DEAR BARON FIFTH AVENUE GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Fifth Avenue Growth Fund® (the Fund) declined 13.4% (Institutional Shares) during the first quarter, which compares to declines of 10.0% for the Russell 1000 Growth Index (R1KG) and 4.3% for the S&P 500 Index (SPX), the Fund's benchmarks.

Table I.
Performance
Annualized for periods ended March 31, 2025

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(13.46)%	(13.43)%	(9.97)%	(4.27)%
One Year	5.63%	5.90%	7.76%	8.25%
Three Years	5.34%	5.61%	10.10%	9.06%
Five Years	11.23%	11.51%	20.09%	18.59%
Ten Years	11.27%	11.56%	15.12%	12.50%
Fifteen Years	12.14%	12.42%	15.29%	13.15%
Since Inception (April 30, 2004)	9.33%	9.54%	11.76%	10.19%

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

We were off to an excellent start to the year with the Fund posting an 8.7% gain as of February 10, which followed an exceptional run that saw the Fund post a 117.1% cumulative gain over the last two years. This could only be characterized as a favorable investing environment with the R1KG and SPX advancing 2.7% and 3.3%, respectively, through February 10, and 90.3% and 57.9% over the last two years, respectively. Over the same time frame, the Morningstar Large Growth category was up 4.3% through February 10, and 74.3% cumulatively in 2023 and 2024.[5] Obviously, these were very strong returns for the Fund on both an absolute and relative basis. We believe, in no small part, these results were set up by a meaningful correction experienced by the market in 2022. While every correction, pullback, or bear market is different, at their core, they are always driven by fear, uncertainty, and doubt. It is easy and tempting to get lost in the details because they change every time, but *fundamentally, markets depend on stability and predictability*. Every time stability and predictability are threatened – markets pull back. In 2022, rapidly increasing inflation forced the Federal Reserve (the Fed) to aggressively raise interest rates. It destabilized the markets, created uncertainty in how much, how fast, and for how long, and most importantly, whether it would cause the U.S. economy to go into a (prolonged?) recession. It dramatically increased the range of possible outcomes – and the markets sold off. We are simplifying of

Performance listed in the table above is net of annual operating expenses. The gross annual expense ratio for the Retail and Institutional Shares as of January 28, 2025 was 1.06% and 0.78%, respectively, but the net annual expense ratio was 1.01% and 0.76% (net of the Adviser's fee waivers, comprised of operating expenses of 1.00% and 0.75%, respectively, and interest expense of 0.01% and 0.01%, respectively), respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser waives and/or reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2035, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit BaronCapitalGroup.com or call 1-800-99-BARON.

1 The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The Fund includes reinvestment of dividends, net of withholding taxes, while the Russell 1000® Growth Index and S&P 500 Index include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

5 As of 3/31/2025, the annualized returns of the Morningstar Large Growth Category were 5.01%, 16.99%, and 12.61% for the 1-, 5-, and 10-year periods, respectively.

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course, but if we zoom out, from the 30,000 foot view – we believe this is right. In the second half of this quarter, investors realized that DOGE, tariffs, and this administration's policies in general, were going to be disruptive and unpredictable and that the range of possible outcomes was dramatically larger than what investors were pricing in before – and the markets sold off. The Fund ended the quarter down 13.4%, while the R1KG declined 10.0%.

The Fund is focused on investing in Big Ideas, which often trade and can be thought of as long duration assets. As such, we are often subject to significant stock price fluctuations, especially over the short term and during extreme market volatility, while the intrinsic values of our businesses are far more stable. Nevertheless, it was a tough first quarter. From a performance attribution perspective, the entirety of the Fund's relative shortfall can be attributed to poor stock selection in Financials, Health Care, and Communication Services. Additionally, the Fund's lack of exposure to Consumer Staples, Energy, Real Estate, Materials, and Utilities accounted for another 21%. This was partially offset by strong stock selection in Information Technology (IT) and Consumer Discretionary, the Fund's two largest sectors, representing 66.5% of the Fund on average, and by an overweight to Health Care. From an absolute return perspective, we simply did not have enough winners, which was not terribly surprising given the broad market sell-off in the second half of the quarter. **X.AI**, **MercadoLibre**, **Veeva**, **CrowdStrike**, and **Mastercard** were our only gainers, and they were overpowered by the rest of the portfolio with **NVIDIA**, **Trade Desk**, **Tesla**, **Amazon**, and **ServiceNow** being material detractors.

We have invested a considerable amount of time and brain power in doing the post-mortem and analyzing lessons learned in an effort to, if not completely avoid, then at least meaningfully reduce the impact of big, sudden drawdowns. Our conclusion is that there is no way around it or over it, but through it! Because of who we are (long-term owners of businesses) and because of what we do (invest for the long term) we simply *have to go through the steps*. With this realization comes a newfound contentment. This, too, shall pass! The real challenge is having the wherewithal and confidence to admit and say, it's going to take a minute. We know that along the way, there will be great opportunities to come.

To be clear, this is NOT to suggest that we simply "let it ride." We are constantly re-underwriting the key assumptions that form the investment thesis for every company that we own, stress-testing them against our entire range of possible outcomes. The goal is to reduce investments in businesses where our conviction level has lessened and increase investments where our conviction level has increased or remains the same, while the stock price volatility has given us a renewed/attractive opportunity to add. Importantly, we refuse to give up long-term alpha for a chance to reduce short-term beta. *The analysis is conducted entirely on a company-by-company basis*.

Most of our decisions fall into one of three categories:

- **Easy** – there is no change in the business' fundamentals, in the KPIs that really matter. The decline in the stock can be attributed entirely to multiple contraction due to minor changes in macro conditions and investor psychology. These decisions are easy because over the long term, stock prices will reflect the business' intrinsic value, and if the former is unchanged, we can now get that same great business at a discount.
- **Medium** – there is clear impact on fundamentals, but we have high conviction that the impact is cyclical and hence temporary. If the slowdown is caused by macro and is industry-wide, as opposed to deteriorating competitive dynamics and company specifics, everyone's fundamentals (revenues, earnings, cash flows) will decline. This is what is known as a cyclical downturn. Stocks can move violently during cyclical downturns because multiples contract at the same time as the fundamentals. These decisions are more difficult because timing trough multiples on trough earnings is notoriously tricky and being too early can be painful, but there is meaningful upside here when the cycle turns, and both multiples and fundamentals return to normalized/trendline levels.
- **Hard** – there is a negative impact on fundamentals but it's not clear if it is cyclical or secular. Management teams will never admit a secular deterioration – it's not very common to hear a CEO admit that the competition is beating us or that advancements in AI might put all of us out of business. What we would hear instead is – it's the economy, the tariffs, or our favorite–the weather.

We have been pretty good at making decisions that fall into the first two categories. We have struggled with the third.

We believe our companies are well positioned to weather the storm, though like all businesses they will be impacted if the economy slows down or goes into recession.

- Most of our companies have limited or no direct exposure to the U.S. government. **ServiceNow** is at the high end of the spectrum with 10% to 15% of its revenues coming from government contracts as the key vendor chosen to modernize and digitize government processes. ServiceNow's software platform has a best-in-class 98% retention rate and is, in our view, one of the major beneficiaries of generative AI with over 1,000 current customers using its generative AI products. Still, we have been steadily reducing the size of our investment in ServiceNow ever since the official formation of DOGE.
- Most of our companies do not sell goods but instead provide critical services to their customers. **Datadog**, the leading cloud-based observability platform, has seen its stock decline by over 30% year-to-date because its revenues are based on consumption/usage and would likely be impacted by any significant cyclical downturn. However, its competitive position has gotten stronger, its market share is continuing to rise, and it is indexed to promising long-term secular trends of cloud adoption and accelerating app development, and is well positioned for AI as the critical central IT infrastructure platform for its customers.
- Most of our non-U.S. companies sell to customers outside the U.S – hence we do not expect any direct impact from tariffs. MercadoLibre, the e-commerce and fintech platform in Latin America, or **Coupang**, which does the same in South Korea, could see a cyclical slowdown in their respective geographies, but we believe their competitive positioning and long-term moats are unassailable.
- Even the remaining companies are not significant importers and should have limited direct exposure to tariffs. We own businesses that sell critical products or services to their customers that are not easily turned off or replaced. **Shopify** as an example, is the platform on which its merchants run their sales operations, or **Cloudflare,** that modernizes their customers' networks, run applications efficiently, securely, and reliably, and has a development platform (Workers) that is used by over 3 million developers.
- Many of our companies are platform businesses and leaders in their industries. These types of companies tend to become stronger during

more challenging times, as customers consolidate their spending on the most important vendors to save costs.

- Most of our companies are asset light and have net cash positions. They do not need to access capital markets when they may not be available.

In the meantime, we continue to be all bulled up about AI. Once again, we spent a better part of a week attending NVIDIA's developer conference, GTC 2025, in San Jose, California. Once again, we came out with greater conviction that AI is the biggest disruptive change we have seen in our careers. As models continue to move up and to the right on the intelligence curve, and down on the cost curve, new markets and opportunities open up. We attended a discussion with Noam Brown from OpenAI, who described the progress and opportunity: *"The pace of progress has exceeded everyone's expectations in the last 5 years… we need to look at the trajectory. Have very good reasons to be optimistic. Need to think about it as intelligence per token… the intelligence versus the cost curve… as even the most expensive models are much cheaper than humans… and the top human expert in a field is paid a lot."* Jensen Huang, NVIDIA's founder and CEO, similarly described how the opportunity is in the trillions of dollars for NVIDIA, calling the DeepSeek development (which led to investor concerns that AI would require less compute than previously expected) *"profoundly misunderstood… as reasoning models require over 100x more compute than previously thought."* NVIDIA's progress in AI across the stack, in hardware and software, and across industry domains remains unmatched. We have seen up close the upcoming Kyber server with *576 Rubin Ultra (next-next gen) GPUs* with compute trays stacked like books on one side, with Nvlink-based networking trays on the other side, and PCB boards connecting them without any cabling in between.

We are just getting started!

Table II.

Top contributors to performance for the quarter ended March 31, 2025

	Quarter End Market Cap ($ billions)	Contribution to Return (%)
X.AI Holdings Corp.	104.0	0.39
MercadoLibre, Inc.	98.9	0.27
Veeva Systems Inc.	37.7	0.09
CrowdStrike Holdings, Inc.	87.4	0.09
Mastercard Incorporated	511.7	0.05

X.AI Holdings Corp. (xAI)[6] is developing an AI model "to understand the true nature of the universe." In a short period since its inception, xAI launched its AI model and product, including the third version of the model, Grok 3. Grok demonstrated elevated user engagement and top scores in evaluation tests, surpassing other industry leading AI models. The company also commenced operation of its Colossus data center, operating more than 100,000 Graphical Processing Units, considered at the time to be the largest coherent training center in the world. Grok 3 was the first model trained on xAI's own data center, leveraging more than 10 times the compute used to train Grok 2. These early achievements showcased xAI's ability to drive rapid innovation cycles and the potential to maintain a key leadership position in the lucrative AI industry. Most recently, xAI acquired X, formerly Twitter. We expect the deal to accelerate innovation, expand growth opportunities, and drive efficiencies. We value xAI based on recent share transactions, including the recently announced merger.

MercadoLibre, Inc., the leading e-commerce marketplace across Latin America, contributed to performance as shares rose 14.7% in the quarter. The company reported solid fourth quarter results, with better-than-expected revenue growth of 37% year-on-year and a significant beat on operating earnings which reached $820 million, 33% above expectations. The company's 10.5% EBIT margin rebounded sharply, reversing previous quarter's decline and alleviating concerns about reinvestments impacting near-term profitability. MercadoLibre continues to post strong growth across KPIs, with a 56% year-on-year constant currency growth in Gross Merchandise Value and a 49% growth in Total Payments Volume, which gives us confidence in its ability to continue capturing a leading share of the structural growth opportunity for e-commerce and fintech in Latin America. We remain shareholders.

Veeva Systems Inc., a cloud platform focused on the life sciences industry, contributed to performance. Despite growing investor concerns over the pharmaceutical regulatory environment, quarterly results and full-year guidance both exceeded expectations. Platform adoption remained robust, highlighted by one of the largest subscription contracts in Veeva's history, and positive adoption trends are visible across all key product verticals, including clinical, safety, quality, and data. Management expressed confidence in the transition of the customer relationship management (CRM) solution from a Salesforce backend to an in-house system. Although a top client opted for a competitor, Veeva anticipates most customers will adopt its new CRM solution, which targets previously untapped service and marketing segments and will expand AI-based offerings. Data cloud, which represents a large market opportunity, and its new AI offerings, which are showing growing traction with early adopters, have expanded the company's opportunity and extended its growth runway.

Table III.

Top detractors from performance for the quarter ended March 31, 2025

	Quarter End Market Cap ($ billions)	Contribution to Return (%)
NVIDIA Corporation	2,644.5	–1.76
The Trade Desk	27.1	–1.59
Tesla, Inc.	833.6	–1.31
Amazon.com, Inc.	2,016.3	–1.12
ServiceNow, Inc.	165.0	–1.11

NVIDIA Corporation sells semiconductors, networking, systems, and software for accelerated computing, gaming, and AI. During the quarter, the stock corrected 19.3% as narratives shifted towards skepticism, ranging from concerns over a slower-than-expected AI adoption to fear that future AI training and inference workloads may become more compute-efficient, reducing demand for NVIDIA's systems. We believe these concerns are premature. Training cluster buildouts are progressing in line with expectations, while inference will scale gradually as enterprises integrate AI into real world workflows. Against this market narrative, NVIDIA delivered another strong quarter, exceeding expectations with 78% year-on-year revenue growth at a massive scale (revenue run rate is $160 billion), driven

[6] On March 28, 2025, X.AI Holdings Corp. (X.AI Holdings) acquired social media platform X Holding Corp. (X) and artificial intelligence company X.AI Corp. (xAI) in an all-stock transaction. The deal valued X at $33 billion and xAI at $80 billion, making the combined X.AI Holdings entity worth $113 billion.

by record datacenter performance, with datacenter revenues up 94% from last year. The company's end-to-end platform approach continues to be differentiated and near-term concerns around the Blackwell ramp and supply chain proved overstated, as all GPU configurations are in full production. Longer term, our conviction remains high. All the industries bottlenecked by intelligence will leverage AI, unlocking trillions of dollars in value. Most of these AI workloads will be supported by large language models running in the datacenters. NVIDIA is uniquely positioned to power this transformation through its full-stack approach, spanning silicon, systems, software, and developer ecosystem, and hence its competitive moat continues to widen.

The Trade Desk is the leading internet advertising demand-side platform, enabling brands and agencies to efficiently purchase digital advertising across PC, mobile, and online video channels. Shares fell 53.4% as earnings missed guidance for the first time in 33 quarters since going public. Since the most recent earnings report, we have done substantial research to test our investment thesis. We believe the miss was largely due to a company reorganization in December and delays in its Kokai platform rollout, both of which have since improved. While we continue to watch the competitive landscape as Amazon enters the market more meaningfully, we believe Trade Desk still represents the best option for biddable Connected TV (CTV) inventory. We note Trade Desk gained share against the incumbent Google in the last five years, even when Google undercut the company on pricing, and major companies like Netflix, Disney, and Spotify have opened their ad inventory to Trade Desk. We remain shareholders and believe that Trade Desk's market remains large and underpenetrated, as the shift to CTV advertising is still in the early stages. As a result, we believe that Trade Desk can grow its top line by high teens to 20% year-over-year for years to come.

Tesla, Inc. manufactures electric vehicles (EVs), solar products, and energy storage solutions alongside the development of advanced real-world AI technologies. Shares fell 35.9% due to volume and margins headwinds in the automotive segment because of: 1) a Model Y refresh, Tesla's highest volume vehicle and the world's best-selling car in 2024; 2) Elon Musk's controversial role in the Trump administration; and 3) regulatory changes that could pose potential operational challenges. Despite these headwinds, we remain confident in Tesla's long-term growth, underpinned by secular trends in EVs and energy storage adoption, a compelling product line, its leading cost structure, and cutting-edge technology. A Model Y refresh alongside the debut of new mass-market models should boost demand. Over time, we expect the political pressure to fade, while Tesla's AI ambitions – a robotaxi service launching this year and a fast-growing humanoid program – hold the promise of transforming its growth story.

Portfolio Structure

The Fund is constructed on a bottom-up basis with the quality of ideas and level of conviction playing the most significant role in determining the size of each investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative view.

As of March 31, 2025, the top 10 holdings represented 59.0% of the Fund's net assets, and the top 20 represented 85.7%. The total number of investments in the portfolio was 32 at the end of the first quarter, down from 33 as of the end of 2024.

IT, Consumer Discretionary, Communication Services, Health Care, and Financials made up 98.2% of net assets. The remaining 1.8% was made up of **SpaceX** and **GM Cruise**, two of our three private investments classified as Industrials (the other one, **xAI** is included in Communication Services), and cash.

Table IV.
Top 10 holdings as of March 31, 2025

	Quarter End Market Cap ($ billions)	Quarter End Investment Value ($ millions)	Percent of Net Assets (%)
NVIDIA Corporation	2,644.5	57.5	9.4
Amazon.com, Inc.	2,016.3	54.7	9.0
Meta Platforms, Inc.	1,460.3	52.4	8.6
Shopify Inc.	123.6	45.0	7.4
Intuitive Surgical, Inc.	177.4	32.4	5.3
MercadoLibre, Inc.	98.9	27.3	4.5
Cloudflare, Inc.	38.9	27.0	4.4
ServiceNow, Inc.	165.0	24.6	4.0
Alphabet Inc.	1,894.5	19.6	3.2
Tesla, Inc.	833.6	19.6	3.2

Recent Activity

During the first quarter, we initiated a new position in the pharmaceutical company and weight-loss drug leader, **Eli Lilly**. We also took advantage of market volatility to add to 11 existing positions: **Samsara**, **KKR**, **Atlassian**, **Alphabet**, **Snowflake**, **Taiwan Semiconductor**, **Block**, **Datadog**, **Mobileye**, **Trade Desk**, and **MercadoLibre**. We financed those purchases by exiting our holdings in Microsoft and Mastercard. We also slightly reduced six other positions in order to free up capital for the above purchases.

Table V.
Top net purchases for the quarter ended March 31, 2025

	Quarter End Market Cap ($ billions)	Net Amount Purchased ($ millions)
Eli Lilly and Company	783.0	9.9
Samsara Inc.	21.8	8.1
KKR & Co. Inc.	102.7	4.4
Atlassian Corporation Plc	55.6	4.3
Alphabet Inc.	1,894.5	4.2

During the quarter, we initiated a new position in **Eli Lilly and Company**, a global pharmaceutical company currently best known for GLP-1 medications for diabetes and obesity.

Obesity is a significant public health problem in America with 74% of adults considered overweight, including 42% who are considered obese. Obesity is not just an "aesthetics" issue. Excess fat is the primary driver of metabolic syndrome conditions such as heart disease, stroke, and diabetes, as well as other comorbidities like sleep apnea, autoimmune diseases, osteoarthritis, and likely some types of cancers. All of these conditions cause significant morbidity and mortality. Obesity costs the U.S. health care system almost $173 billion in direct costs each year (source: CDC) and the annual indirect economic impact exceeds $1.4 trillion (source: Milken Institute).

The most recent generation of GLP-1 drugs (Lilly brand names Mounjaro/Zepbound) not only offer superb blood sugar control for diabetics, but impressively can drive above 20% weight loss and likely improve cardiovascular outcomes in both diabetic and non-diabetic obese patients. These drugs have the potential to prevent a number of weight-related comorbidities and to transform patients' lives.

In the U.S. alone, there are roughly 32 million Type-2 diabetics and an additional 105 million obese patients who would qualify for GLP-1 drugs. Of these patients, we estimate only around 8 million patients are on FDA-approved GLP-1 drugs today. We think these drugs will continue to launch well as awareness and insurance coverage grows, and as Lilly generates more data to show the dramatic impact GLP-1 drugs can have on other medical comorbidities. We think that these drugs will become the standard of care and a $150 billion category.

We see Lilly as a leader in the space, setting a high efficacy bar with their GLP-1 drugs and capturing significant long term market share. Beyond Mounjaro/Zepbound, Lilly continues to develop next generation drugs, including orforglipron, which is a daily pill that we expect will drive mid-teens percent weight loss, and retatrutide, which is a high efficacy injectable that we think will drive roughly 25% weight loss. We expect these next-generation drugs to launch in 2026-2027. We think that Lilly's next-generation drugs look best-in-class and that the company's decades of research in this area gives it a competitive advantage.

Beyond the growth in diabetes and obesity, Lilly has a deep pipeline across immunology, oncology, and neurology. We are particularly excited about Lilly's study in presymptomatic Alzheimer's patients, their potentially one-yearly Lp(a) injection for the primary prevention of cardiovascular disease, and imlunestrant for adjuvant breast cancer.

In terms of existing names, our largest add in the quarter was **Samsara Inc.**, which provides a cloud software platform for commercial vehicle telematics, video-based driver safety, driver workflow automation, and industrial equipment monitoring. Its software collects and analyzes data from sensors and cameras installed in its customers' commercial trucks, construction equipment, warehouses, and other assets, helping companies visualize and improve the state of their operations. We took advantage of the sell-off in the stock, which declined from a peak of $61 in February into the $30s on investor concerns related to the potential headwinds from tariffs and a macro downturn. While the company in the past has proven resilient to downturns (we believe due to its high and immediate ROI to customers and its exposure to essential services (e.g., waste management and food delivery), even if there was a cyclical impact to the business, we believe the company's uniqueness and long runway for growth create an opportunity to invest in a great business at an attractive valuation for investors with a long enough time horizon. Samsara's leading video-based safety continues to drive higher win rates against telematics-only competitors, and it is reaching a data scale that makes it tough for any video-based safety alternative to catch up as its data moat widens, driving better safety, cost savings, and ROI for customers: *"We've now built one of the world's largest operational data assets with over 14 trillion data points processed annually, representing over 50% year-over-year growth."*[7] These data points span 80 billion miles traveled (25%-plus year-over-year growth) and 120 billion-plus API calls (50%-plus year-over-year growth). Samsara prevented 250,000 accidents, digitized 300 million workflows, and reduced 3 billion pounds of CO_2 emissions. Moreover, we believe that the company would benefit from a long growth runway as video-based safety products are currently attached to just 10% total commercial vehicles on the road, while new growth drivers are just getting started, including non-vehicle products like asset tags and its AI-based Samsara Intelligence.

Our second largest addition in the quarter was to the alternative asset manager, **KKR & Co. Inc.** Similarly to Samsara, we took advantage of the volatility in the stock market to add to this great business. While investors are concerned about the potential near-term slowdown in realizations, capital markets activity, and carry (performance fees), we remain focused on the long term. Various secular tailwinds that benefited KKR thus far continue – this includes the growing allocation to alternatives, its diversified asset class exposure, its successful track record of performance, and its significant exposure to the growth of private credit through its ownership of Global Atlantic, which has a differentiated positioning thanks to the structural match in duration between the asset side and the liability side.

We also added to the following existing positions:

- The IT planning and project management software, **Atlassian Corporation Plc** – We visited the company during the quarter and came away with greater conviction in the company's innovation velocity, runway for growth thanks to its move up-market, cloud migration and seat expansion opportunity, and the growing maturity of its go-to-market engine. We were able to take advantage of market volatility to add to our position.
- The parent company of Google, the world's largest search and online advertising company, **Alphabet Inc.** – While the company continues to hold over 90% market share in search, it also owns the world's leading video platform, YouTube, a leading hyperscaler, Google Cloud, a leading ad network, and optionality in a number of smaller subsidiaries like the autonomous vehicle company, Waymo.
- The leading data platform, **Snowflake Inc.** – We visited the company's headquarters during the quarter and came away more excited about its product vision and go-to-market execution capabilities under new management. While the company's revenues are usage-based and therefore might be cyclically impacted in case of a slowdown, we believe its future is bright thanks to its differentiated offering as a central data platform, which is increasingly addressing data on and off the platform (thanks to iceberg open format), across structured as well as unstructured formats, opening the opportunity to help its enterprise customers benefit from AI.
- The leading semiconductor manufacturer, **Taiwan Semiconductor Manufacturing Company Limited** – We believe it will continue to benefit from the company's long duration of growth ahead as a critical enabler of semiconductors for AI.

Lastly, we added to several other existing names, taking advantage of their stock price volatility including the fintech company, **Block, Inc.**, the observability platform, **Datadog, Inc.**, the autonomous and assisted driving solutions provider, **Mobileye Global Inc.**, the demand-side platform, **The Trade Desk**, and the Latin American e-commerce platform, **MercadoLibre, Inc.**

[7] https://s29.q4cdn.com/853855404/files/doc_financials/2025/q4/Q4-2025-Earnings-Transcript.pdf

Table VI.
Top net sales for the quarter ended March 31, 2025

	Quarter End Market Cap ($ billions)	Net Amount Sold ($ millions)
Microsoft Corporation	2,937.6	26.8
Mastercard Incorporated	511.7	17.3
ServiceNow, Inc.	165.0	5.1
CrowdStrike Holdings, Inc.	87.4	3.7
Intuitive Surgical, Inc.	177.4	2.2

We sold our **Microsoft Corporation** and **Mastercard Incorporated** positions during the quarter and reduced several of our existing positions to finance the purchases we made in the quarter. While we continue to view both Microsoft and Mastercard as great businesses and continue to own both in the Baron Durable Advantage Fund, we saw a more exciting growth profile in the other names which we were able to add to at more attractive prices.

Outlook

"*Buy when there is blood in the streets, even if the blood is your own.*" – Baron Rothschild, the famous 19th century banker[8]

Despite the gory imagery this quote resonates with us two centuries later. Here is more contemporary wisdom from Ron Baron sent to all of our portfolio managers and research analysts after our most recent meeting:

"I don't expect anyone to have answers about tariffs, dollar weakness, recession, etc. We do expect all analysts and portfolio managers to be completely knowledgeable and up to date on current and most importantly long- term growth prospects for the businesses we own. Note long term. No one knows what will happen short term …and we should not be trying to take advantage of short- term volatility. Not what we do. The reason we have outperformed forever is because of our long-term focus on people and business fundamentals. MACRO had zero impact on our 43-year record. You got to remember John Lennon premise: 'in the end, everything will work out. And if it doesn't. It's not the end.' Nothing truer."

We could not agree more or say it better ourselves. Markets are always, ALWAYS driven by **fear**. It is fear of missing out (FOMO) that drives markets higher, and it is fear of losing money that drives markets lower. It is always fear that drives markets over the short term, but it is the fundamentals that drive wealth creation over time. Really big opportunities come when you are willing to invest when other people are not!

We believe the portfolio is in much better shape than it was entering 2022. We have consolidated the number of holdings to 32 of our highest conviction investments with over 85% of the Fund concentrated in the top 20. Current valuations are significantly more palatable with **NVIDIA** (as an example) trading at a similar P/E ratio as the S&P 500 Index, *the lowest relative multiple the stock has had since 2013*[9]. Another example, **MercadoLibre**, the leading Latin-American e-commerce and fintech platform offers nearly a 5% *current* free-cash flow yield, despite growing revenues over 40% last year, with long runway for growth as e-commerce remains underpenetrated in the region. It is also not directly exposed to tariffs as it has no business in the U.S.

As we do every quarter, we analyzed the change in the weighted average multiple of the Fund and the weighted average change in consensus expectations for 2025 (for revenues, operating income, and operating margins). The Fund's weighted average multiple contracted 15.2% during the first quarter. Since the Fund was down 13.4%, fundamentals improved slightly. Revenue expectations for 2025 increased by 0.2%, operating income expectations increased by 0.2%, and operating margin expectations declined by 16bps. While fundamentals remained broadly stable during the first quarter, we do expect some cyclical deterioration starting with the second quarter due to the impact of the tariff announcements. That said, we continue to believe that we own the highest quality platform businesses that will likely emerge from this challenging and uncertain economic environment stronger than they were going into it.

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create.

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe target companies are trading at attractive prices relative to their intrinsic values.

Sincerely,

Alex Umansky
Portfolio Manager

8 https://www.forbes.com/2009/02/23/contrarian-markets-boeing-personal-finance_investopedia.html

9 NVIDIA's P/E on next 12 months EPS based on FactSet consensus estimates is only at a 3% premium to the S&P 500 Index, its lowest level since January 2013. NVIDIA's P/E on next 12 months EPS based on FactSet consensus estimates is only at a 3% premium to the S&P 500 Index, its lowest level since January 2013.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting BaronCapitalGroup.com. Please read them carefully before investing.

Risks: The Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns.

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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