

DEAR BARON HEALTH CARE FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended June 30, 2024, Baron Health Care Fund® (the Fund) declined 2.55% (Institutional Shares), compared with the 1.02% decline for the Russell 3000 Health Care Index (the Benchmark) and the 3.22% gain for the Russell 3000 Index (the Index). Since inception (April 30, 2018), the Fund increased 12.55% on an annualized basis compared with the 10.78% gain for the Benchmark and the 13.52% gain for the Index.

Table I.
Performance

Annualized for periods ended June 30, 2024

	Baron Health Care Fund Retail Shares ^{1,2}	Baron Health Care Fund Institutional Shares ^{1,2}	Russell 3000 Health Care Index ¹	Russell 3000 Index ¹
Three Months ³	(2.59)%	(2.55)%	(1.02)%	3.22%
Six Months ³	6.02%	6.14%	7.42%	13.56%
One Year	7.10%	7.38%	10.43%	23.13%
Three Years	(1.27)%	(1.03)%	3.66%	8.05%
Five Years	11.94%	12.22%	10.22%	14.14%
Since Inception (April 30, 2018)	12.27%	12.55%	10.78%	13.52%

The Fund trailed the Benchmark by 153 basis points during the June quarter primarily due to active sub-industry/market cap weights. The Fund's meaningfully lower exposure to strong performing large-cap stocks, specifically pharmaceutical giant **Eli Lilly and Company**, was a material headwind to performance as this group managed gains during the quarter. In contrast, small- and mid-cap stocks, where the Fund is significantly overweight, declined between 3% and 8% in the period, accounting for the remainder of the relative shortfall.

From a sub-industry perspective, most of the underperformance was attributable to adverse stock selection in biotechnology together with higher exposure to the lagging life sciences tools & services sub-industry, which

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 1.20% and 0.88%, respectively, but the net annual expense ratio was 1.10% and 0.85% (net of the Adviser's fee waivers), respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser 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 BaronCapitalGroup.com or call 1-800-99-BARON.

¹ The **Russell 3000® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. The **Russell 3000® Index** measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 96% of the investable U.S. equity market, as of the most recent reconstitution. 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 Fund includes reinvestment of dividends, net of withholding taxes, while the Russell 3000® Health Care and Russell 3000® Indexes include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

² The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

³ Not annualized.



was down nearly 8% in the Benchmark. Stock selection in biotechnology was a 200 basis point drag on performance, driven by sharp declines from small caps **Rocket Pharmaceuticals, Inc.** and **Arcellx, Inc.** Rocket specializes in the development of gene therapies for rare genetic diseases outside of oncology. Currently these include Danon disease, Fanconi's anemia, LAD-1, and Pyruvate kinase disorder. The first three drug treatments should all commercially launch by 2025, generating substantial potential revenue for the company. In the near term, Rocket's shares continue to be pressured by a three-month FDA delay to their initial commercial asset in LAD-1 and the added overhang of slow gene therapy launches from bluebird bio in sickle cell disease and BioMarin in hemophilia B. Given the life-saving nature of Rocket's therapies and the high unmet need for treatments and cures for each of these diseases, we retain conviction in our investment. Arcellx develops cellular therapies for multiple myeloma and is in the midst



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of pivotal clinical trials for its BCMA cell therapy, approval of which is expected by 2025. There have been no recent developments aside from the well-telegraphed dynamics around competitor programs scaling the complex manufacturing involved in cell therapy. The next significant event will occur later in 2024 when Arcellx is expected to release updates from the pivotal Phase 3 trial with partner Kite of its iMMagine-3 treatment for multiple myeloma. This trial is widely expected to succeed and is the penultimate event required before filing for FDA approval to begin commercial efforts within the next year.

Another source of weakness in the sub-industry was **Viking Therapeutics, Inc.**, whose shares pulled back after increasing nearly 300% in the prior quarter. Viking develops metabolic disease medicines with focus on diabetes/obesity and MASH (metabolic steatohepatitis, i.e., fatty liver). The company's lead asset is VK2735, an injectable and oral version of a GLP-1/GIP combination weight loss medication that directly competes with Lilly's Mounjaro/Zepbound. Both of Viking's main assets appear to be more efficacious than their competitors' in two exceptionally large revenue end markets. Viking's stock detracted as biotechnology specialists have leaned into an alternative mechanism for obesity called amylin inhibition and don't view the company as an attractive acquisition target (an opinion we disagree with). The recent rebalance of the well-known SPDR S&P Biotech ETF (XBI) also pressured Viking's share price due to forced selling by many long/short strategies to reweight their positions.

Somewhat offsetting the above was solid stock selection in health care equipment, pharmaceuticals, and health care distributors, though these positive effects were somewhat offset by the Fund's active weights in these sub-industries. Strength in health care equipment was driven by continued strong performance from global medical device manufacturer **Boston Scientific Corporation** and robotic surgical system leader **Intuitive Surgical, Inc.** Boston Scientific's shares continued to benefit from increasing excitement around the emerging field of pulsed field ablation (PFA), where the company is well positioned. Traditionally, physicians have used temperature-based methods (either hot or cold) to disable heart tissue responsible for irregular heartbeats. Temperature-based methods may damage surrounding tissue, however. PFA, in comparison, relies on electricity to damage aberrant tissue, and because different types of tissue have different electrical thresholds, the surrounding tissue can be selectively spared. We remain positive about Boston Scientific because of the company's differentiated products in electrophysiology and structural heart, double-digit EPS growth profile, proven track record of cost discipline, and consistent annual operating margin expansion. Intuitive's stock performed well due to excitement about the company's new robotic surgical system, the da Vinci 5, which offers enhanced imaging, force feedback, and other improvements.

Performance in pharmaceuticals and health care distributors was bolstered by solid gains from **AstraZeneca PLC** and **McKesson Corporation**, respectively. AstraZeneca is a global biopharmaceutical company with a focus on three main therapy areas based on its core competencies: oncology, cardiovascular and metabolic diseases, and respiratory illnesses. AstraZeneca's shares increased given incremental positive news flow (LAURA, ADRIATIC, and DESTINY-Breast06 clinical trials) surrounding the oncology franchise. The company also published long-term guidance for the first time, projecting \$80 billion in revenue by 2030, or 75% higher than 2023's \$45.8 billion. This projection implies an annual growth rate of 8% over seven years, compared with the 5% to 7% targets set by GSK and Johnson & Johnson and the 5% target set by Novartis. McKesson is a leading distributor of pharmaceuticals and medical supplies and also provides

prescription technology solutions that connect pharmacies, providers, payers, and biopharmaceutical customers. McKesson's stock reacted positively to the company's fiscal year 2025 earnings guidance, which came in ahead of investor expectations. We continue to think McKesson can generate mid-teens earnings per share growth annually through organic growth, operating leverage, and share repurchases.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to the other Baron Funds, we remain focused on finding businesses that we believe have secular growth opportunities, durable competitive advantages, and strong management teams. We conduct independent research and take a long-term perspective. We are particularly focused on businesses that solve problems in health care, whether by reducing costs, enhancing efficiency, and/or improving patient outcomes.

We continue to think the Health Care sector will offer attractive investment opportunities over the next decade and beyond. Health Care is one of the largest and most complex sectors in the U.S. economy, accounting for an estimated 17.3% of GDP in 2022 and encompassing a diverse array of sub-industries. Health Care is also a dynamic sector undergoing changes driven by legislation, regulation, and advances in science and technology. We think navigating these changes requires investment experience and sector expertise, which makes the Health Care sector particularly well suited for active management.

Table II.
Top contributors to performance for the quarter ended June 30, 2024

	Percent Impact
Eli Lilly and Company	1.29%
Intuitive Surgical, Inc.	0.59
Boston Scientific Corporation	0.58
Vertex Pharmaceuticals Incorporated	0.51
argenx SE	0.36

Shares of global pharmaceutical company **Eli Lilly and Company** increased on continued investor enthusiasm around GLP-1 drugs for diabetes and obesity. We remain shareholders. Lilly's Mounjaro/Zepbound not only offers superb blood sugar control for diabetics but can drive 20%-plus weight loss and likely improve cardiovascular outcomes in both diabetic and non-diabetic obese patients. Lilly is developing next generation drugs, including retatrutide, which drives approximately 25% weight loss, and orforglipron, a daily pill that produces approximately 15% weight loss. In the U.S. alone, there are 32 million Type 2 diabetics and an additional 105 million obese patients who we estimate would qualify for GLP-1 drugs. Although supply and access are limited near term, we think GLP-1 drugs will become standard of care for both diabetes and obesity and will become a \$150 billion-plus category. We see Lilly setting a high efficacy bar and capturing significant long-term market share. We think the adoption of GLP-1s will drive Lilly to triple total revenue by 2030.

Intuitive Surgical, Inc. manufactures the da Vinci Surgical System, a robotic surgical system used for minimally invasive procedures. The stock performed well due to excitement about the company's new robotic surgical system, the da Vinci 5, which offers enhanced imaging, force feedback, and other improvements. We continue to believe Intuitive has durable competitive advantages and will remain the market leader in robotic surgery. We think the company has a long runway for growth as more procedures are performed with the company's equipment.

Boston Scientific Corporation is a global manufacturer of medical devices used in a broad range of interventional medical specialties. Shares increased during the quarter. We believe Boston Scientific can grow sustainably in the high single digits, driven by differentiated products in electrophysiology and structural heart devices. In particular, there has been increasing excitement around the emerging field of PFA, where the company is well positioned. Traditionally, physicians have used temperature-based methods to disable heart tissue responsible for irregular heartbeats. Temperature-based methods may damage surrounding tissue, while PFA relies on electricity to damage aberrant tissue, and because different types of tissue have different electrical thresholds, the surrounding tissue can be selectively spared. Coupled with cost discipline and more than 50 basis points of annual operating margin expansion, we believe Boston Scientific's double-digit EPS growth profile makes it a compelling name within the medical device universe.

Table III.
Top detractors from performance for the quarter ended June 30, 2024

	Percent Impact
Rocket Pharmaceuticals, Inc.	-0.61%
Arcellx, Inc.	-0.61
DexCom, Inc.	-0.46
Repligen Corporation	-0.46
Viking Therapeutics, Inc.	-0.43

Rocket Pharmaceuticals, Inc. specializes in the development of gene therapies for rare genetic diseases outside of oncology. Currently these include Danon disease, Fanconi anemia, lysosomal acid lipase deficiency, and pyruvate kinase deficiency. The first three drug treatments are slated for commercial launch by 2025, which should generate substantial revenue. Shares detracted from performance after the FDA extended the priority review period by three months for the Kresladi gene therapy for leukocyte adhesion deficiency, potentially influenced by sluggish competitive gene therapy launches from bluebird bio in sickle cell disease and BioMarin in hemophilia B. Given the lifesaving nature of Rocket's therapies and the high unmet need for each of these life ending diseases, we retain conviction in our investment.

Arcellx, Inc. is a biotechnology company dedicated to the manufacturing of cell therapies for multiple myeloma. Shares fell on a lack of news in the quarter. There have been no fundamental new issues in the space over the past few quarters beyond the well-telegraphed dynamics around competitor programs scaling the complex manufacturing involved in cell therapy. The next significant news flow will occur later in 2024 when Arcellx releases updates with partner Kite from the pivotal Phase 3 trial of its iMMagine-3 treatment for multiple myeloma. This trial is widely expected to work and will be the penultimate event required before filing for FDA approval.

DexCom, Inc. sells a continuous glucose monitoring device to help diabetics monitor their blood glucose levels. Investors reacted negatively to DexCom's first quarter earnings report, which missed revenue estimates. In addition, year-over-year comparisons will be even tougher to beat in the yet-to-be-reported second quarter, and some investors appeared to interpret management commentary as trying to manage expectations due to the tougher comparisons and potential disruption from an increase in the sales force and reconfiguration of sales territories. We think these concerns are shortsighted and believe DexCom has a long runway for growth driven by increased adoption of its continuous glucose monitoring sensors. We are also optimistic about the launch of Stelo, an over-the-counter glucose sensor for Type 2 diabetics who are not on insulin.

PORTFOLIO STRUCTURE

We build the portfolio from the bottom up, one stock at a time, using the Baron investment approach. We do not try to mimic an index, and we expect the Fund to look very different than the Benchmark. We loosely group the portfolio into three categories of stocks: earnings compounders, high-growth companies, and biotechnology companies. We define earnings compounders as companies that we believe can grow revenue at least mid-single digits and compound earnings at double-digit rates over the long term. We define high-growth stocks as companies we expect to generate double-digit or better revenue growth. They may not be profitable today, but we believe they can be highly profitable in the future. We expect the portfolio to have a mix of earnings compounders, high-growth, and biotechnology companies.

We may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of June 30, 2024, we held 40 stocks. This compares with 510 stocks in the Benchmark. International stocks represented 9.9% of the Fund's net assets. The Fund's 10 largest holdings represented 52.3% of net assets. Compared with the Benchmark, the Fund was overweight in life sciences tools & services, health care equipment, health care facilities, and health care distributors, and underweight in pharmaceuticals, health care services, and managed health care. The market cap range of the investments in the Fund was \$342 million to \$860 billion with a weighted average market cap of \$194.8 billion. This compared with the Benchmark's weighted average market cap of \$257.3 billion.

We continue to invest in multiple secular growth themes in Health Care, such as genomics/genetic testing/genetic medicine, innovative medical devices that improve outcomes and/or lower costs, minimally invasive surgery, diabetes devices and therapeutics, anti-obesity medications, *picks and shovels* life sciences tools providers, the shift to lower cost sites of care, and animal health, among others. To be clear, this list is not exhaustive: we own stocks in the portfolio that do not fit neatly into these themes and there are other themes not mentioned here that are in the portfolio. We evaluate each stock on its own merits.

Table IV.
Top 10 holdings as of June 30, 2024

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Eli Lilly and Company	2021	\$187.4	\$860.5	\$21.7	9.3%
UnitedHealth Group Incorporated	2018	227.2	468.7	17.1	7.3
Intuitive Surgical, Inc.	2018	49.9	157.8	13.4	5.8
Boston Scientific Corporation	2023	73.4	113.2	12.2	5.3
Merck & Co., Inc.	2022	205.6	313.6	11.1	4.8
Thermo Fisher Scientific Inc.	2019	117.4	211.1	11.0	4.7
Vertex Pharmaceuticals Incorporated	2022	61.4	121.0	10.8	4.6
argenx SE	2018	2.8	25.6	9.5	4.1
ICON Plc	2018	8.0	25.9	7.5	3.2
Stryker Corporation	2023	98.8	129.6	7.5	3.2

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Table V.
Fund investments in GICS sub-industries as of June 30, 2024

	Percent of Net Assets
Health Care Equipment	22.7%
Biotechnology	18.6
Life Sciences Tools & Services	17.3
Pharmaceuticals	16.9
Managed Health Care	10.0
Health Care Facilities	4.1
Health Care Distributors	2.7
Health Care Supplies	2.6
Health Care Services	0.9
Cash and Cash Equivalents	4.2
Total	100.0%*

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

RECENT ACTIVITY

During the first quarter, we added six new positions and exited seven positions. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended June 30, 2024

	Quarter End Market Cap (billions)	Net Amount Purchased (millions)
Edwards Lifesciences Corporation	\$ 55.5	\$3.6
Tempus AI, Inc.	5.8	2.0
Glaukos Corporation	6.0	1.9
Tenet Healthcare Corporation	13.0	1.6
Elevance Health, Inc.	125.9	1.4

We initiated a small position in **Tempus AI, Inc.**, an intelligent diagnostics and health care data company. Tempus has two synergistic business units: Genomics and Data & Other. Within the Genomics business, Tempus provides diagnostic tests, particularly for cancer treatment selection. Tempus' labs sequence the tumor's genome and transcriptome (gene expression) and can help oncologists select the best treatment for their patient. We think the cancer treatment selection sequencing market is underpenetrated and poised to continue to grow rapidly, and Tempus is well positioned as one of the leaders in this field. The genomics testing data also feeds into Tempus' value as a data company. Tempus has amassed a huge (over 200 petabytes) proprietary multimodal dataset that combines clinical patient data (which includes clinical records, imaging data, etc., mostly from two-way collaborations with health systems) with genomic testing data from the Genomics business. In total, the company's dataset includes approximately 7.7 million clinical records, over 1 million imaging records, over 910,000 matched clinical and molecular dataset profiles, and over 970,000 samples sequenced. In addition to using this data to empower more intelligent diagnostics, Tempus also licenses this data to biopharmaceutical companies who use it to design smarter clinical trials and identify potential new drug targets. Tempus works with 19 of the top 20 pharmaceutical companies in this capacity and has disclosed 9-figure deals with 3 biopharmaceutical companies. We think this proprietary dataset is unique with meaningful barriers to entry, and brings meaningful value to biopharmaceutical R&D.

Another new addition was **Glaukos Corporation**, which develops and sells interventional glaucoma treatments. Glaukos is launching iDose, a new

minimally invasive drug-delivery device that treats glaucoma. Glaucoma is when a patient has high pressure inside the eye, which damages the optic nerve and can lead to blindness. Most patients with glaucoma are treated with daily prostaglandin eye drops, but: 1) patients are notoriously noncompliant leading to lower efficacy (more than 90% of patients are noncompliant and around 50% discontinue their medication within six months); and 2) prostaglandin eye drops cause bothersome side effects including dry eye, red eyes, and periorbital fat loss "raccoon eyes." An iDose is implanted as a five minute procedure and delivers a highly concentrated prostaglandin formulation inside the eye that is effective for up to three-plus years. Compared to prostaglandin eye drops, iDose ensures patient compliance and the intraocular dosing significantly reduces side effects. We think glaucoma is a large market (there are approximately 3 million patients in the U.S. with glaucoma and up to an additional 6 million patients with ocular hypertension that are eligible for iDose) and is ripe for new standalone interventions. We think that iDose can be a \$1 billion product over time and are bullish on Glaukos shares.

We established a small position in **Tenet Healthcare Corporation**, a leading provider of health care services. Tenet's care delivery network includes United Surgical Partners International (USPI), which operates over 600 ambulatory surgical centers (ASCs), surgical hospitals, and other outpatient facilities. Tenet also operates over 50 acute care and specialty hospitals, as well as Conifer, a leading provider of revenue cycle management services. The combination of ASCs and hospital assets in local markets gives USPI a negotiating advantage with payors and vendors, supporting industry leading ASC operating margins. Tenet management has been divesting its less competitively positioned acute care hospitals and other non-core assets to focus on its ASC business. The \$90 billion outpatient surgical market is enjoying strong secular tailwinds driven by aging U.S. demographics and the shift of procedures to lower cost outpatient settings. Outpatient procedures cost roughly 50% less than those done in hospitals and are preferred by both patients and physicians. Estimates are that an incremental \$60 billion worth of cases are appropriate to be done outpatient, which should drive multi-year mid-single-digit same store growth for USPI – a combination of both higher acuity and volumes – enhanced by de novo projects and M&A in a highly fragmented space. Tenet's hospital sales have been executed at attractive multiples with the proceeds used to pay down debt. As Tenet's faster growing ASC business increases as a percentage of the company's overall cash flows, we believe the company's valuation multiple has room to expand.

We added to the position in **Elevance Health, Inc.**, a leading managed care company. We think Elevance Health is well positioned to grow earnings double digits driven in part by its growing health care services business.

Table VII.
Top net sales for the quarter ended June 30, 2024

	Net Amount Sold (millions)
Shockwave Medical, Inc.	\$4.0
Veeva Systems Inc.	2.0
Zoetis Inc.	1.7
Repligen Corporation	1.7
UnitedHealth Group Incorporated	1.6

We sold **Shockwave Medical, Inc.**, which was acquired by Johnson and Johnson. We sold **Veeva Systems Inc.** due to concerns about slowing growth. We reduced **Zoetis Inc.** due to safety concerns regarding Librelva, a key product used to help control pain in dogs with osteoarthritis. We took a

tax loss in **Repligen Corporation**. We trimmed **UnitedHealth Group Incorporated** but we maintain a positive long-term view.

OUTLOOK

Health Care underperformed the broader market again in the second quarter as a small group of mega-cap technology companies drove all the gains in S&P 500 and NASDAQ Composite Indexes. In addition, certain Health Care sub-industries continued to face headwinds.

Managed health care stocks continued to be weighed down by Medicare Advantage utilization and reimbursement concerns. Lack of near-term visibility on utilization trends was exacerbated by the Change Healthcare cyberattack, which disrupted payors' normal utilization review and claims adjudication processes while new CMS rules are restricting the number of lower cost hospital observation stays in favor of full inpatient admissions. We believe our managed care holdings are likely to perform better in the second half of the year as investors look to 2025. **UnitedHealth Group Incorporated** should see healthy MA enrollment growth as plans that bid aggressively to gain members in 2024 will be forced to cut benefits and/or raise prices to restore margins. **Elevance Health, Inc.**, with its more balanced member mix, has its own unique and unappreciated growth drivers which include the ongoing scaling of its PBM and Specialty Pharmacy and the continued growth of its Caredon Services. We note a Republican win in the upcoming election could result in a more favorable environment for Medicare Advantage companies after two years of adverse Medicare Advantage rate updates under the Biden administration.

Life sciences tools & services stocks continued to be negatively impacted by customer inventory destocking, cautious biopharmaceutical spending, and weakness in China. Although we don't know exactly when life sciences tools trends will turn positive, we note that biotechnology funding is up year-over-year, destocking headwinds are temporary, and sales in China have already experienced significant declines. We remain invested in life sciences tools & services companies that we believe have good long-term growth prospects.

On the health care provider side, volumes remain healthy and labor costs have moderated. We continue to like **HCA Healthcare, Inc.**, the best-in-class hospital operator with an attractive set of increasingly diversified assets in strong urban markets, where it is typically the #1 or #2 provider. Its strong operating cash flow and under-levered balance sheet provide flexibility to make growth investments and return capital to shareholders.

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

Risks: In addition to general market conditions, the value of the Fund will be affected by investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. 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 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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In medical devices, business trends remain solid, and we remain investors in competitively advantaged growth companies with exciting new product cycles such as **Intuitive Surgical, Inc.** with its da Vinci 5 robotic surgical system, **Boston Scientific Corporation** with its Farapulse PFA system for treatment of atrial fibrillation, and **Glaukos Corporation** with its iDose for treatment of open-angle glaucoma.

In biopharmaceuticals, we remain bullish on the market opportunity for new diabetes and obesity medicines. In June at a medical meeting, the principal investigators of the SURMOUNT-OSA trial presented the full data which demonstrated that **Eli Lilly and Company's** Tirzepatide reduced obstructive sleep apnea in adults with obesity by up to 62.8%, and up to 51.5% of participants met the criteria for disease resolution. This impressive data set paves the way for Tirzepatide to be used as a treatment for obstructive sleep apnea in overweight and obese individuals.

At the end of June, the U.S. Supreme Court overturned the Chevron doctrine of judicial deference to an administrative agency's interpretation of ambiguous legislation. The ruling could impact regulatory actions taken by CMS and the FDA. It is too early to know what the ramifications of the Supreme Court's recent decision will be, but we expect to see a rise in legal challenges to CMS and FDA rules, which could result in a more favorable regulatory environment for the health care industry.

Overall, our long-term outlook for Health Care remains bullish. Innovation in the sector and the themes in which we have been investing are very much intact. We believe the Fund holds competitively advantaged growth companies with strong management teams.

As always, I would like to thank my colleague Josh Riegelhaupt, Assistant Portfolio Manager of the Fund, for his invaluable contributions.

Thank you for investing in the Fund. I remain an investor in the Fund, alongside you.

Sincerely,

Neal Kaufman
Portfolio Manager