DEAR BARON EMERGING MARKETS FUND SHAREHOLDER:

PERFORMANCE

Baron Emerging Markets Fund® (the Fund) gained 6.81% (Institutional Shares) during the final quarter of 2023, while its primary benchmark index, the MSCI EM Index (the Benchmark), appreciated 7.86%. The MSCI EM IMI Growth Index (the Proxy Benchmark) gained 7.72% for the quarter. For the full-year 2023, the Fund appreciated 8.29% while the Benchmark rallied 9.83% and the all-cap growth Proxy Benchmark gained 8.09%. The Fund modestly underperformed the Benchmark and the Proxy Benchmark during a quarter of strong returns, while for the full year, the Fund modestly trailed the Benchmark while performing essentially in line with the Proxy Benchmark. In recent quarters, we have highlighted that we were likely passing through *peak hawkishness*, with better days ahead for the relative performance of non-U.S. equities. Early in the fourth quarter, an increasingly restrictive rise in real yields and slowing U.S. employment and inflation momentum triggered a re-evaluation of likely U.S. Federal Reserve (the Fed) policy, which the Fed soon confirmed by suggesting its hiking cycle was complete. The Fed also surprised markets by communicating that rate cuts would likely occur sooner and in greater magnitude than investors expected. While we previously believed that the Fed would be too backward-looking and too patient to meaningfully pivot, thereby raising the likelihood of global recession, we were impressed with its more flexible and forward-looking reaction. In short, bond yields and financial conditions reacted swiftly, pricing in rate cuts and easing liquidity conditions. While markets cheered the pivot, evidenced by the largest quarterly gain in global equities in the past 3 years, we believe this event also likely foreshadows the end of the 14-year U.S. dollar bull market, and will usher in a cycle of relative outperformance by non-U.S. equities. While we suspect financial markets may have moved a bit too far, too fast, and some consolidation of gains and market volatility will follow, we believe the time has come for investors to rebalance portfolios in favor of emerging markets (EM) and international equities. Of course, we remain confident that our diversified portfolio of well-positioned and well-managed companies will capitalize on their attractive growth potential over the coming years regardless of the macro environment.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BEXFX
Institutional Shares: BEXIX
R6 Shares: BEXUX

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

	Baron Emerging Markets Fund Retail Shares[1,2]	Baron Emerging Markets Fund Institutional Shares[1,2]	MSCI EM Index[1]	MSCI EM IMI Growth Index[1]
Three Months[3]	6.80%	6.81%	7.86%	7.72%
One Year	8.03%	8.29%	9.83%	8.09%
Three Years	(9.18)%	(8.96)%	(5.08)%	(8.05)%
Five Years	2.72%	2.99%	3.68%	4.67%
Ten Years	2.21%	2.48%	2.66%	3.44%
Since Inception (December 31, 2010)	2.92%	3.18%	1.55%	2.36%

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 1.38% and 1.12%, 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 may reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2034, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit baronfunds.com or call 1-800-99-BARON.

1 The **MSCI EM (Emerging Markets) Index Net (USD)** is designed to measure equity market performance of large and mid-cap securities across 24 Emerging Markets countries. The **MSCI EM (Emerging Markets) IMI Growth Index Net (USD)** is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities exhibiting overall growth characteristics across 24 Emerging Markets countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign 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 does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

BARON FUNDS® 1987

For 2023, we underperformed the Benchmark, while broadly performing in line with our all-cap EM growth Proxy Benchmark. Given our quality growth bias, our performance was in line with our expectations as value-oriented equities, within the EM landscape, outperformed their growth peers by a wide margin for the third consecutive year. From a sector or theme perspective, relative underperformance was largely a result of adverse stock selection in the Information Technology (IT) sector, primarily driven by a material correction in some of our software-related holdings (**Glodon Company Limited** and **Kingdee International Software Group Company Limited**) within the China value-added theme. In addition, poor stock selection effect and our underweight positioning in the Energy sector, driven by our global security theme (**Tenaris S.A.**) and digitization theme (**Reliance Industries Limited**), also stood out as key detractors during the period. As explained in previous letters, we remain excited about Reliance not for its energy assets, but as a play on Digital India. The company is well positioned to emerge as the *Amazon/Netflix* of India. Lastly, unfavorable stock selection in Consumer Staples, owing mostly to declines from a few of our China consumer investments (**Budweiser Brewing Company APAC Limited**, **China Mengniu Dairy Co. Ltd.**, and **Wuliangye Yibin Co., Ltd.**) also weighed on relative results. Partially offsetting the above was solid stock selection effect in the Financials sector, particularly in our fintech disruption theme (**XP Inc.**, **Inter & Co. Inc.**, **StoneCo Ltd.**, and **Pine Labs Pte. Ltd.**), and more broadly our India consumer finance/wealth management theme (**Nippon Life India Asset Management Limited**, **Edelweiss Financial Services Limited**, **Max Financial Services Limited**, **JM Financial Limited**, and **Muthoot Finance Limited**). In addition, favorable stock selection and our underweight positioning in the Materials sector (**Grupo Mexico, S.A.B. de C.V.**, **Suzano S.A.**, and **Gold Fields Limited**) also bolstered relative performance during the year.

From a country perspective, for calendar year 2023, adverse stock selection in China and our exposure to Hong Kong drove the majority of relative underperformance. Our underweight positioning in Taiwan was also a notable detractor during the period. In our view, the weakness in China was primarily driven by the general lack of material earnings recovery after China terminated its zero-COVID policy in late 2022. Investors anticipated such a recovery and partially priced it into their market expectations in late 2022, which presented a difficult setup for China-related equities when earnings failed to deliver. The ongoing liquidity strain in China's property sector and geopolitical friction also weighed on broad economic growth and investor sentiment. While we are disappointed with developments in China and have accordingly moved to a modest underweight position there, we continue to believe that current market values remain well below fundamental intrinsic value for many of our investments. We are closely monitoring ongoing developments related to government stimulus as well as monetary and regulatory policy that could potentially serve as a catalyst for a positive repricing of Chinese equities. Partly offsetting the above was favorable allocation effect in India, which is now our largest absolute (and relative) weighting in the portfolio. Solid stock selection together with positive allocation effect in South Africa and Brazil also stood out as contributors to relative results during the year.

For the fourth quarter, we modestly underperformed our Benchmark, as well as the Proxy Benchmark. Our underweight positioning and adverse stock selection in Taiwan, together with our markdown of the fair value of **Think & Learn Private Limited**, a private Indian investment, were key detractors to relative performance during the quarter. Our cash position in a market rally also adversely impacted the Fund during the period, while our underweight position in China and overweight in India were the largest offsetting positive contributors. From a sector or theme perspective, poor stock selection effect in IT and Communication Services was a drag on relative results. Contributing positively during the quarter were positions in interest-rate sensitive sectors such as Materials, Real Estate, and Financials. We are ending the year on a cautiously optimistic tone and are enthusiastic about portfolio positioning as we enter 2024, which we believe may mark the beginning of a multi-year upcycle for EM equities.

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

	Percent Impact
Taiwan Semiconductor Manufacturing Company Limited	1.16%
Samsung Electronics Co., Ltd.	0.96
Trent Limited	0.36
Nippon Life India Asset Management Limited	0.35
InPost S.A.	0.32

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** contributed in the fourth quarter due to investor expectations for a cyclical recovery in semiconductors heading into 2024 and significant incremental demand for artificial intelligence (AI) chips. We retain conviction that Taiwan Semi's technological leadership, pricing power, and exposure to secular growth markets, including high-performance computing, automotive, 5G, and IoT, will allow the company to sustain strong double-digit earnings growth over the next several years.

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** increased during the quarter due to an improving outlook for memory semiconductors in 2024, driven by supply discipline, DRAM and NAND inventory normalization, and an increase in AI-related demand. We are confident Samsung will remain a global leader in semiconductors and 5G smartphones, and further believe the company may exceed expectations by capturing share gains in the attractive high bandwith memory and high-end foundry markets in the relatively near term.

Shares of **Trent Limited** contributed to performance during the quarter. Trent is a leading retailer in India that sells direct-to-consumer private label apparel through its proprietary retail network. Share price appreciation was driven by strong quarterly sales performance as well as continued footprint expansion of its Zudio value fashion franchise. We believe the company will generate over 25% revenue growth in the near to medium term, driven by same-store-sales growth and outlet expansion. In addition, we believe operating leverage and a growing franchisee mix will lead to better profitability and return on capital, driving more than 30% EBITDA CAGR over the next three to five years.

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

	Percent Impact
Think & Learn Private Limited	–0.45%
Yum China Holdings Inc.	–0.42
Alibaba Group Holding Limited	–0.42
China Mengniu Dairy Co. Ltd.	–0.22
Jiangsu Hengli Hydraulic Co., Ltd.	–0.20

Think & Learn Private Limited, the parent entity of *Byju's – the Learning App*, detracted during the quarter. Weak performance was driven by a marked slowdown in business momentum as COVID-related tailwinds that benefited online/digital education have begun to dissipate. In addition, Byju's announced that Deloitte had resigned as its auditor and will be replaced by BDO (another top five global audit firm). Three investor-appointed Directors also resigned from the Board in late June. These developments were deemed a material adverse event that required the fair market value of our holdings to be adjusted down accordingly. In our view, as India's largest edtech player, the company is well positioned to benefit from structural growth in online education services in India. While we are disappointed with recent developments, we continue to believe that Byju's remains a dominant franchise and can sustain low-to-mid-20% earnings growth over the next few years.

Yum China Holdings Inc. is the master franchisee for the YUM brands in China and operator of the KFC and Pizza Hut restaurant networks in that market. Shares detracted after the company reported a negative surprise on margins for the third quarter and hinted that increased competition and cost-consciousness among Chinese consumers could cause that margin compression to continue through the first quarter of 2024. Although in-year margins are volatile at Yum China, its pristine balance sheet, cumulative investments in technology, unmatched scale, and successful pivot to higher-ROI, smaller footprint stores in recent years should drive continued 8% to 10% store growth at attractive returns. Further, given its strong free-cash-flow generation and strong balance sheet, we believe the company is likely to offer capital returns to shareholders in excess of earnings over the next several years. We remain shareholders.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares of Alibaba were down in the fourth quarter due largely to the delay of the previously announced spin-off of its cloud division. Quarterly results were roughly in line with Street expectations, with strength in profitability. We retain conviction that Alibaba is well positioned to benefit from the ongoing growth in online commerce and cloud development in China. While the company is seeing early progress in its efforts to re-invigorate customer engagement and retention as well as merchant investment initiatives, we believe this investment will likely take some time to flow through to accelerating earnings growth. As such, we remain investors but have reduced our position as we monitor further progress.

Portfolio Structure

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

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	6.9%
Samsung Electronics Co., Ltd.	5.3
Tencent Holdings Limited	3.7
Bajaj Finance Limited	2.5
Suzano S.A.	2.3
Alibaba Group Holding Limited	2.2
HDFC Bank Limited	2.2
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	2.0
Bharti Airtel Limited	2.0
Bundl Technologies Private Limited	1.9

Exposure By Country

Table V.
Percentage of securities by country as of December 31, 2023

	Percent of Net Assets
India	30.3%
China	22.8
Korea	11.3
Brazil	8.5
Taiwan	8.3
Mexico	2.8
Poland	2.3
Philippines	2.1
Hong Kong	2.0
Indonesia	1.9
South Africa	1.4
Peru	1.0
France	0.9
Japan	0.8
United Arab Emirates	0.3
Spain	0.1
Russia	0.0*

* *The Fund's exposure to Russia was less than 0.1%.*

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing world companies of all sizes can exhibit attractive growth potential. At the end of the fourth quarter of 2023, the Fund's median market cap was $12.9 billion, and we were invested 48.2% in giant-cap companies, 39.4% in large-cap companies, 9.1% in mid-cap companies, and 0.3% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the fourth quarter, we added two new investments to existing themes while also increasing exposure to several positions that we established in earlier periods. We continue our endeavor to add to our highest conviction ideas.

We added to our digitization theme by building a position in **PDD Holdings Inc.**, a leading Chinese e-commerce platform. Founded in 2015, the company has emerged as China's second largest e-commerce player, capturing approximately 20% market share. In our view, PDD's competitive moat lies in its *team purchase* model that facilitates bulk buying through direct partnerships with manufacturers, thereby eliminating intermediaries (e.g., distributors and middlemen) and lowering costs. Key factors driving the company's meteoric growth include rising consumer demand for affordable products in China amid an economic slowdown, small-scale merchants seeking alternatives to Alibaba, and superior management execution. PDD's revenue growth outpaces gross merchandize value growth owing to rising take rates as merchants aggressively compete for consumer traffic on the platform. In our view, PDD should continue to gain market share given its dominance in the value-for-money segment, growing affordable branded product offerings, and high operational efficiency. We believe the company's growth will be further supported by the recent launch of its international e-commerce platform, Temu, which has become one of the fastest growing apps globally. Leveraging China's excess manufacturing capacity, Temu has strong negotiating power with domestic suppliers and attracts global consumers with competitively priced products. Temu's recent initiatives to improve unit economics, coupled with achieving variable breakeven in the sizable U.S. market, showcase management's skill and commitment to sustained growth. We expect PDD to at least double its earnings and free cash flow in the next three years, with the potential for continued compounding thereafter.

During the quarter, we also increased exposure to our global security/supply-chain diversification theme by initiating a position in **Kaynes Technology India Limited**, a leading electronics manufacturing service (EMS) player in India. We expect to further build our position in coming quarters. Kaynes provides OEM and ODM services for a variety of end industries, including automotive, industrial, railway, medical, and aerospace & defense. The company strategically focuses on low-volume and high-value sub-spaces, which contribute to its industry-leading EBITDA margin of approximately 15% compared to the average of mid-to-high single digits among other EMS players. In our view, the company is well positioned to benefit from the Indian government's "Make in India" initiative, which encourages domestic manufacturing of electronic products and components by providing attractive tax subsidies and manufacturing infrastructure. We are excited about Kaynes' recent announcement about setting up an Outsourced Semiconductor Assembly and Test facility, which we believe represents a significant incremental growth opportunity in the medium to long term. We expect the company to deliver 40% to 45% compounded EBITDA growth over the next three to five years.

Finally, we added to several of our existing positions during the quarter, most notably **Jio Financial Services Limited**, **Kweichow Moutai Co., Ltd.**, **Nu Holdings Ltd.**, **Baidu, Inc.**, **SK hynix Inc.**, **Localiza Rent a Car S.A.**, **Pernod Ricard SA**, **Budweiser Brewing Company APAC Limited**, and **B3 S.A. – Brasil, Bolsa, Balcao.** During the quarter, we also exited positions in **Wuliangye Yibin Co., Ltd.** and **JD.com, Inc.** due to uncertainties over durability of earnings growth and/or competitive positioning going forward.

Outlook

In our third quarter letter, we suggested that signs of deteriorating U.S. economic and earnings visibility and a peak in bond yields were a likely prerequisite to the inflection point in relative performance in favor of EM and international equities that we believe will ultimately occur. Early in the fourth quarter, an increasingly restrictive rise in real yields, and slowing employment and inflation momentum triggered a re-evaluation of likely Fed policy, which the Fed soon confirmed by suggesting its hiking cycle was complete. The Fed also surprised markets by communicating that rate cuts would likely occur sooner and in greater magnitude than investors expected. While we previously believed that the Fed would be too backward-looking and too patient to meaningfully pivot, thereby raising the likelihood of recession, we were impressed with its more flexible and forward-looking reaction. In short, bond yields and financial conditions reacted swiftly, pricing in rate cuts and easing liquidity conditions. Thus, in early November the Fed meaningfully increased the likelihood of a soft landing, in effect declaring that it is shifting its attention from pure inflation fighting to a dual-mandate and a desire to balance growth and inflation. While markets cheered the pivot, evidenced by the largest quarterly gain in global equities in the past 3 years, we believe this event also foreshadows the end of the 14-year U.S. dollar bull market, and will usher in a cycle of relative outperformance by non-U.S. equities. While we suspect financial markets may have moved a bit too far, too fast, and some consolidation of gains and market follow, we believe the time has come for investors to rebalance portfolios in favor of EM and international equities.

As we have remarked in recent letters, we believe that EM in general, and particularly those economies and companies geared toward the improvement in domestic growth, consumption, and investment that we expect to result from declining interest rates and appreciating currencies, will benefit most from this inflection point in financial conditions and capital flows. We anticipate a sustainable period of enhanced relative earnings growth potential in EM and international jurisdictions – essentially a mean reversion or mirror image of the past several years. While we do not view this inflection point as negative per se for absolute earnings growth in the U.S., we do expect outperformance by non-U.S. equities, as current valuations reflect conservative relative earnings expectations, in our view. Historically, interest rate and bond yield sensitive markets such as Latin America (particularly Brazil), India, and Southeast Asia are disproportionate beneficiaries, and we believe our portfolios are well positioned to benefit, given our overweight positions in India and Brazil, and our structural and thematic bias towards domestic consumer, financial, and industrial leaders.

Specific to EM, we note that recent performance and sentiment has been masked by ongoing skepticism regarding China, particularly given its relatively large weight in the Benchmark. Consistent with our view that global markets have reached an important inflection point, we note that EM ex-China, evidenced by the iShares MSCI Emerging Markets ex-China ETF, actually outperformed the mighty S&P 500 Index from the recent Fed-driven market low on October 27, 2023 through year end. Further, this ETF outperformed the *equal-weighted* S&P 500 Index (which helps neutralize the overwhelming impact of the *Magnificent Seven* on the market cap weighted S&P 500 Index) by over 500 basis points for the full-year 2023, which we believe lends credibility to our mean-reversion thesis for the EM asset class. Of course, the obvious conclusion given the above is that China remains the elephant in the EM room. While inconsistent policy signals and geopolitical developments have been frustrating for investors and have triggered ongoing capitulation (and caused us to move to a modest underweight exposure in China), we believe that China's policymakers have the tools and capacity to engineer a recovery, and we remain cautiously optimistic that ongoing incremental efforts will render current valuation and skepticism as too conservative. We point to the recently enhanced urban development/social housing programs funded by a large increase in the Pledged Supplemental Lending facility as the most recent example, which likely represents a transition in policy from pure supply-side to a mix of supply- and demand-side support. We believe a mean-reverting recovery in China-related equities would almost surely drive EM equity outperformance from current levels.

As mentioned above, we view Brazil and India as particularly well positioned for the environment we see developing. In Brazil, our investments in rate-sensitive consumer (**Localiza Rent a Car S.A.**) and fintech/financial holdings (**XP Inc.**, **Nu Holdings Ltd.**, and **B3 S.A. – Brasil, Bolsa, Balcao**), have been performing well since the Fed pivot, and in our view presage improving earnings momentum we discussed above. While several of our India holdings, in particular our consumer, wealth management/consumer finance, and real estate-related holdings (**Trent Limited**, **Tata Consumer Products Limited/Godrej Consumer Products Limited**, **Bundl Technologies Private Limited**, **Nippon Life India Asset Management Limited**, and **Godrej Properties Limited**) have posted stellar recent returns, though they are still only scratching the surface of their long-term potential, in our opinion. We reiterate our view that India, our largest overweight exposure by a margin, has reached escape velocity after years of implementing a series of productivity-enhancing reforms, and further, stands out as a material beneficiary in the evolving global geopolitical environment. While we expect some consolidation of 2023's strong performance, we remain enthusiastic regarding the growth and return opportunity of our many investments in this exciting market.

We continue to believe that EM and international equities are likely emerging from a long cycle of relative underperformance, and we look forward to our next communication.

Thank you for investing in the Baron Emerging Markets Fund.

Sincerely,

Michael Kass
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 its distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting baronfunds.com. Please read them carefully before investing.

Risks: In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. 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 Emerging Markets Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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).