DEAR BARON TECHNOLOGY FUND SHAREHOLDER:

PERFORMANCE

During the first quarter, Baron Technology Fund® (the Fund) climbed 22.44% (Institutional Shares), outperforming the MSCI ACWI Information Technology Index, which rose 20.43%. The Fund also meaningfully outperformed the broader market S&P 500 Index, which gained 7.50%.

Table I.
Performance
Annualized for periods ended March 31, 2023

	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]	22.12%	22.44%	20.43%	7.50%
One Year	(18.78)%	(18.42)%	(7.49)%	(7.73)%
Since Inception (December 31, 2021)	(26.63)%	(26.37)%	(13.84)%	(9.70)%

MICHAEL A. LIPPERT AND ASHIM MEHRA

PORTFOLIO MANAGERS

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

REVIEW & OUTLOOK

As we addressed in our fourth quarter letter, we do not make portfolio decisions based on macro or market projections. Instead, we remained focused on our long-term investment mandate; our in-house research differentiation; powerful and undeniable secular growth trends disrupting industries and driving long-term growth; and identifying exceptional businesses with, among other things, durable competitive advantages, cash-generative business models, and double-digit multi-year projected annual returns. We did emphasize last quarter that, based on our research and analysis, we believed the setting was favorable for our Fund and secular growth technology stocks. We highlighted that valuations had compressed to attractive levels, and that projected financial metrics (revenues, earnings, and cash flow) had come down significantly to reasonable and even conservative levels. In addition, the inevitable principle of reversion to the mean augured well for growth stocks and technology-related industry groups, which significantly underperformed since late 2021. While we could not and did not attempt to predict precise timing, reflecting on the first quarter we believe these factors played a major role in our outperformance for the period. The Fund's exposure to the secular trends of artificial intelligence (AI), semiconductors, software, cloud computing, and electric vehicles (EVs) generated the lion's share of our gains in the period. Leading the way (in contribution order) were individual investments in **NVIDIA Corporation** (up 90%), **Tesla, Inc.** (up 68%), **Amazon.com, Inc.** (up 23%), **Microsoft Corporation** (up 21%), **Advanced Micro Devices, Inc.** (up 51%), **Meta Platforms, Inc.** (up 76%), and **indie Semiconductor, Inc.** (up 80%).

We remain steadfast in our belief that exposure to the broader technology 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. Over the course of our careers, we have witnessed that with such innovators and pioneers as Amazon, Apple, Google (Alphabet), Microsoft, NVIDIA, and Tesla, to name just a few. As shown in the table below, these companies continue to be stock market leaders, and we owned 8 of the 10 largest contributors to S&P 500 Index's performance year-to-date. Alphabet was sold during the quarter, which we discuss in greater detail later in this letter.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 6.86% and 6.42%, 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 The Adviser reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2033, 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 www.BaronFunds.com or call 1-800-99BARON.

1 The **MSCI ACWI Information Technology Index** 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 indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact 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 redemption of Fund shares.

3 Not annualized.

Table II.
S&P 500 Index: Largest Contributors to Performance in the First Quarter

#	Company	Ticker	Total Return (%)	Contribution to Return (%)	Fund Owned
1	Apple Inc.	AAPL	27.1	1.60	Yes
2	Microsoft Corporation	MSFT	20.5	1.11	Yes
3	NVIDIA Corporation	NVDA	90.1	1.01	Yes
4	Tesla, Inc.	TSLA	68.4	0.67	Yes
5	Meta Platforms, Inc.	META	76.1	0.63	Yes
6	Alphabet Inc.	GOOGL	17.6	0.57	Yes
7	Amazon.com, Inc.	AMZN	23.0	0.55	Yes
8	Salesforce, Inc.	CRM	50.7	0.21	No
9	Advanced Micro Devices, Inc.	AMD	51.3	0.17	Yes
10	Broadcom Inc.	AVGO	15.6	0.11	No

Sources: FactSet PA and S&P Global Inc.

Microsoft's CEO, Satya Nadella, has been declaring for years that he expects technology spending to more than double as a percentage of GDP over the next decade. In Microsoft's October 2020 earnings call, he proclaimed: "…as a percentage of GDP, tech spend is 5%, we think it will double in the next 10 years. And if anything, this pandemic perhaps has accelerated that doubling." And on Microsoft's most recent earnings call in January, he continued to sing the same tune: "Tech as a percentage of GDP is going to be much higher and on a secular basis."

The market and economic backdrops have not materially changed, but they have continued to march along the paths we have been discussing, and most experts have been predicting. The market dialogue and gyrations continued to revolve around interest rates, inflation, the Federal Reserve, and the (now expected) recession. Stocks rose sharply to start the year on investor hopes that moderating inflation data and weakening economic indicators would convince the Fed to stop raising rates, perhaps enabling them to orchestrate a soft landing. However, lagging inflation data proved stubborn, rates and Fed Funds futures rose, and the market retreated in February. In early March, the emergence of a banking crisis, following the sudden failures of Silicon Valley Bank and Signature Bank, amplified market and economic risks. As a result, the Fed raised rates by just 25 bps (when 50 bps had been feared), U.S. Treasury yields collapsed, the yield curve inverted further, and the market sold off. Federal regulators quickly intervened to backstop bank depositors and to prevent contagion from spreading, helping the market end the quarter on a rebound.

As we sit here today – not trying to call the macro but observing the data and consensus expert opinions – it appears that peak rates for U.S. Treasuries (not Fed Funds, where another 25 bps increase is widely anticipated) and peak inflation are now in the rearview mirror. Looking at the road ahead, expectations are consolidating that a recession is likely, with the banking crisis and tighter credit conditions bolstering this view.[1] The range of projections is too wide to call if it will be short and shallow or long and deep. Bull and bear debates abound regarding market timing (did we bottom in October or are we in a bear market rally?), whether the negative of a weakening economy or the positive of lower rates on valuations influence stocks more, and which sectors or styles will lead the market's next phase. Yes, again, we stay informed on these issues, but eschew making portfolio decisions based on market or macro projections and continue to *run our play* as highlighted here and detailed in recent quarterly letters. We continue to run a more concentrated portfolio with an emphasis on the secular trends cited above. Among others, during the first quarter we initiated or added to the following positions:

Semiconductors: **Taiwan Semiconductor Manufacturing Company Limited**, **Marvell Technology, Inc.**, **SiTime Corporation**, **NVIDIA Corporation**, **Advanced Micro Devices, Inc.**, and **indie Semiconductor, Inc.**

Software: **Workday, Inc.**, **Snowflake Inc.**, **HubSpot, Inc.**, **Microsoft Corporation**, and **GitLab Inc.**

Electric Vehicles/Autonomous Driving: **Tesla, Inc.** and **Mobileye Global Inc.**

E-commerce/Cloud Computing: **Amazon.com, Inc.** and **Shopify Inc.**

Digital Media: **Meta Platforms, Inc.**

One of our secular themes we would like to emphasize is AI, building on the discussion we started last quarter. AI is transformative technology, just now hitting its inflection point. We believe AI will be the next major secular tectonic shift, like mobile and cloud, and the most compelling force to power technology innovation and impact human life over the next decade. Baron Funds have been investing in AI for years but we appreciate that the current inflection brought about by the launch and adoption of generative AI and large-language transformer models, such as ChatGPT, is a new phase in the AI evolution that will disrupt many industries, strengthening some businesses and weakening others. We are engaged in deep research to gauge who will be disrupted and who will be empowered and to determine where the most significant value and differentiation lies: (1) the semiconductor chip and hardware infrastructure; (2) the generalized, foundational, or domain-specific models; (3) the prompt, chatbox, user interface, or intelligent APIs[2]; or (4) the data, whether public, proprietary, or customer-stored. At this stage of our research, we believe the greatest risk of disruption is in consumer-driven use cases, such as search. Conversational services, like ChatGPT–which exploded onto the scene at an unprecedented pace and now reportedly has over 300 million unique visitors–may become the starting point for people seeking information, entertainment, and products/services. We believe enterprise applications are more defensible for companies that continue to invest, innovate, and launch AI-based products and services, where incumbents may be able to build on their advantages in terms of scale, distribution across large customer sets and embedded workflows, and proprietary and/or customer data. We believe significant value exists across the semiconductor landscape and that most future AI workloads will be built on the infrastructure of cloud service providers. Lastly, at this juncture, we believe a key differentiator for companies will be the ability to capitalize on their unique data assets. The following recent quotes from two technology industry leaders explain the extraordinary potential of AI and its far-reaching implications for business and society:

- Jensen Huang, NVIDIA CEO, GTC Developers Conference, March 21, 2023: "The impressive capabilities of generative AI created a sense of urgency for companies to reimagine their products and business models… Accelerated computing and AI have arrived… We are at

[1] Our portfolio has no direct exposure to regional banks. While the financial services sector is a relevant customer segment for many of our investments, particularly Endava plc, our companies predominantly serve larger financial institutions and payments businesses, Endava included, and have immaterial exposure to regional banks.

[2] Application Programming Interface, or API, is a mechanism that enables two software components to communicate with each other using a set of definitions and protocols.

the iPhone moment of AI. Start-ups are racing to build disruptive products and business models, while incumbents are looking to respond. Generative AI has triggered a sense of urgency in enterprises worldwide to develop AI strategies. Customers need to access NVIDIA AI easier and faster…ChatGPT is the fastest-growing application in history…ChatGPT can compose memos and poems, paraphrase a research paper, solve math problems, highlight key points of a contract, and even code software programs…Generative AI is a new kind of computer, one that we program in human language. This ability has profound implications. Everyone can direct a computer to solve problems. This was a domain only for computer programmers. Now, everyone is a programmer. Generative AI is a new computing platform like PC, internet, mobile, and cloud. And like in previous computing eras, first movers are creating new applications and founding new companies to capitalize on generative AI's ability to automate and co-create…Generative AI will reinvent nearly every industry."

- Bill Gates, Microsoft Co-founder, "The Age of AI Has Begun" GatesNotes blog, March 21, 2023: "In my lifetime, I've seen two demonstrations of technology that struck me as revolutionary. The first time was in 1980 when I was introduced to the graphical user interface – the forerunner of every modern operating system, including Windows… The second big surprise came just last year…. In September…I watched in awe as [the team from OpenAI] asked GPT, their AI model, 60 multiple-choice questions from the AP Bio exam – and it got 59 of them right…GPT got a 5 – the highest possible score, and the equivalent to getting an A or A+ in a college-level biology course…. I knew I had just seen the most important advance in technology since the graphical user interface…. The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet, and the mobile phone. It will change the way people work, learn, travel, get health care, and communicate with each other. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it."

We are focused on identifying and investing in companies that are not only at the forefront of this AI revolution, but also businesses driving innovation in cloud computing, semiconductors, cybersecurity, EVs, and other key technology verticals. We are confident that this focus will yield strong long-term returns.

Table III.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
NVIDIA Corporation	3.56%
Tesla, Inc.	2.36
Amazon.com, Inc.	2.20
Microsoft Corporation	1.96
Advanced Micro Devices, Inc.	1.42

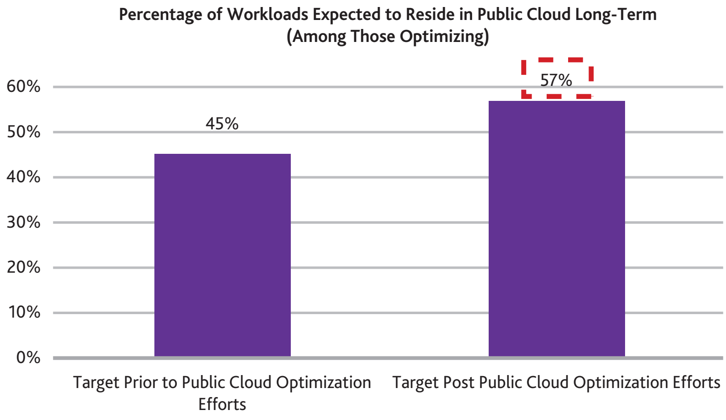
NVIDIA Corporation is a semiconductor mega-cap company and global leader in gaming cards and accelerated computing hardware and software. Shares of NVIDIA rose 90% during the first quarter because of material developments in generative AI evidenced by the release of ChatGPT and other competitive models. On its fourth quarter fiscal 2023 earnings call on February 22, Colette Kress, NVIDIA's CFO said, "AI adoption is at an inflection point…. The opportunity is significant and driving strong growth in data center that will accelerate through the year." On the same call, Jensen Huang, NVIDIA's CEO emphasized: "The accumulation of technology breakthroughs has brought AI to an inflection point. Generative AI's versatility and capability has triggered a sense of urgency at enterprises around the world to develop and deploy AI strategies…. NVIDIA AI is essentially the operating system of AI systems today…. The activity around AI infrastructures…has just gone through the roof in the last 60 days. And so there's no question that whatever our views [were] of this year as we enter[ed] this year has fairly dramatically changed as a result over the last 60, 90 days." Indeed, our research indicates that shortages of NVIDIA GPUs[3] are the biggest gating factor for AI adoption and that about 90% of AI-model training runs are performed on their GPUs. During its annual GTC conference[4] in March, NVIDIA announced new products and services that expand its addressable market and together form a full AI computing platform. These included: (1) new AI training systems (where it is dominant) and inferencing systems (where the field is more wide open), such as specialized chips in the areas of large language models and recommender systems, simulation and graphics rendering, and video use cases; (2) new fully managed AI services in partnership with the major cloud service providers, called NVIDIA DGX Cloud and NVDIA Omniverse Cloud; (3) new domain-specific generative AI foundational models, branded NVIDIA AI Foundations, which NVIDIA customers can harness to build and train custom language models with their own proprietary data to develop differentiated offerings; and (4) industry-specific accelerator libraries, spanning such diverse verticals as genomics analysis and computational lithography. We continue to believe NVIDIA's end-to-end AI platform and leading market share in gaming, data centers, and robotics (including automotive), along with the size of these markets, will enable the company to drive durable growth for years to come.

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Following a sharp decline at the end of 2022, Tesla's stock rebounded in the first quarter of 2023 on investor expectations that Tesla will continue to grow vehicle deliveries and maintain solid gross and operating margins despite a potential recession, competition in China, and vehicle price reductions. Tesla held its first Investor Day in March, and several Baron analysts and portfolio managers attended. We toured the Austin Gigafactory, drove in a Cybertruck, boarded a Semi truck, and spoke with a wide swath of Tesla senior managers. During the formal presentation, Tesla highlighted, among other things: (1) its broad and deep bench of executive talent supporting CEO Elon Musk; (2) its "Master Plan 3–Sustainable Energy for All of Earth," which featured EVs, renewable power from solar and wind, and stationary electric storage; (3) its vehicle assembly innovations, including massive casted parts (building Model Y bodies with single front and rear castings, replacing a substantial number of parts and fastening steps), a stainless steel exoskeleton (for Cybertruck), and its next-generation highly efficient "unboxed process" for its next-gen $25,000 vehicle; (4) a future permanent-magnet electric motor that will not require any rare earths; and (5) the massive untapped market opportunity for commercial stationary electric storage, branded Megapack, as the world steadily shifts to renewable energy. As long-term shareholders, we have witnessed Tesla exploit its innovative Model 3/Y now-global mass-market platform to increase vehicle deliveries

[3] Accelerated computing chips, known as graphical processing units, or GPUs.
[4] GPU Technology Conference (GTC).

from barely a standing start to over 1.3 million units, while achieving industry-leading margins and reinforcing its iron-clad balance sheet to almost $23 billion in cash (and effectively no recourse debt). We expect Tesla's next-generation EV and Megapack products to have a similar impact on company results.

Amazon.com, Inc. is the world's largest retailer and cloud infrastructure services provider. Shares were up in the quarter, driven by positive commentary and actions around cost discipline as well as the broader technology rally. We believe Amazon is well positioned in the short to medium term to meaningfully improve core North American retail profit margins to pre-pandemic levels, mainly by rationalizing fulfillment center costs. The focus on cost discipline has expanded to the whole company, with a second major round of layoffs and CEO Andy Jassy declaring, "Over the last several months, we took a deep look across the company, business by business, invention by invention, and asked ourselves whether we had conviction about each initiative's long-term potential to drive enough revenue, operating income, free cash flow, and return on invested capital." From a top-line growth perspective, Amazon has substantially more room to grow in e-commerce, where it has roughly 15% penetration of its total addressable market, and in retail advertising, which is now a $45 billion annualized business with attractive margins, still growing at a 20% constant-currency rate despite the challenging economic backdrop. In addition, Amazon also remains a leader in the vast and growing cloud infrastructure market with Amazon Web Services (AWS). Since tougher macro trends emerged last year, cloud businesses, like AWS, have faced headwinds from enterprise customers optimizing their cloud workloads and spending, after a brisk pace of expansion over the last two years. Jassy addressed this in his recent shareholder letter: "While these short-term [macroeconomic and optimization] headwinds soften our growth rate, we like a lot of the fundamentals that we're seeing in AWS. Our new customer pipeline is robust, as are our active migrations…. AWS is still in the early stages of its evolution and has a chance for unusual growth in the next decade." Our research continues to indicate that the long-term secular trend of cloud computing remains healthy and intact – that AWS can grow over 20% in a normalized macro environment – and will only be boosted by the AI inflection. Morgan Stanley recently issued a report titled "Cloud Optimization: Short Term Pain for Long Term Gains." It echoed Jassy's commentary and our own internal research, concluding that today's cloud optimization would ultimately yield "higher cloud adoption, upsizing [the] opportunity by 30% longer term." The key finding of this report, supported by a survey of 80 chief information officers across the U.S. and Europe, was optimization is increasing the expected penetration of the cloud longer term, with 57% of workloads expected to reside in the cloud post-optimization vs. 45% of workloads pre-optimization.



Source: AlphaWise, Morgan Stanley Research.

Though it has not been as splashy as its peers so far, Amazon is also well positioned to provide computing infrastructure for the forthcoming generative AI wave, announcing services like Amazon Bedrock, which allow customers to use the supported large language model of their choice, and CodeWhisperer, a tool for software developers to autocomplete code using generative AI.

Shares of mega-cap software and cloud vendor **Microsoft Corporation** performed well during the quarter despite mixed fiscal second quarter results. Microsoft's largest consumer business, Windows licensed to computer vendors, decreased sharply year-over-year as last year's results were bolstered by pandemic-related purchases. Its key commercial business, reported as Microsoft Cloud, grew 29% on a constant-currency basis, beating Wall Street expectations. Drilling down, its Azure cloud computing business also beat expectations, growing 38% on a constant-currency basis, but growth slowed in December, and management's forward guidance was for further deceleration to a low 30% level. While Azure is facing the same optimization headwinds from enterprise customers as AWS, we believe its long-term opportunity remains as attractive and has similar drivers. On the last earnings call, Microsoft CEO Satya Nadella stated: "Just as we saw customers accelerate their digital spend during the pandemic, we are now seeing them optimize that spend…. This is an important time for Microsoft to work with our customers, helping them realize more value from their tech spend and building long-term loyalty…. Moving to the cloud is the best way for any customer in today's economy to mitigate demand uncertainty…while gaining efficiencies of cloud-native development…. I fundamentally believe tech as a percentage of GDP is going to be much higher…on a secular basis…. [W]hat [customers] accelerated during the pandemic, they're making sure they're getting most value out of it or optimizing it…. [A]t some point the optimizations will end…[and] the money that they save in any optimization of any workload is what they'll plow into new workloads and those workloads will start ramping up." In addition, we believe Microsoft is positioned to be a prime beneficiary of AI because of its ownership of and partnership with OpenAI, the inventor of ChatGPT; its Azure AI supercomputing cloud infrastructure, which is the exclusive cloud provider to OpenAI and a leading AI development platform for other enterprises; and Microsoft's own AI innovations across Bing search (a chatbox virtual assistant), GitHub CoPilot software development (automated code suggestions and completion), and its Office suite of worker-productivity software (virtual assistants, branded CoPilot, to draft or summarize an email, enter data into a spreadsheet, prepare slides, etc.). We remain confident Microsoft is well positioned to continue taking share through any economic downturn and emerge stronger on the other side.

Advanced Micro Devices, Inc. (AMD) is a leading global semiconductor company focused on computing hardware and software. The company designs leading high-performance CPUs[5] and GPUs and integrates them with additional hardware and software to build differentiated solutions for customers. Shares rose during the quarter on financial results that exceeded Street forecasts despite weakness in its PC and gaming end markets, implying that the company will grow total revenues despite the macro backdrop. Investor optimism about AMD's AI innovations also contributed to its stock performance. Big picture, AMD has been taking share from Intel for several quarters in server CPUs and given its upcoming new product launches called Genoa and Bergamo, we expect it to accelerate share gains. In AI and accelerated computing, the company is on track to launch its MI300 product later in 2023, which is targeted at the AI inference market. Given continued server CPU share gains and its opportunity to be a meaningful player in the AI computing market, we believe AMD is well positioned for long-term growth.

Table IV.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
WANdisco plc	-0.95%
ZoomInfo Technologies Inc.	-0.56
Endava plc	-0.43
GitLab Inc.	-0.24
CoStar Group, Inc.	-0.19

WANdisco plc is a U.K.-based software company that develops and sells software solutions for accurate and efficient data replication and transfer across disparate computing environments. This company was our largest detractor in the quarter because the company disclosed on March 9 that an internal investigation had discovered "significant, sophisticated, and potentially fraudulent irregularities with regard to received purchase orders and related revenue and bookings, as represented by one senior sales employee." Subsequently, the company replaced both its CEO and CFO and suspended the trading of its shares. Given these issues, we marked down our shares by 85%. In our 20 years of investing, we have never had a company, let alone one with a market capitalization above $1 billion, disclose such a degree of potential fraud. As we look back on our work on this company, we do not believe there were any major hints that we missed or that our diligence and research was not robust. Another Baron Fund has been an investor in the company for over four years. The company has passed several annual audits. In our research, we have questioned several company executives, in addition to the CEO and CFO, including the Chief Technology Officer and the Board Chairman, as well as many customers and business partners, and have carefully analyzed the company's announcements of business wins with top telecom and automotive companies. At this juncture, we await further disclosures from the company.

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Shares detracted from performance after the company shared a weaker top-line outlook driven by continued macro uncertainty. We have spoken with company management and conducted additional research to validate our longer-term thesis. ZoomInfo is a profitable and cash-generative business with the most comprehensive platform of software and data to improve the go-to-market efforts of its customers, not to mention new products in the marketing and talent-acquisition verticals. When the macro headwinds abate, we believe ZoomInfo will accelerate growth as it continues to penetrate its $70 billion-plus total addressable market.

Endava plc provides outsourced software development for business customers. Shares fell after the company reduced financial guidance to reflect slower bookings as macroeconomic uncertainty weighed on client decision making in December. The company reported solid quarterly results, with 30% revenue growth and 26% earnings growth. Management noted that bookings have improved in the first couple of months of 2023, and they expect annualized revenue growth to quickly return to more than 20%. We remain investors because we believe Endava will continue gaining share in a large global market for IT services.

GitLab Inc. provides a software platform that developers, IT professionals, and security teams use to manage all stages of the software development life cycle. While GitLab's fourth quarter performance was solid, with 58% revenue growth, management issued disappointing 2023 revenue guidance. New customer growth was healthy, but GitLab saw lower expansion rates in its base product as some existing customers cut back on paid licenses to reflect layoffs in their businesses, while others slowed purchasing in anticipation of lower developer hiring this year. Management is assuming this trend will continue through the remainder of 2023. Longer term, we believe GitLab can continue to gain share in the $40 billion software developer market because its ability to address all stages of the software lifecycle in a single, unified application give it an advantage over point solutions. Shorter term, we see upside to the guidance as: (1) customers continue to upgrade to GitLab's higher- priced product tier to add security and compliance features; (2) net new customer growth remains healthy; and (3) price increases should accelerate revenues toward the end of 2023 and into 2024. The company also continues to demonstrate solid operating leverage. We believe the price increases will help GitLab achieve profitability sooner than initially projected.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. After two straight quarters of robust performance, shares detracted during the quarter, likely due to profit taking. Despite the macro backdrop, CoStar's fundamentals remain solid, with net new sales growing 15% in the quarter and margins expanding by 200 bps excluding growth investments. We expect the company's core businesses to continue to benefit from the migration of real estate market spending from offline channels to online ones. CoStar has begun to invest aggressively in expanding its residential marketing platform and attacking the substantial residential market opportunity. We estimate CoStar invested around $230 million in this initiative in 2022; its initial 2023 guidance implies a total investment approaching $500 million. This is a significant upfront commitment, but we believe the residential market represents a transformative opportunity. The company's proprietary data, broker-oriented approach, and best-in-class management all position it to succeed in this endeavor.

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. The Fund invests principally in U.S. securities but may invest up to 35% in non-U.S. securities.

[5] CPU is an acronym for Central Processing Units.

At the end of first quarter, the largest market cap holding in the Fund was $2.6 trillion and the smallest was $783 million. The median market cap of the Fund was $40.5 billion and the weighted average market cap was $552.3 billion.

We had $4.2 million of assets under management. We had investments in 40 unique companies. Our top 10 positions accounted for 50.4% of net assets.

Table V.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Microsoft Corporation	$2,146.0	$433.3	10.3%
Amazon.com, Inc.	1,058.4	359.9	8.6
NVIDIA Corporation	686.1	260.0	6.2
Tesla, Inc.	656.4	223.8	5.3
Taiwan Semiconductor Manufacturing Company Limited	454.0	154.1	3.7
ServiceNow, Inc.	94.3	150.6	3.6
Advanced Micro Devices, Inc.	157.9	145.1	3.5
ASML Holding N.V.	273.3	133.4	3.2
Workday, Inc.	53.5	131.6	3.1
Ceridian HCM Holding Inc.	11.2	125.9	3.0

By industry, (Please see Table V. below) Software was our largest weighting in the Fund at 32.7% followed by Semiconductors & Semiconductor Equipment at 27.1%.

Table VI.
Fund investments in GICS industries as of March 31, 2023

	Percent of Net Assets
Software	32.7%
Semiconductors & Semiconductor Equipment	27.1
Broadline Retail	8.6
IT Services	6.4
Automobiles	5.3
Financial Services	4.5
Interactive Media & Services	3.7
Technology Hardware Storage & Peripherals	2.6
Professional Services	2.1
Hotels Restaurants & Leisure	2.1
Electronic Equipment Instruments & Components	1.7
Media	1.5
Automobile Components	0.5
Cash and Cash Equivalents	1.4
Total	100.0%*

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

Recent Activity

Table VII.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Workday, Inc.	$ 53.5	$69.6
Taiwan Semiconductor Manufacturing Company Limited	454.0	65.5
Marvell Technology, Inc.	37.1	55.2
WANdisco plc	1.1	40.9
SiTime Corporation	3.1	30.5

During the quarter, we added to our position in **Workday, Inc.**, a leading software-as-a-service human capital management (HCM) and financial management (FINS) vendor. Over the past few years, the company has added planning, procurement, and analytics features to its resource hub, providing a full-service, customer-first experience. Workday is the industry leader in North America, with roughly 50% of the Fortune 500 as customers, and has also been driving an increasing number of full-platform deals with mid-market customers. In addition, Workday successfully expanded its presence overseas where penetration rates of HCM and FINS software are lower. We believe the impacts of the pandemic and the volatile economy of the last few years have highlighted for many companies the importance of a modern, digital, and data-informed back office, which may reaccelerate growth over the next few years. In addition to an attractive valuation, one of the factors that influenced our decision to add to our position was our optimism regarding the incoming Co-CEO Carl Eschenbach. Carl has earned a solid reputation as a strong operator, investor, and business leader. Carl was the Chief Operating Officer of cloud pioneer VMware, before becoming a venture capitalist at Sequoia, where he led investments in such companies as Snowflake, a Fund holding, and sat on many technology company boards, including Workday for the last five years. Carl has highlighted key areas of improvement, including: (1) overall go-to-market efficiency; (2) international growth (25% of Workday's revenue mix but over 50% of its total addressable market); and (3) improved partner enablement to offload more professional services and drive margin leverage. We believe Carl will raise the bar on the company's culture and operational execution, helping to drive durable revenue growth and higher operating margins in the years to come. Lastly, our research indicates Workday is innovating rapidly to enable AI functionality across its broad suite of products and customer data.

We also added to our position in **Taiwan Semiconductor Manufacturing Company Limited** (Taiwan Semi), the world's leading semiconductor foundry. We believed that the stock's weakness due to the semiconductor industry's macro-driven cyclical downturn afforded us an attractive valuation at which to increase our exposure. Morris Chang founded Taiwan Semi in 1987 as the world's first dedicated semiconductor manufacturing facility, called a foundry. Until then, semiconductor chips were both designed and manufactured by the same company, which Intel still does today. Taiwan Semi disrupted the industry by positioning itself purely as a contract manufacturer. This business model proved to be successful and paved the way for the emergence of fabless semiconductor innovators,[6]

[6] The term "fabless" means a company that designs and sells semiconductor chips but does not manufacture the silicon wafer or chip used in its products. Instead, it outsources the fabrication–the root of the term fabless–to a manufacturing plant or foundry.

such as NVIDIA, AMD, and Qualcomm, who became key customers. While many other foundry competitors have emerged over the last few decades, Taiwan Semi has outcompeted them all with superior technological execution and operating efficiency. Today, Taiwan Semi controls approximately 60% of the total semiconductor foundry market and has a near monopoly in manufacturing the world's most advanced chips. Taiwan Semi has established formidable competitive advantages given the steadily increasing cost and technological complexity of semiconductor manufacturing and its long-term customer relationships with fabless innovators who rely on Taiwan Semi's foundry services for technological differentiation versus their competitors. We believe Taiwan Semi will sustain strong double-digit earnings growth for years to come, with continued market share gains driven by its superior technology, reliability, and customer service as global demand increasingly shifts towards advanced chips for AI and high-performance computing. We expect Taiwan Semi to continue spinning the virtuous cycle of its scale advantage: higher market share yields higher profits, which funds more research and development and higher capital spending, which enables further technological differentiation and increased capacity, resulting in more market share, and so on. We are aware of the geopolitical risks concerning China but consider the likelihood of a military conflict over Taiwan to be a low-risk tail event without noticeable warning signs.

We took advantage of weakness to purchase shares of **Marvell Technology, Inc.**, a leading supplier of infrastructure semiconductor solutions that enable the rapid and efficient movement of data throughout the broader data economy, from the data center core to the network edge. Through both organic development and acquisitions led by CEO Matt Murphy since he took over in 2016, Marvell has built a portfolio of market-leading products and IP across compute, networking, security, electro-optics, and storage. Consequently, the company is a critical partner for hyperscale cloud service provider, data center, enterprise networking, carrier infrastructure, consumer, and automotive/industrial end-market customers. Marvell is targeting 15% to 20% average revenue growth through the semiconductor cycle in the coming years, largely driven by secular trends and company-specific product innovations within the cloud, 5G, and automotive end markets. We believe Marvell can deliver on or exceed this target because, among other growth opportunities, its market-leading optical products are critical to delivering increasing data transmission speeds required by hyperscale customers in AI training and inference. At the same time, the company is simultaneously ramping up a custom silicon business working directly with hyperscale partners. Given the dislocation in the stock on near-term cyclical concerns, we believe we paid an attractive price for the long-term growth of this industry-leading company.

Please see above for **WANdisco plc**. We purchased these shares before the company's disclosure.

We initiated a position in **SiTime Corporation**, a fabless semiconductor company that designs and sells microelectromechanical systems (MEMS) timing solutions across various industries, including consumer, communications, data center, automotive, industrial, etc. The company was founded in 2005 to commercialize its proprietary MEMS-based timing solutions. Today, it remains the only company deploying MEMS-based solutions at scale, beating out several competitors who were unable to get the technology to work. Timing devices are the heartbeat of electronic systems, delivering accurate, stable, and regular signals serving as a reference for all digital components within the system. Timing devices can cost as little as a few pennies, but without them, electronic devices would not function. Historically these devices were made from quartz crystals, which today still make up most of the timing industry. But MEMS-based solutions offer several benefits in many applications, including a smaller form factor, programmability, robustness in harsh conditions, and a resilient supply chain, which is leading to adoption across a wide range of applications. SiTime sells its product at premium pricing and is generally sole sourced, specifically choosing to sell to customers who value MEMS differentiation and capabilities. The company is targeting a 30% revenue growth CAGR from existing and new customers and application penetration, with several industry leaders already adopting MEMS-based solutions and many more expected to follow suit. Given its fabless operating structure and premium product, the company delivers top-tier gross and operating margins.

Table VIII.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
Alphabet Inc.	$1,306.4	$74.2
Datadog, Inc.	23.2	59.9
ZoomInfo Technologies Inc.	10.0	45.0
Braze, Inc.	3.2	43.8
Gartner, Inc.	25.8	39.1

We exited our position in **Alphabet Inc.** because we believe that ChatGPT and/or similar AI-based services present a hard-to-measure risk to Google's virtual search monopoly.

Baron Technology Fund

We reduced our position in **Datadog, Inc.** to decrease our portfolio weight and to reallocate capital to other names.

Our sale of **ZoomInfo Technologies Inc.** was a tax-loss transaction, and we repurchased a small portion of our position later in the quarter.

We exited our position in **Braze, Inc.** during the quarter to help fund, in part, our purchase of additional Workday shares. We believe Workday offers better risk-adjusted returns for the portfolio.

Our sale of **Gartner, Inc.** was a trim because the stock performed relatively better than the rest of the portfolio last year and increased in position size. Gartner remains a meaningful position in the portfolio.

To conclude, despite the current uncertain macroeconomic environment, 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 and Ashim Mehra
Portfolio Managers

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 1-800-99BARON or visiting www.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 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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Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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