Dear Baron FinTech Fund Shareholder:

Performance

In the quarter ended September 30, 2024, Baron FinTech Fund® (the Fund) rose 12.52% (Institutional Shares) compared with a 12.21% increase for the FactSet Global FinTech Index (the Benchmark). Since inception, the Fund has risen at an 11.63% annualized rate compared with 3.23% for the Benchmark.

Table I.
Performance†
Annualized for periods ended September 30, 2024

	Baron FinTech Fund Retail Shares[1,2]	Baron FinTech Fund Institutional Shares[1,2]	FactSet Global FinTech Index[1]	S&P 500 Index[1]	MSCI ACWI Index[1]
Three Months[3]	12.45%	12.52%	12.21%	5.89%	6.61%
Nine Months[3]	16.76%	16.95%	9.53%	22.08%	18.66%
One Year	32.90%	33.15%	26.55%	36.35%	31.76%
Three Years	(1.34)%	(1.08)%	(6.12)%	11.91%	8.09%
Since Inception (December 31, 2019)	11.36%	11.63%	3.23%	14.77%	10.85%

JOSH SALTMAN
PORTFOLIO MANAGER

Retail Shares: BFINX
Institutional Shares: BFIIX
R6 Shares: BFIUX

U.S. equities rose for the fourth consecutive quarter as generally upbeat economic reports supported a soft landing narrative while easing inflation enabled the Federal Reserve's long-awaited dovish pivot. There was a notable rotation toward smaller-cap stocks and away from the mega-cap *Magnificent Seven*, which drove most of the market performance during the first half of the year. This group of seven stocks posted a modest gain of 1.7% during the quarter, trailing the 7.9% gain for the remaining stocks in the S&P 500 Index. Small- and mid-cap stocks rose more than 9% in the period, beating large caps by the widest margin since the COVID-19 pandemic. Value outperformed growth during the quarter due to strength from cyclical and rate-sensitive sectors, while growth stocks remain ahead for the year. Outside of the U.S., emerging market equities outperformed due to aggressive stimulus measures in China.

During the third quarter, the Fund performed in line with the Benchmark but significantly outperformed the S&P 500 Index given its smaller market cap profile as market breadth improved. The Fund's heavy exposure to outperforming Financials stocks and lack of exposure to the Magnificent Seven also boosted relative performance against the broad market. Challengers outperformed Leaders (up 18.0% versus up 11.5%, respectively), a meaningful reversal from the first half of the year reflecting a rally in smaller and more speculative stocks. Fund performance closely matched the Benchmark as positive impacts from active thematic exposures were offset by adverse stock selection in Tech-Enabled Financials.

Favorable stock selection in Information Services and E-Commerce, higher exposure to the better performing Capital Markets category, and lower exposure to the lagging Payments and Enterprise Software themes added the most value. Several holdings performed well in Information Services, led by data and analytics company **Fair Isaac Corporation** and consumer credit bureau **TransUnion**, whose shares were bolstered by higher pricing for mortgage credit scores and optimism about the potential for lower interest rates to stimulate consumer lending. Strength in E-Commerce was driven by **MercadoLibre, Inc.**, which continues to grow rapidly despite its already dominant position in Latin America across both e-commerce and payments.

Somewhat offsetting the above was unfavorable stock selection in Tech-Enabled Financials, where broker-dealers **LPL Financial Holdings Inc.** and **The Charles Schwab Corporation** weighed on performance due to concerns about their ability to earn interest income on client cash.

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 1.66% and 1.21%, respectively, but the net annual expense ratio was 1.20% and 0.95% (net of the Adviser's fee waivers), respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser waives and/or reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2035, 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.

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

1 The **FactSet Global Fintech Index™** is an unmanaged and equal-weighted index that measures the equity market performance of companies engaged in Financial Technologies, primarily in the areas of software and consulting, data and analytics, digital payment processing, money transfer, and payment transaction-related hardware, across 30 developed and emerging markets. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **MSCI ACWI Index Net (USD)** is designed to measure the equity market performance of large and midcap securities across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The MSCI ACWI Index and the Fund include reinvestment of dividends, net of withholding taxes, while the FactSet Global Fintech Index™ and S&P 500 Index 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.

BARON FUNDS 1987

Additionally, the Fund's heavy exposure to Leaders weighed on relative performance against the Benchmark in a quarter when Challengers significantly outperformed.

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

	Contribution to Return (%)
Fair Isaac Corporation	1.22
MercadoLibre, Inc.	1.00
Guidewire Software, Inc.	0.99
The Progressive Corporation	0.92
S&P Global Inc.	0.81

Fair Isaac Corporation is a data and analytics company focused on predicting consumer behavior and is best known for its ubiquitous FICO scores. Like last quarter, shares increased after the company reported solid financial results and raised annual guidance. Management recently spoke at several conferences and was optimistic about both the scores and software businesses. Fair Isaac is a perceived beneficiary of lower interest rates, so the stock has likely gotten a boost from recent rate cuts. Mortgage originations are running 50% below the long-term historical average, so we estimate that a return to normal activity would increase Fair Isaac's earnings by half. We continue to own the stock because of the company's significant competitive advantages and expect that consistent earnings growth will drive attractive returns for the stock over the long term.

Shares of **MercadoLibre, Inc.**, Latin America's leading e-commerce and fintech company, rose after the company reported strong quarterly results that beat expectations across the board. Revenue more than doubled on a constant currency basis and grew 42% in U.S. dollars. MercadoLibre continues to gain share in the e-commerce market due to its broad merchandise selection and unique logistics capabilities that enable faster delivery times than peers. In the recent quarter, Commerce revenue grew 131% on a constant currency basis with 83% growth in gross merchandise value, benefiting from higher advertising penetration and a more favorable geographic mix. Fintech revenue grew 92% on a constant currency basis with 86% growth in total payment volume and 37% growth in monthly active users, reaching 52 million. MercadoLibre is benefiting from product innovation in fintech and profitable underwriting in the fast-growing credit business, which we expect will drive continued margin expansion and earnings growth.

Shares of insurance software vendor **Guidewire Software, Inc.** outperformed after the company reported strong quarterly results and provided annual guidance that exceeded consensus expectations. New sales activity drove 19% growth in annual recurring revenue (ARR) on a fully ramped basis and 37% growth in subscription revenue during the recent quarter. Subscription gross margins expanded by 11 percentage points, and free cash flow margins reached 18%, up from 2% last year. We believe the company's multi-year cloud transition is substantially complete. ARR should benefit from new customer wins and migrations of existing on-premise software customers to InsuranceSuite Cloud. We also expect the company to shift R&D resources from infrastructure investment to product development, which should help drive cross-sales into the large installed base and potentially accelerate ARR over time. We believe Guidewire will remain the critical software vendor for the global property and casualty insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%.

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

	Contribution to Return (%)
LPL Financial Holdings Inc.	–0.60
Intuit Inc.	–0.26
The Charles Schwab Corporation	–0.18
Endava plc	–0.08
Repay Holdings Corporation	–0.06

LPL Financial Holdings Inc. is an independent broker-dealer with over $1.5 trillion of client assets. As an asset custodian, LPL earns a significant amount of interest income from client cash while paying only a modest amount of interest expense to clients. Shares fell due to concerns that regulators could force broker-dealers such as LPL to pay higher deposit rates to customers, thereby reducing the spread that firms earn from client cash. These fears were exacerbated by pricing changes at competitors such as Wells Fargo and Bank of America. We are actively monitoring these developments but have not seen evidence of any adverse regulatory changes. LPL management is confident that the company is fully compliant with existing regulations and won't have to increase deposit rates. We continue to own the stock due to LPL's strong organic growth and compelling valuation.

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares declined due to a slower growth outlook for the Consumer segment (TurboTax) and greater dependence on upselling to drive growth in the Small Business segment (QuickBooks). Nevertheless, the company reported quarterly financial results that exceeded Street expectations and provided fiscal 2025 guidance that called for 12% to 13% revenue growth and 13% to 14% EPS growth. At Intuit's Investor Day, management expressed confidence in the company's market positioning and growth potential from selling higher-value services across its two major segments. We continue to own the stock due to Intuit's strong competitive position and numerous growth opportunities.

The Charles Schwab Corporation detracted from performance following a weak quarterly update. The broker-dealer generates significant net interest income on idle client cash. Clients have been moving cash into higher-yielding money market funds, forcing Schwab to use higher-cost external funding to support its balance sheet. Although this expensive funding was intended to be temporary, the company made little progress in reducing its usage this quarter, which weighed on margins and disappointed the market despite the strong 17% growth in client assets. While the timing has been delayed, we think Schwab will eventually pay down this high-cost funding, which should increase margins and drive much faster earnings growth.

Portfolio Structure

We seek to invest in competitively advantaged, growing fintech companies for the long term. We conduct independent, fundamental research and take a long-term perspective. We invest in companies across all market capitalizations and geographies. The quality of the ideas and level of conviction determine the position size of each investment. We do not try to mimic an index, and we expect the Fund will look very different from the Benchmark.

As of September 30, 2024, the Fund held 47 positions (36 excluding those smaller than 1%). The Fund's 10 largest holdings represented 41.5% of net assets, and the 20 largest holdings represented 69.2% of net assets. International stocks represented 11.4% of net assets. The market capitalization range of the investments in the Fund was $798 million to $557 billion with a median of $31 billion and a weighted average of $107 billion. The Fund's active share versus the Benchmark was 85.9%.

We segment the Fund's holdings into seven investment themes. As of September 30, 2024, Tech-Enabled Financials represented 27.2% of net assets, Information Services represented 23.6%, Payments represented 16.3%, Enterprise Software represented 13.9%, Capital Markets represented 9.7%, E-Commerce represented 5.6%, and Digital IT Services represented 2.3%. Relative to the Benchmark, the Fund remains underweight in Enterprise Software, Payments, and Hardware, and has overweight positions in Tech-Enabled Financials, Capital Markets, Information Services, Digital IT Services, and E-Commerce.

We also segment the Fund's holdings between Leaders and Challengers. Leaders are generally larger, more established companies with stable growth rates, higher margins, and moderate valuation multiples. Challengers are generally smaller, earlier-stage companies with higher growth rates, lower margins, and higher valuation multiples. As of September 30, 2024, Leaders represented 76.8% of net assets and Challengers represented 21.8%, with the remainder in cash.

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

	Year Acquired	Market Cap When Acquired ($ billions)	Quarter End Market Cap ($ billions)	Quarter End Investment Value ($ millions)	Percent of Net Assets (%)
S&P Global Inc.	2020	67.9	165.4	3.3	5.0
Mastercard Incorporated	2020	306.1	456.2	3.0	4.5
The Progressive Corporation	2022	65.4	148.6	2.9	4.4
MercadoLibre, Inc.	2020	53.7	104.0	2.8	4.2
Visa Inc.	2020	376.2	557.2	2.7	4.1
Intuit Inc.	2020	69.3	174.1	2.7	4.1
Fair Isaac Corporation	2020	11.1	47.7	2.7	4.1
Apollo Global Management, Inc.	2023	40.4	71.1	2.5	3.8
Guidewire Software, Inc.	2020	9.1	15.2	2.5	3.7
Fiserv, Inc.	2022	67.7	103.4	2.4	3.6

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

	Percent of Net Assets (%)
Financial Exchanges & Data	20.3
Transaction & Payment Processing Services	19.3
Application Software	14.6
Property & Casualty Insurance	8.7
Investment Banking & Brokerage	7.7
Research & Consulting Services	5.4
Asset Management & Custody Banks	5.1
Broadline Retail	4.2
Diversified Financial Services	3.8
Diversified Banks	2.7
IT Consulting & Other Services	2.3
Internet Services & Infrastructure	1.4
Insurance Brokers	1.4
Real Estate Services	1.0
Life & Health Insurance	0.8
Cash and Cash Equivalents	1.4
Total	**100.0%***

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

Recent Activity

During the quarter, we initiated two new positions. Below we discuss some of our top net purchases and sales.

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

	Quarter End Market Cap ($ billions)	Net Amount Purchased ($ thousands)
KKR & Co. Inc.	115.9	1,129.2
Primerica, Inc.	9.0	532.9
TWFG, Inc.	1.5	253.8
Arch Capital Group Ltd.	42.1	65.2
Equifax Inc.	36.4	60.2

We participated in the IPO of **TWFG, Inc.**, an insurance broker for personal and commercial insurance based in Texas. TWFG (an acronym for The Woodlands Financial Group) is the seventh-largest personal lines insurance agency in the U.S. with 410 branches across 17 states. As an independent agency, the company provides homeowners and auto insurance on behalf of over 300 carriers without taking any underwriting risk. The company has been growing quickly by helping captive agents working for a single carrier (such as State Farm or Allstate) make the transition to an independent agency model with the ability to sell policies from multiple carriers. This model is better for customers by offering them a broader range of insurance options and better for agents who can sell more policies. TWFG provides agents all the tools they need to sell insurance, including carrier relationships, technology, training, back-office and marketing support. Most of the company's agents are independent contractors that earn 80% of the sales commissions but are responsible for their own expenses, while TWFG keeps the remaining 20% of commissions. With relatively little overhead, TWFG enjoys a capital-light business model.

The U.S. property and casualty insurance market is large with $956 billion of premiums and growing steadily with 6% annualized growth over the last 10 years (faster growth more recently). Premiums are evenly split between personal lines and commercial lines. Insurance is often a compulsory purchase required to get a mortgage or drive a car, so demand is resilient through economic cycles. Premiums typically rise each year to reflect higher repair and replacement costs, so industry growth is inflation-protected. Brokerage commission rates have been relatively steady at a mid-teens percentage of premiums, so commission revenue typically grows in line with premiums. The industry has been undergoing a structural shift from the captive to the independent distribution model, leading to faster growth for independent agencies such as TWFG. In homeowners' insurance, the share of premiums sold by independent agencies increased from 41% in 2011 to 49% in 2021, while the share sold by captive agencies fell from 51% to 35% over the same period. We expect this shift from captive to independent distribution will continue, which should further increase the addressable market for TWFG.

TWFG was founded in 2001 by the company's CEO, Gordy Bunch. Bunch, a former insurance agent himself, has grown the business every year since inception while taking in little outside capital and retaining majority ownership. Over the last five years, the company's premiums and revenue have grown at a 19% annualized rate, more than twice as fast as the overall industry. With less than 1% share of a growing market, TWFG has a very long runway for growth. We expect TWFG will continue growing nearly 20% per year by adding agencies, both organically and through acquisitions. We believe that the 80/20 commission split is an attractive proposition for agents that delivers substantial value while allowing them to retain most of the economics. Additionally, TWFG has begun acquiring smaller agencies at favorable terms, leading to higher revenue and margins. We expect the company will use the IPO proceeds to accelerate the pace of these accretive acquisitions.

We believe that TWFG's long track record of growth, large addressable market, capital-light business model, opportunities for accretive M&A, and a founder-CEO with significant skin in the game make for a compelling investment. We expect TWFG to double EBITDA within three years, which should lead to good upside in the stock.

We also initiated a position in **Primerica, Inc.**, a provider of life insurance and investment products to middle income customers in the U.S. and Canada. We believe Primerica is a steady earnings grower with significant competitive advantages trading at a cheap valuation due to its underappreciated business model.

As the responsibility for retirement savings increasingly shifts to individuals, Primerica serves a growing need for financial planning in the underserved middle income customer segment. While most life insurers and financial planners target the wealthiest households, Primerica instead serves the less competitive middle-income segment, defined as the 54% of U.S. households with $30,000 to $130,000 of annual income. Primerica's 145,000 sales reps sell term life insurance underwritten by the company as well as mutual funds, annuities, and managed accounts on behalf of third-party asset managers. The company reinsures between 80% and 90% of the mortality risk for all term life insurance policies, thereby reducing the capital intensity and making the business model more akin to an asset-light broker than a traditional life insurer. The company's 26.5% ROE last year was more than double the 12.5% average ROE for other publicly traded life insurers.

The company's primary competitive advantage is its multi-level distribution model that uniquely positions it to reach small customers in a cost-efficient manner. Primerica's sales reps are all independent contractors who are responsible for their own expenses (much like TWFG's insurance agents discussed earlier). Reps earn commissions on both their own sales and sales made by other reps that they've recruited, thereby encouraging growth in the sales force. This mostly variable cost structure enables the company to efficiently serve a large number of small customers. Primerica's unique sales model is difficult to replicate since it was built through decades of recruiting and brand-building.

Primerica grew EPS at a 12% annualized rate over the last five years (adjusted for a recent accounting change) despite headwinds from uncertain equity markets and an unprofitable senior health business that was recently divested. We expect earnings to grow at a faster pace over the next few years from continued sales force growth, higher investment sales and asset-based fees, and ongoing share repurchases. The late Charlie Munger advised investors to "pay close attention to the cannibals – the businesses that are eating themselves by buying back their stock." Primerica fits this bill given that the share count has shrunk by over half since the company's IPO in 2010. We expect Primerica to continue buying back 4% to 5% of its shares each year, providing a meaningful tailwind to EPS growth. We believe our purchase of the stock at 12 times next year's earnings is a bargain for a high-quality, double-digit EPS compounder.

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

	Quarter End Market Cap ($ billions)	Net Amount Sold ($ thousands)
Fair Isaac Corporation	47.7	803.7
Endava plc	1.5	286.8
Apollo Global Management, Inc.	71.1	274.2
LPL Financial Holdings Inc.	17.4	267.2
BlackRock Inc.	141.6	240.6

We trimmed **Fair Isaac Corporation** and **Apollo Global Management, Inc.** to manage position sizes and fund additional purchases of **KKR & Co. Inc.**, which is now a full position after we first bought the stock in the second quarter. We trimmed **Endava plc** due to continued weak demand for IT services and lackluster management execution.

Outlook

We're pleased by the strong rally for fintech stocks during the third quarter, narrowing the performance gap with the broader market for the full year. While the rest of the market has been fixated on the infrastructure buildout to support generative AI, many fintech stocks have demonstrated strong earnings growth and share price appreciation due to idiosyncratic growth trends.

Sixteen of the Fund's holdings have risen more than 30% this year, representing 42% of the Fund's net assets. These strong performers operate across a variety of sectors, including consumer credit, enterprise software, insurance, asset management, payments, and brokerage. All of them are gaining share in large, growing markets due to their significant competitive advantages and outstanding management teams. We continue to invest in high quality companies operating at the intersection of financial services and technology where we see significant growth potential and superior returns.

Thank you for investing in the Fund. We remain significant shareholders alongside you.

Sincerely,

Josh Saltman
Portfolio Manager

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, FinTech Companies may be adversely impacted by government regulations, economic conditions and deterioration in credit markets. Companies in the information technology sector are subject to rapid changes in technology product cycles; rapid product obsolescence; government regulation; and increased competition, both domestically and internationally, including competition from foreign competitors with lower production costs. The IT services industry can be significantly affected by competitive pressures, such as technological developments, fixed-rate pricing, and the ability to attract and retain skilled employees, and the success of companies in the industry is subject to continued demand for IT services. 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 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron FinTech Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Active Share a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. **EPS Growth Rate** (3-5-year forecast) indicates the long term forecasted EPS growth of the companies in the portfolio, calculated using the weighted average of the available 3-to-5 year forecasted growth rates for each of the stocks in the portfolio provided by FactSet Estimates. The EPS Growth rate does not forecast the Fund's performance.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).