Dear Baron FinTech Fund Shareholder:

Performance

In the quarter ended December 31, 2023, Baron FinTech Fund® (the Fund) rose 13.85% (Institutional Shares) compared with a 15.54% gain for the FactSet Global FinTech Index (the Benchmark). In 2023, the Fund rose 27.31% compared with a 23.34% gain for the Benchmark.

Table I.
Performance†
Annualized for periods ended December 31, 2023

	Baron FinTech Fund Retail Shares[1,2]	Baron FinTech Fund Institutional Shares[1,2]	FactSet Global FinTech Index[1]	S&P 500 Index[1]
Three Months[3]	13.82%	13.85%	15.54%	11.69%
One Year	26.96%	27.31%	23.34%	26.29%
Three Years	(0.95)%	(0.69)%	(7.64)%	10.00%
Since Inception (December 31, 2019)	9.31%	9.58%	1.51%	12.04%

JOSH SALTMAN

PORTFOLIO MANAGER

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

U.S. equities rose sharply in November and December, pushing the broad market indexes to double-digit gains for the quarter. Moderating inflation coupled with a softening labor market and a perceived peak in interest rates were the main drivers of the broad-based rally. After rising for much of the year, the 10-Year Treasury yield reached 5% in October and then promptly fell below 4% to end the year back where it started. The S&P 500 Index returned more than 26% in 2023, finishing the year at an all-time high. Most of the S&P 500 Index's gains came from mega-cap technology stocks with the *Magnificent Seven* up 76% for the year, while the remaining stocks in the Index rose by a more modest 14%. Most sectors closed higher during the quarter, led by Information Technology (IT), while Energy was the only sector to close lower as oil prices fell. Growth outperformed value for the quarter and the year. Small-cap stocks outperformed large caps during the fourth quarter, while large caps outperformed for the year.

The Fund rose nearly 14% in the quarter, trailing the Benchmark, but outperforming the broader market. Challengers outperformed Leaders (up 20.8% vs. up 12.6%, respectively) in a risk-on environment. Four of our seven themes contributed to relative performance (Payments, Digital IT Services, E-Commerce, and Enterprise Software), while three themes detracted (Tech-Enabled Financials, Information Services, and Capital Markets).

Our Payments stocks contributed the most to relative performance during the quarter due to favorable stock selection coupled with lower exposure to this lagging category. Financial services and digital payments company **Block, Inc.** led the way in this category with shares rebounding after poor performance in the prior quarter. The company reported healthy 21% gross profit growth and earnings that beat Street estimates. Management emphasized a greater focus on cost discipline and margin expansion, while continuing to innovate and grow faster than the market. Block committed to achieving a "Rule of 40" investment framework by 2026 with at least mid-teens gross profit growth and a mid-20% operating margin.

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, 2022 was 1.63% and 1.20%, 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 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.

† The Fund's 3-year 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 transactional-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 Fund includes 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; 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 redemptions of Fund shares.

3 Not annualized.

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Our exposure to Digital IT Services also contributed to relative performance during the quarter. Shares of outsourced software provider **Endava plc** rose 35.7% during the quarter, continuing last quarter's positive momentum after lagging for most of 2022 and the first half of 2023. Macroeconomic uncertainty has weighed on client demand and revenue growth, but management expects a rebound in 2024 supported by a large pipeline of projects from newer clients. Margins should expand alongside faster revenue growth as the company leverages upfront costs to build capacity in anticipation of a demand recovery. The company has been acquisitive and is benefiting from vendor consolidation. Latin America-based **Globant S.A.** also contributed to performance after rising over 20% during the quarter as the company gains market share.

The impact of falling yields was a common source of relative underperformance across Tech-Enabled Financials, Information Services, and Capital Markets. Lower yields drove a market rotation away from defensive stocks into more speculative ones, weighing on the performance of insurance carriers **Arch Capital Group Ltd.** and **Kinsale Capital Group, Inc.** and insurance data provider **Verisk Analytics, Inc.** Conversely, not owning highly shorted and credit-sensitive stocks hurt relative performance as these stocks benefited from the risk-on rally. Lower yields also impacted the fundamentals of some of our stocks, likely weighing on relative performance. Shares of broker-dealers **LPL Financial Holdings Inc.** and **Interactive Brokers Group, Inc.** fell slightly as investors anticipated the impact of lower yields on client cash balances. Nevertheless, both companies continue to grow client assets at a healthy clip and earn other fees that will likely benefit from lower interest rates, offsetting some of the potential headwinds on interest income. In addition, shares of alternative asset manager **Apollo Global Management, Inc.** didn't fully participate in this quarter's market rally due to the expectation that lower rates could weigh on annuity sales and fixed income spreads.

We take a balanced approach to portfolio construction when considering the impact of changing interest rates. By our estimate, approximately 20% of Fund holdings benefit from higher interest rates (e.g., higher interest income for insurance carriers and broker-dealers), while approximately 20% benefit from lower interest rates (e.g., higher debt issuance for ratings agencies and credit bureaus). We believe the remaining 60% of holdings have minimal direct exposure to interest rates, putting aside the valuation multiple expansion that may accompany falling rates and a lower cost of capital. We believe having a diversified portfolio with varying levels of interest rate sensitivity should lead to higher returns with lower volatility over a market cycle, even if short-term performance is impacted by interest rate movements.

For the year, the Fund beat the Benchmark, marking the fourth consecutive year of outperformance in the four years since inception. We are pleased with the over 800 basis points of average annual outperformance the Fund has achieved over this period. This was accomplished through outperformance in both up and down markets, with higher Upside Capture and lower Downside Capture compared to the Benchmark. We believe our focus on quality growth stocks and the Fund's balanced holdings across Leaders and Challengers has served us well.

Table II.

Top contributors to performance for the quarter ended December 31, 2023

	Percent Impact
Fair Isaac Corporation	1.31%
Intuit Inc.	1.10
S&P Global Inc.	0.99
MercadoLibre, Inc.	0.91
Block, Inc.	0.89

Shares of **Fair Isaac Corporation**, a data and analytics company that predicts consumer behavior, contributed to performance. The company reported good earnings results and provided annual financial guidance that appears conservative, especially given significant pricing actions in the Scores business. CEO Will Lansing expressed confidence that the business can perform well in varying economic environments and was optimistic about continued momentum in the software business. We expect price increases and margin expansion to drive double-digit earnings growth and share price returns.

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares increased after the company reported quarterly financial results that exceeded Street expectations, with 15% revenue growth and 49% EPS growth. Intuit is benefiting from the sale of higher-value services and is well positioned to capitalize on increasing adoption of artificial intelligence (AI) given its vast data sets. The company recently launched Intuit Assist, a generative AI-powered digital assistant that improves productivity and unlocks valuable insights for customers. We continue to own the stock due to Intuit's strong competitive position and numerous growth opportunities.

Shares of rating agency and data provider **S&P Global Inc.** increased due to higher debt issuance amid more favorable market conditions. Billed issuance rose 47% in October and 26% in November against subdued levels last year, with issuance boosted by declining interest rates and tighter bond spreads. Positive equity market performance in the fourth quarter benefited asset-based fees. In addition, the company reported strong quarterly financial results with double-digit growth in revenue and earnings and raised full-year earnings guidance. We continue to own the stock due to the company's long runway for growth and significant competitive advantages.

Table III.

Top detractors from performance for the quarter ended December 31, 2023

	Percent Impact
Kinsale Capital Group, Inc.	–0.47%
TransUnion	–0.29
BILL Holdings, Inc.	–0.29
LPL Financial Holdings Inc.	–0.22
Arch Capital Group Ltd.	–0.16

Shares of specialty insurer **Kinsale Capital Group, Inc.** gave back some gains from earlier this year after the company reported slower premium growth in the third quarter. Earnings beat Street expectations, with EPS doubling and ROE exceeding 34%. However, investors focused on a slowdown in gross written premiums, which management attributed to normal seasonality for property insurance. Additionally, we believe some of the share price weakness resulted from a market rotation away from defensive stocks to more speculative stocks following a decline in yields. We continue to own the stock because we believe Kinsale is well managed and has a long runway for growth in an attractive segment of the insurance market.

TransUnion is a consumer credit bureau that helps businesses make lending and marketing decisions. Shares fell after the company reported quarterly financial results that were below consensus expectations and reduced full-year guidance. Lending and marketing activity softened during the quarter, particularly among smaller, subprime lenders. Management believes the new financial guidance is highly achievable and is increasingly focused on cost efficiency to improve margins. We continue to own the stock because we expect earnings growth to improve as cyclical headwinds abate and the company integrates recent acquisitions.

BILL Holdings, Inc., a leading provider of cloud-based software that simplifies, digitizes, and automates back-office financial processes, detracted from performance. The company reported solid quarterly financial results, but the stock fell after management provided a weaker-than-expected outlook. Slower economic growth among small- and medium-sized businesses (SMB) is weighing on customer payment volumes. In addition, there is some pressure on the revenue take-rate due to some suppliers limiting acceptance of virtual cards and a stronger U.S. dollar impacting currency conversion fees for international payments. Despite near-term headwinds, we retain conviction as the digitization of B2B payments is a powerful secular trend with a long runway for growth, and we believe BILL will be a winner in the SMB market.

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 December 31, 2023, we held 44 positions. The Fund's 10 largest holdings represented 41.0% of net assets, and the 20 largest holdings represented 67.7%. International stocks represented 14.3% of net assets. The market capitalization range of the investments in the Fund was $703 million to $537 billion with a median of $29.6 billion and a weighted average of $100.9 billion. The Fund's active share versus the Benchmark was 85.4%.

We segment the Fund's holdings into seven investment themes. As of December 31, 2023, Information Services represented 23.8% of net assets, Tech-Enabled Financials represented 21.7%, Payments represented 18.2%, Enterprise Software represented 13.6%, Capital Markets represented 8.5%, Digital IT Services represented 7.8%, and E-Commerce represented 5.3%, with the remainder in cash. Relative to the Benchmark, the Fund was meaningfully underweight Enterprise Software and Payments, and has overweight positions in Tech-Enabled Financials, Capital Markets, Digital IT Services, Information 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 December 31, 2023, Leaders represented 76.6% of net assets and Challengers represented 22.2%, with the remainder in cash.

Table IV.
Top 10 holdings as of December 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Intuit Inc.	2020	$ 69.3	$175.0	$3.1	5.2%
Visa Inc.	2020	376.2	536.8	2.9	4.9
S&P Global Inc.	2020	67.9	139.6	2.9	4.9
Mastercard Incorporated	2020	306.1	400.0	2.9	4.8
Fair Isaac Corporation	2020	11.1	28.8	2.6	4.3
MercadoLibre, Inc.	2020	53.7	79.5	2.2	3.7
Apollo Global Management, Inc.	2023	40.4	52.9	2.1	3.6
The Progressive Corporation	2022	65.4	93.2	2.1	3.5
MSCI Inc.	2020	22.5	44.7	1.9	3.1
Fiserv, Inc.	2022	67.7	79.7	1.8	3.0

Table V.
Fund investments in GICS sub-industries as of December 31, 2023

	Percent of Net Assets
Transaction & Payment Processing Services	21.6%
Financial Exchanges & Data	21.0
Application Software	13.9
It Consulting & Other Services	7.8
Investment Banking & Brokerage	7.7
Property & Casualty Insurance	6.8
Research & Consulting Services	4.8
Broadline Retail	3.7
Diversified Financial Services	3.6
Asset Management & Custody Banks	2.9
Internet Services & Infrastructure	1.6
Diversified Banks	1.6
Real Estate Services	1.5
Insurance Brokers	0.4
Cash and Cash Equivalents	1.2
Total	100.0%*

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

Recent Activity

Trading activity was relatively limited during the quarter with no new positions added and only one small position exited. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended December 31, 2023

	Quarter End Market Cap (billions)	Net Amount Purchased (thousands)
Arch Capital Group Ltd.	$27.7	$561.3
Guidewire Software, Inc.	8.9	109.4
Nu Holdings Ltd.	39.5	100.9
Equifax Inc.	30.5	86.2
Fiserv, Inc.	79.7	53.2

We added to **Arch Capital Group Ltd.** after initiating a position in the prior quarter. The insurance carrier reported excellent quarterly results with 30% growth in its book value per share and a 25% ROE, which reached a multi-decade high for a September quarter that is typically impacted by hurricane season. Nevertheless, the share price fell during the quarter, likely due to a market rotation away from defensive stocks to more speculative stocks following a decline in yields. Arch is now a full-sized position and is attractively valued below 10 times earnings as of the end of the quarter.

We also added to insurance software provider, **Guidewire Software, Inc.**, a long - time holding that is nearing a successful completion of its cloud transition. The company recently held an Investor Day where management guided to accelerating revenue growth and expanding margins based on customer wins that are ramping up over the next few years. Following years of infrastructure investment to build out its cloud-based offering, the company will now pivot R&D resources to developing new applications, which offer significant revenue potential. Guidewire's competitive position appears as strong as ever, with a high 90% customer retention rate and an 80% win rate by value for new business. We expect free cash flow per share to exceed $6 in a few years, which should drive continued share price appreciation.

Table VII.
Top net sales for the quarter ended December 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Net Amount Sold (thousands)
LPL Financial Holdings Inc.	$ 17.2	$255.6
Kinsale Capital Group, Inc.	7.8	210.9
TransUnion	13.3	109.9
Intuit Inc.	175.0	107.0
Paymentus Holdings, Inc.	0.3	98.2

We trimmed **LPL Financial Holdings Inc.** and **Kinsale Capital Group, Inc.** to fund the purchase of higher-conviction ideas. We trimmed **TransUnion** and used the proceeds to add to **Equifax Inc.** where we have greater confidence in the competitive positioning of the employment and income verification business and expect an earnings recovery as mortgage activity normalizes. We sold our small position in **Paymentus Holdings, Inc.** as the valuation looked full following a period of significant outperformance.

Outlook

Since the Fund's inception four years ago, global events have had massive impacts on equity markets. We've lived through a global pandemic, enormous fiscal and monetary stimulus, a reopening economy, supply-chain disruptions, a war involving a global superpower, soaring inflation, and unprecedented interest rate hikes. Against this backdrop, the Fund produced strong returns in 2020 (+47%), solid returns in 2021 (+15%), lousy results in 2022 (-33%), and good returns in 2023 (+27%).

The fintech sector has underperformed the broader market over this four-year period with the Benchmark up 2% per year compared to the S&P 500 Index up 12% per year. Most of the weakness was concentrated in the 12-month period from September 2021 through September 2022. This period corresponded with core CPI rising above 4% and peaking at over 6%, leading to tighter monetary policy. However, since the end of 2022, core CPI has been slowing and recently fell below 4% on a 12-month basis, increasing expectations for more dovish Fed rate policy later this year. If inflation remains low and the historical pattern holds, then we'd expect the fintech sector to generate more consistent outperformance against the broader market going forward.

We believe the fintech sector is experiencing a normalization following the boom cycle in the years following the COVID-19 pandemic. Venture capital funding for fintech companies fell 44% by volume and 32% by number of deals in 2023 according to PitchBook. While these declines appear substantial, we believe investment activity is normalizing from abnormally heightened levels in 2021 and 2022 when funding was driven by low interest rates and insatiable demand for growth. The investment environment has since reversed with interest rates at elevated levels and investors increasingly focused on profitability. We believe the end of the hype cycle is healthy for the long-term growth of the fintech industry and more aligned with our strategy of investing in competitively advantaged businesses with sustainable earnings growth.

We are optimistic about our portfolio holdings at the start of 2024. We expect many of the cyclical headwinds that our companies faced last year to reverse and become tailwinds this year. This includes stronger debt issuance for our rating agencies, rebounding mortgage and consumer lending for our credit bureaus, more robust deal activity for our advisory firm, and a return to digital transformation projects for our IT services companies. This is counterbalanced by potentially moderating rates of growth for payment businesses that benefited from elevated inflation and a post-pandemic travel surge.

We expect forward-thinking fintech companies to invest more in AI, especially generative AI, which improves the accessibility of AI for consumers. We see AI as more of an enabler than a disrupter for the fintech industry, at least over the next few years, with incumbents benefiting first from AI since they have the scale to invest, the data to train models, and the broad distribution to capitalize on AI innovations. Financial services are highly regulated, so AI adoption might take longer or be more limited in scope for fintech than for other industries that don't require regulatory approval for new advancements. Like other major technologies, AI likely follows Amara's Law, which states that the market overestimates the potential of a technology in the near term but underestimates it in the long term. This pattern was demonstrated during the PC, internet, mobile, and cloud adoption eras. We view 2024 as an investment year for AI that will be followed by measurable productivity improvements beginning in 2025. We maintain an active dialogue with the management teams of our portfolio companies to evaluate the opportunities and threats of technology innovation, including AI.

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 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, 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 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.

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 is 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. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less 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.

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).