DEAR BARON NEW ASIA FUND SHAREHOLDER:

PERFORMANCE

Baron New Asia Fund® (the Fund) declined 5.00% (Institutional Shares) during the third quarter of 2023, while the MSCI AC Asia ex-Japan Index (the Benchmark) fell 3.34%. The MSCI AC Asia ex-Japan IMI Growth Index (the Proxy Benchmark) declined 4.51% for the quarter. The Fund underperformed the Benchmark and modestly trailed the Proxy Benchmark in a period of rising interest rates and weakness in global equities. Year-to-date, the Fund is now just ahead of the Benchmark and has outperformed the Proxy Benchmark. The dominant macro development during the quarter was a sharp rise in bond yields in response to stronger-than-expected U.S. economic and employment conditions. Consequently, global equities broadly retreated with growth stocks notably underperforming value stocks. Notwithstanding the stubbornly strong U.S. economic and employment picture, which is in contrast to much of the rest of the world and, in our view, is the direct result of significant fiscal spending commitments in recent years, we remain of the view that we are passing *through peak hawkishness*, and on the other side lies a sustainable phase of emerging markets (EM)/Asia relative outperformance. Interestingly, while employment surprised positively and oil prices rose throughout the quarter, forward inflation expectations did not move higher, and therefore real bond yields approached levels not seen since 2006 to 2007 (barring the 2008 financial crisis when inflation expectations plummeted). To us, this is akin to the 2007 to 2008 rally in oil on strong demand, which ultimately and paradoxically choked off economic growth. We believe rising real rates will likely trigger demand destruction in the U.S., ushering in a phase of earnings vulnerability and providing a more favorable backdrop for non-U.S. central banks to begin an easing cycle that will improve perceived relative earnings prospects. 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.

Table I.
Performance
Annualized for periods ended September 30, 2023

	Baron New Asia Fund Retail Shares[1,2]	Baron New Asia Fund Institutional Shares[1,2]	MSCI AC Asia ex Japan Index[1]	MSCI AC Asia ex Japan IMI Growth Index[1]
Three Months[3]	(5.15)%	(5.00)%	(3.34)%	(4.51)%
Nine Months[3]	(0.41)%	(0.27)%	(0.42)%	(1.80)%
One Year	6.04%	6.31%	10.88%	9.29%
Since Inception (July 30, 2021)	(13.14)%	(12.92)%	(11.13)%	(14.26)%

MICHAEL KASS AND ANUJ AGGARWAL

PORTFOLIO MANAGERS

Retail Shares: BNAFX
Institutional Shares: BNAIX
R6 Shares: BNAUX

For the third quarter of 2023, we underperformed the Benchmark, while also modestly underperforming our Proxy Benchmark. From a sector or theme perspective, adverse stock selection in the Information Technology (IT) sector, most notably select investments in our China value-added theme (**Glodon Company Limited and Silergy Corp.**) and automation/robotics/artificial intelligence (AI) theme (**Keyence Corporation**), was a key detractor to relative performance this quarter. Weak stock selection effect in the Consumer Staples sector, primarily driven by a correction in a few positions within our Asia consumer theme (**Budweiser Brewing Company APAC Limited, Pernod Ricard SA, Godrej Consumer Products Limited,** and **China Mengniu Dairy Co., Ltd.**), also weighed on relative results. Poor stock selection in Financials and our underweight positioning in this sector also detracted during the quarter. Partially offsetting the above was solid stock selection effect in the Consumer Discretionary sector across multiple themes (**Zomato Limited, Trent Limited, Amber Enterprises India Ltd., Alibaba Group Holding Limited,** and **Dixon Technologies Ltd.**). Favorable stock selection in the Communications Services sector, primarily attributable to our investment in **Tata Communications Limited**, which forms part of our digitization theme, also bolstered relative performance.

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 8.96% and 7.22%, respectively, but the net annual expense ratio was 1.45% and 1.20% (net of the Adviser's fee waivers and expense reimbursements), 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.

1 The **MSCI AC Asia ex Japan Index Net (USD)** measures the performance of large and mid-cap equity securities representation across 2 of 3 developed markets countries (excluding Japan) and 8 emerging markets countries in Asia. The **MSCI AC Asia ex Japan IMI Growth Index Net (USD)** measures the performance of large, mid, and small cap securities exhibiting overall growth style characteristics across 2 of 3 developed markets countries (excluding Japan) and 8 emerging market countries in Asia. 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.

From a country perspective, adverse stock selection effect in China drove the majority of underperformance this quarter. Our active exposure to Japan, through some of the above-mentioned holdings, was also a detractor to relative results. Partly offsetting the above was favorable stock selection together with our overweight positioning in India.

As expressed in previous letters, we remain excited about the long-term investment potential of India and are encouraged by the durability of corporate earnings growth of our holdings there. India's productivity enhancing economic reforms such as the Goods & Services Tax, Unified Payments Interface, Performance Linked Incentives, among others, are kick-starting a virtuous investment cycle that is positioning the country to become the world's fastest-growing large economy of this decade. In our view, real GDP growth is likely to sustain a 6% to 8% CAGR over the next several years, which presents exciting bottom-up opportunities for long-term investors. We also believe India will be a key beneficiary of tectonic shifts in the geopolitical landscape that increasingly position the country as an attractive investment destination for global corporations looking to diversify their supply chains and manufacturing footprints. Despite the recent underperformance in China, primarily driven by near-term economic concerns, we remain encouraged by the ongoing regulatory and financial easing cycle and continue to expect government sponsored stimulus to ultimately spark a recovery in confidence and job creation.

Table II.
Top contributors to performance for the quarter ended September 30, 2023

	Percent Impact
Zomato Limited	0.44%
Tata Communications Limited	0.32
Trent Limited	0.25
Amber Enterprises India Ltd.	0.24
Bajaj Finance Limited	0.23

Zomato Limited is India's leading food delivery platform, with a roughly 50% market share. Shares of Zomato were up this quarter on continued improvement in profitability. We believe the company will benefit from structural growth in online food delivery in India and potentially double its revenue in the next three to five years. We also retain conviction that Zomato can further enhance profitability and grow earnings over the next several years.

Indian telecommunications company **Tata Communications Limited** is the world's leading sub-sea fiber network operator. The company carries roughly 30% of the world's internet routes and connects businesses to 60% of the cloud hyperscalers. Shares were up during the quarter on the accelerated growth of Tata Communications' data business, which the company plans to double in the next four years. Long term, we believe revenue growth could re-rate to double digits from high single digits, as the company continues to benefit from structural growth in data usage, incremental large deal wins, and front-loaded investments in talent.

Trent Limited is a leading retailer in India that sells private-label apparel directly to consumers through its proprietary retail network. Shares increased on Trent's consensus-beating quarterly sales performance as well as the continued footprint expansion of the company's value fashion franchise, Zudio. We retain conviction and think the company will generate in excess of 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 franchise growth will lead to better profitability and return on capital, generating more than 30% EBITDA CAGR over the next three to five years.

Table III.
Top detractors from performance for the quarter ended September 30, 2023

	Percent Impact
Taiwan Semiconductor Manufacturing Company Limited	-0.83%
Tencent Holdings Limited	-0.41
Samsung Electronics Co., Ltd.	-0.38
AIA Group Limited	-0.34
Keyence Corporation	-0.32

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** detracted in the third quarter due to the weakening global macroeconomic environment and muted semiconductor demand across major end-markets, including the smartphone and PC markets. We retain conviction that Taiwan Semiconductor's technological leadership, pricing power, and exposure to secular growth markets, including high-performance computing, AI, automotive, 5G, and IoT, will allow the company to sustain strong earnings growth over the next several years.

Tencent Holdings Limited operates the leading social network and messaging platforms (QQ, WeChat), the largest online entertainment and media business, and the largest online gaming business in China. Shares of Tencent were down this quarter on continued investor uncertainty around the macroeconomic recovery and post-COVID reopening of China. We retain conviction in Tencent's ability to compound earnings, especially given the company's recent quarterly results, and its ability to compound growth in games, ads, software, and fintech. While it is still on the earlier side, we also believe that Tencent could become the largest generative AI beneficiary in China, given its ability to improve its existing products (e.g., content creation in gaming) and enter adjacent markets (e.g., search-like products) with massive scale and distribution.

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** decreased during the quarter due to the weakening global macroeconomic environment and an ongoing inventory correction in the semiconductor memory market. We are confident that Samsung will remain a key beneficiary of long-term growth in semiconductor demand and a global leader in memory, 5G smartphones, and semiconductor foundry services.

Portfolio Structure

Table IV.
Top 10 holdings as of September 30, 2023

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	6.3%
Samsung Electronics Co., Ltd.	4.9
Tencent Holdings Limited	4.3
Alibaba Group Holding Limited	4.2
Bajaj Finance Limited	3.6
Zomato Limited	2.6
Reliance Industries Limited	2.3
Trent Limited	2.1
Tata Communications Limited	2.1
Bharti Airtel Limited	2.0

Exposure by Country

Table V.
Percentage of securities by country as of September 30, 2023

	Percent of Net Assets
India	35.5%
China	29.3
Korea	10.9
Taiwan	7.7
Hong Kong	3.0
Japan	2.7
Indonesia	1.8
France	0.6

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 companies of all sizes in Asia can exhibit attractive growth potential. At the end of the third quarter of 2023, the Fund's median market cap was $14.4 billion, and we were invested 53.1% in giant-cap companies, 32.7% in large-cap companies, 3.9% in mid-cap companies, and 1.8% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

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

We were active in adding to our Asia consumer theme by initiating positions in **Kweichow Moutai Co., Ltd., Shenzhou International Group Holdings Ltd., and Mahindra & Mahindra Limited** (M&M). Moutai is a distiller of ultra-premium baijiu, China's national spirit. Among local consumers, its flagship products have the strongest brand equity of any Chinese spirits company (and likely of any Chinese consumer brand more broadly), evidenced by its 95% market share of baijiu priced above RMB 1,500 per 500 ml bottle at retail. Supply grows slowly due to inherent production constraints and is vastly exceeded by demand, so much so that market prices on its core SKUs generally range around two to four times the ex-factory price at which the company sells those products to its wholesale distributors, suggesting significant pricing power and latent earnings power. Moutai's ongoing shifts in channel mix away from traditional wholesale and into direct relationships with key accounts and a new direct-to-consumer digital channel should drive significant ASP growth and allow the company to gradually capture some of that latent pricing power. Combined with gradual volume growth, we believe these channel mix developments can drive at least a doubling of earnings over the next half-decade, with the potential for continued compounding thereafter. The company is also increasingly targeting shareholder value creation relative to prior years, which is a welcome development.

Shenzhou is a high-ROI textile manufacturer with assets in Vietnam, Cambodia, and China and a mission-critical partner to the largest multinational sportswear brands. This has been a long-standing investment in Baron Emerging Markets Fund, and we took advantage of its recent sell-off and attractive valuation relative to long-run earnings power to initiate a position in the Fund. Shenzhou's capacity utilization in its core China facilities is depressed by weak Chinese apparel consumption, particularly of international brands, which we believe is a cyclical rather than a secular phenomenon. The company has been, and in our view will continue to be, a major market share consolidator in global sportswear, both with multinational brands and increasingly with Chinese domestic brands, and we believe capacity utilization will gradually improve over the next two years, with a corresponding improvement in margins, earnings, and stock price.

M&M is a leading Indian conglomerate. The company's core business is auto and farm equipment manufacturing, and it is a market leader with approximately 40% and 20% share in tractors and SUVs, respectively. M&M also operates in other business verticals through its subsidiaries and associates, including publicly listed entities such as M&M Financial Services, which focuses on domestic vehicle financing, and Tech Mahindra, which is a leading IT services company in India. Under the leadership of Dr. Anish Shah, who took over as managing director in 2020, M&M has rationalized its unprofitable investments and become a shareholder return-oriented organization. We are excited about several growth opportunities for the company in the medium to long term, including rising adoption of SUVs and farm machinery in India, upcoming EV launches, and the ongoing restructuring of Tech Mahindra. We expect M&M to deliver 15% to 20% compound earnings growth over the next five years, while also generating an attractive high teens return on equity.

During the quarter, we also increased exposure to our India wealth management/consumer finance theme by initiating a position in **Cholamandalam Investment and Finance Company Limited**, a leading non-bank financial services company in India. While vehicle finance remains Chola's core business, the company has diversified into other lending verticals including loans against property, home mortgages, and SME loans, which help offset the cyclicality of its auto financing business. Chola also takes a conservative approach to loan underwriting and collections, and it has demonstrated strong asset quality trends through various credit cycles. In our view, the company is well positioned to benefit from growing demand for consumer financial services in India, and we are excited about several opportunities that lie ahead, including its newly launched unsecured consumer and SME loans product and further rollout of its home loans. We expect Chola to sustain about 20% to 25% loan growth over the next three to five years while generating an attractive 20%-plus return of equity.

During the quarter, we added to several of our existing positions, including **Zomato Limited, Trent Limited, Baidu, Inc., Alibaba Group Holding Limited, Bharti Airtel Limited, Bajaj Finance Limited**, and **SK hynix Inc**.

During the quarter, due to deteriorating fundamentals or in favor of higher conviction investments, we exited several positions including Hindustan Unilever Limited, Aarti Industries Limited, Airtac International Group, LG Chem, Ltd., Si**lergy Corp., PT Bank Negara Indonesia (Persero) Tbk, Hangzhou Tigermed Consulting Co., Ltd.**, and **JD.com, Inc**.

Outlook

In our second quarter letter, we suggested that rising real bond yields, and a likely return to Fed rate hikes after a brief pause, were not consistent with rising multiples on U.S. and global growth stocks, and thus we anticipated that tightening U.S. liquidity and higher yields could trigger a consolidation of recent gains. This is largely what played out in the past quarter, as bond yields rose sharply on stronger-than-expected U.S. economic and employment conditions, while global equities broadly retreated with growth stocks notably underperforming value stocks. While we believe, as stated in our prior letter, that a correction in U.S. equities is a likely precondition to a lasting inflection point in Asia/EM equity relative performance, in our view the necessary catalyst would be *deteriorating* U.S. economic and earnings visibility and *a peak* in bond yields, which we still view as a likely coming development. The increase in yields in the recent quarter, largely on stronger U.S. employment data, triggered a reversal of fortunes for some of the second quarter leaders that had rallied on the anticipation that Fed rate cuts would begin before year end. Only three months later, markets have pushed out the timing for Fed easing into the back half of 2024. Interestingly, while employment surprised positively and oil prices rose, two year and five-year forward inflation expectations remained steady at just above 2%, and therefore real bond yields approached levels not seen since 2006 to 2007 (barring the 2008 financial crisis when inflation expectations plummeted). To us, this is akin to the 2007 to 2008 rally in oil on strong demand, which ultimately, and paradoxically, choked off economic growth and demand. In the current scenario, we believe rising real rates will likely trigger demand destruction in the U.S., ushering in a phase of earnings vulnerability, and providing a more favorable backdrop for non-U.S. central banks to begin an easing cycle well before the Fed, and thus help trigger a long-awaited reversal in market leadership.

For developing Asia investors, we think the most notable events during the quarter were the volatility in China's markets, economic outlook and expectations for stimulus measures, and India's ongoing and uncharacteristic solid performance in the face of rising global yields and tightening liquidity. India's equity market outperformed EM and global indexes by a wide margin when interest rates, oil prices, and the U.S. dollar were rising. This is a departure from historical trends, and in our view offers confirmation that something has changed. India has reached escape velocity after years of implementing a series of productivity-enhancing reforms and now stands out as a material beneficiary in the evolving global geopolitical environment. We remain enthusiastic regarding the growth and investment potential of India and our many investments there.

China-related equities rallied impressively early in the quarter on speculation that policymakers were preparing fresh support measures for the property and financial sectors, as well as targeted infrastructure and demand-side stimulus. This rally reversed sharply when the government announced stimulus appeared insufficient and supply-side biased, and coincident economic indicators fell short of expectations. We would characterize the sell-off in China-related equities as a third capitulation since early 2022, with the first two being triggered by Russia's invasion of Ukraine and last October's Party Congress meeting and ensuing frustration over China's zero-COVID measures. In what to us is becoming a pattern, China's authorities appear sensitive to market signals, and we are now seeing enhanced expectations and cues regarding more substantial support forthcoming, which is again supporting the equity market. Importantly, we see no evidence in China's currency, bond market, or credit spreads that suggest policymakers are losing control of the narrative, and we continue to believe they are more likely than not to ultimately provoke the economic recovery they committed to in late 2022. We remain roughly market weight in China and see a favorable risk/reward proposition from current levels, and we remain confident that we own many well-positioned companies from a fundamental and competitive position that are poised to benefit from China's economic pivot in an era of deglobalization.

We continue to believe that EM and developing Asia equities are nearing the end of a long cycle of relative underperformance, and we look forward to our next communication.

Thank you for investing in the Baron New Asia Fund.

Sincerely,

Michael Kass and Anuj Aggarwal
Portfolio Managers

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Risks: 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. In addition, 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. Government actions, bureaucratic obstacles and inconsistent economic reform within the Indian government have had a significant effect on the Indian economy and could adversely affect market conditions, economic growth and the profitability of private enterprises in India.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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