolio for the long term. Technology has the power to reshape industries, disrupt business models, and create opportunities for substantial wealth creation.

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

	Percent Impact
NVIDIA Corporation	6.46%
Amazon.com, Inc.	1.85
Microsoft Corporation	1.27
Meta Platforms, Inc.	1.23
Advanced Micro Devices, Inc.	1.04

[4] Our founder, Ron Baron, has written eloquently many times regarding the perils of market timing.

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, or using 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 recurring and sustainable than training, as well as 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 a number of new innovations, including its next generation Blackwell AI superchip; significant die-to-die and chip-to-chip bandwidth improvements with its 5th generation NVLink interconnection technology; it's 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.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares increased on quarterly results that exceeded consensus expectations across the board, particularly with a large beat in overall operating profit. The materially improved profitability in Amazon's North American retail division has been our core thesis, along with the reacceleration of growth in Amazon's cloud division AWS, and we believe 2024 should be a significant inflection year. On North American profitability, Amazon has benefited substantially from its margin-accretive ad business, which is now at a $55 billion annual run rate. Amazon is also seeing the benefits of its revamped fulfillment network, which leads to faster shipping times for customers in a more cost-effective manner. Considering that North American retail produced 5% margins before advertising was a notable business, we believe that Amazon's most profitable days lay ahead. On AWS, CEO Andy Jassy reiterated that "the lion's share of optimization is behind us," implying that AWS is in the process of reacceleration after a more difficult macro environment for software companies. While we continue to monitor AWS' generative AI positioning, AWS continues to iterate new products, and we believe it has added more AI dollars to its cloud business than competing cloud service providers. We believe that AWS will continue to grow in the healthy double digits in the following years, driven by continued cloud migration and generative AI. We also think Amazon's e-commerce business has substantially more runway as it has less than 15% penetration in its total addressable market and, even at this scale, should be able to grow at a 10% pace for years to come. Beyond that, Amazon still has opportunities in adjacent markets, including third-party logistics, pharmacy and medicine, and grocery (with its acquisition of Whole Foods).

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. In Morgan Stanley's first quarter 2024 CIO Survey, we continued to see the strength and attractiveness of Microsoft's product portfolio among its customer set: (1) Microsoft is the "clear beneficiary" that is "poised to gain the largest incremental share of the GenAI budget" on both a one-year and three-year basis; (2) Microsoft remains the leading vendor "expected to gain an incremental percentage of IT budgets in 2024 and over the next three years" as "workloads shift to the cloud;" and (3) Microsoft Azure ranks as the preferred cloud vendor today and is expected to extend its lead over the next three years for both platform-as-a-service and infrastructure-as-a-service use cases. For the December quarter, Microsoft again reported 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, bolstered by ramping AI revenue contributing six points of growth (vs. guidance of *increasing* contribution and three points last quarter). March quarter guidance came in-line with consensus, but the company provided higher guidance for the two most important segments, Productivity and Business Processes and Intelligent Cloud, on the back of continued strong trends across Microsoft Cloud, Azure, and AI. We remain confident that Microsoft is one of the best-positioned companies across the overlapping software, cloud computing, and AI landscapes, with its vertically integrated technology stack and broad sales distribution. We believe Microsoft will continue taking share across its business, driving durable, long-term, double-digit growth and best-in-class profitability.

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

	Percent Impact
Tesla, Inc.	–1.31%
Rivian Automotive, Inc.	–0.50
indie Semiconductor, Inc.	–0.32
Intapp, Inc.	–0.29
Apple Inc.	–0.29

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 launches is 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 that significant

growth opportunities will mature in the coming years, either with: (1) the introduction of a lower-priced vehicle, which should enable Tesla to significantly increase its delivery volumes; and/or (2) rapid advancements in commercialization of autonomous driving technology, which should yield new open-ended revenue opportunities 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 allowed our position to dilute 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. 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. As described above, we decided to exit our position during the quarter.

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 CAGR, well above the industry average, 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 companies of any market capitalization that we believe will deliver durable growth from the development, advancement, and/or use of technology. We invest principally in U.S. securities but may invest up to 35% in non-U.S. securities.

At the end of the first quarter, the largest market cap holding in the Fund was $3.1 trillion and the smallest was $929 million. The median market cap of the Fund was $54.0 billion and the weighted average market cap was $930.7 billion.

We had investments in 41 unique companies. Our top 10 positions accounted for 57.4% of net assets.

To end the quarter, the Fund had $25.2 million in net assets. Fund flows were strong during the quarter.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$1,873.7	$2.5	9.9%
NVIDIA Corporation	2,258.9	2.4	9.7
Microsoft Corporation	3,126.1	2.4	9.7
Broadcom Inc.	614.2	1.2	4.6
Meta Platforms, Inc.	1,237.9	1.1	4.4
Advanced Micro Devices, Inc.	291.6	1.1	4.4
CoStar Group, Inc.	39.5	1.1	4.3
Spotify Technology S.A.	52.3	1.0	4.0
Taiwan Semiconductor Manufacturing Company Limited	623.2	0.9	3.5
Lam Research Corporation	127.4	0.8	3.1

Table V.
Fund investments in GICS industries as of March 31, 2024

	Percent of Net Assets
Semiconductors & Semiconductor Equipment	34.7%
Software	24.9
Broadline Retail	9.9
Interactive Media & Services	4.8
Entertainment	4.8
Real Estate Management & Development	4.3
IT Services	3.6
Electronic Equipment Instruments & Components	2.2
Media	2.0
Financial Services	1.6
Automobiles	1.4
Technology Hardware Storage & Peripherals	1.4
Professional Services	1.1
Hotels Restaurants & Leisure	0.8
Cash and Cash Equivalents	2.5
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 March 31, 2024

	Quarter End Market Cap (billions)	Net Amount Purchased (thousands)
Amazon.com, Inc.	$1,873.7	$1,532.1
Microsoft Corporation	3,126.1	1,383.4
Spotify Technology S.A.	52.3	948.5
Broadcom Inc.	614.2	910.0
CoStar Group, Inc.	39.5	832.5

For **Amazon.com, Inc.** and **Microsoft Corporation**, as the Fund experienced steady inflows, we purchased shares to maintain the portfolio weights of both investments close to the 10% level.

We 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. Firstly, 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 concern around Spotify's position as a lower gross-margin technology business, due to its reliance on the catalogs from the Big 3 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 subscriber 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 1 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 service, and that the cadence of price hikes will increase (as suggested by recent news reports). On profitability, we expect 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 negotiating with its partners.

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

	Market Cap When Sold (billions)	Net Amount Sold (thousands)
Alphabet Inc.	$1,822.1	$84.6
Rivian Automotive, Inc.	11.0	47.9

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

As discussed above, we exited our **Rivian Automotive, Inc.** investment during the period.

To conclude, 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
Portfolio Manager

Ashim Mehra
Portfolio Manager

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 1-800-99-BARON or visiting baronfunds.com. Please read them carefully before investing.

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.

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 managers 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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