

India: Three Stand-Out Companies Poised for Outperformance

Over the past 25 years, India has been one of the world’s best performing markets. As seen in the chart below, a hypothetical investment of \$10,000 in the MSCI India Index 25 years ago would now be worth about \$83,571 versus the S&P 500 Index at about \$59,776 and the MSCI EM Index at about \$43,206. We believe India will continue to outperform for the next several years due to a multitude of factors.

India’s attractive demographics

India is the world’s largest English-speaking democracy and most populous country, with an estimated 1.45 billion people. It is the fastest growing large economy in the world, with a GDP of ~\$4 trillion expanding 6% to 8% per year in real terms and 10% to 12% in nominal terms.

India also has attractive demographics. Its population is relatively young, with a median age of 28, while its GDP per capita is only ~\$2,700. These levels are similar to where China was in 2007, suggesting a 15 year-plus runway of growth. The country’s large and growing middle class of 300 million-plus people provides a stable consumer base, a source of entrepreneurship, and a skilled and educated workforce.

Productivity-enhancing economic reforms

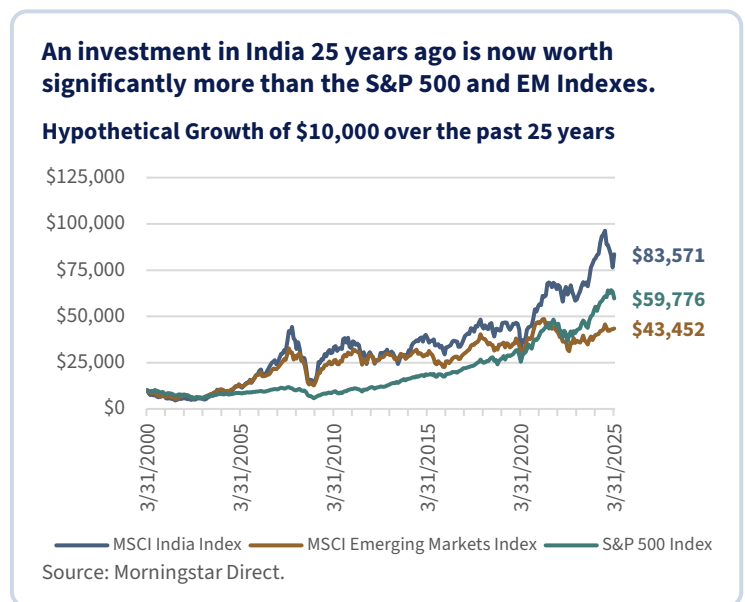
Even more important to growth, in our view, are productivity-enhancing economic reforms alongside secular geopolitical tailwinds. For the past decade, Prime Minister Narendra Modi has been implementing a sweeping set of reforms to modernize the economy with the goal of a “Developed India.” Each element of this agenda plays a distinct role.

One of the most transformative has been the Goods and Services Tax (GST), which simplified the tax code by merging several local and state levies into a single GST tax. This reform levels the playing field for organized, tax-paying entities (e.g., corporations) and unorganized, non-tax-paying businesses (e.g., suppliers or vendors). As a result, over six million small and medium-sized businesses have entered the formal economy, and GST tax collections have almost doubled over the past 5 years. Another key reform, the Production Linked Incentive (PLI) scheme, provides tax subsidies to foreign manufacturers that build factories in India. As a result, India has become a top destination for global corporations seeking to diversify supply chains ex-China, creating a virtuous investment cycle.

India has also been a key beneficiary of tectonic shifts in the geopolitical landscape, especially in the aftermath of the Ukraine war and amid rising tensions between the U.S. and China. India’s status as the world’s largest English-speaking democracy and its strengthening economic and military ties with Europe and the U.S. have made it a natural ally and strategic partner to counterbalance China. As businesses in the U.S. and Europe seek to reduce dependency on China, India is becoming a top destination for supply chain diversification.

The performance data quoted represents past performance. Past performance is no guarantee of future results. Current Performance may be lower or higher than the performance data quoted. Index performance includes dividends.

The performance for MSCI India Index and MSCI Emerging Markets Index is gross, In USD.



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Among the many Indian companies, these three stand out.



Trent Limited is a leading fast fashion retailer that sells private label apparel direct-to-consumer through its retail network.

In India, unbranded, unorganized apparel comprises over 60% of a \$50 billion-plus market. We believe organized, branded players like Trent will take share due to a growing middle class, rising income, and shift in consumer preference.

Competitive Advantages

- Trent's direct-to-consumer model ensures control over apparel assortment and quality.
- Trent sells over 90% of its products at full price, discouraging consumers from shopping only during discount events and preserving margins.
- In-house design team, a vast network of manufacturers, and strong inventory management enable Trent to stay ahead of fashion trends.
- Strong brand equity associated with the prestigious Tata group, which owns 37% of Trent.



Bharti Airtel Limited is India's second largest telecommunications provider with about 40% revenue market share in mobile services and 20% share in home broadband.

India's telco industry is going through market consolidation, as Vodafone Idea, a key player and competitor of Bharti, is on the verge of bankruptcy amid severe pricing pressure and an unsustainable balance sheet.

Competitive Advantages

- Bharti is well positioned to gain share from Vodafone Idea as the latter goes through financial restructuring.
- The company has visibility into strong future free cash flow generation, as it has passed its peak capex intensity after rolling out 5G across urban and rural areas.
- We believe Bharti should continue to benefit from rising mobile tariffs and deliver double-digit earnings growth.
- Bharti's home and enterprise businesses could further drive earnings upside.



Bajaj Finance Limited is a private sector financial institution providing housing loans, consumer durables financing, and small- to medium-sized enterprise credit.

While Indian households have historically carried very low debt, we believe the appetite for credit is changing, with growing demand for consumer credit and related services driven by a rising middle class with higher disposable income.

Competitive Advantages

- With the help of its powerful data analytics platform, Bajaj is disrupting an industry dominated by legacy public sector banks that are unable to offer reliable customer service, are typically mismanaged, and struggle with capital constraints and asset quality issues.
- Bajaj is the dominant player in consumer durable financing, with approximately 65% to 70% market share.
- Bajaj is transforming into India's largest omnichannel/digital player by creating an ecosystem of apps offering credit, insurance, brokerage services, and wealth management products.

There is no guarantee that outperformance will occur.

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Baron Capital is a premier asset management firm focused exclusively on delivering growth equity investment solutions to institutions, financial advisors, and individual investors. Since its founding in 1982, Baron Capital has employed the same approach across all strategies: investing for the long term in secular growth businesses with durable competitive advantages, run by great management teams. With \$41 billion in assets under management across 19 strategies, Baron Capital prides itself on delivering the best solutions and outcomes for clients globally.

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

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 discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

Portfolio holdings as a percentage of net assets as of March 31, 2025 for securities mentioned are as follows: Trent Limited – Baron Emerging Markets Fund (1.0%), Baron India Fund (2.1%), Baron International Growth Fund (0.7%); **Bharti Airtel Limited –** Baron Emerging Markets Fund (2.6%), Baron India Fund (9.7%), Baron International Growth Fund (1.4%); **Bajaj Finance Limited –** Baron Emerging Markets Fund (2.5%), Baron India Fund (6.4%), Baron Global Advantage Fund (4.2%).

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The **MSCI 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 India Index Net (USD)** is a broad-based securities index that measures the performance of the large and mid-cap segments of the Indian market. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The MSCI Emerging Markets Index and the MSCI India Index includes reinvestment of dividends, net of foreign withholding taxes, while the S&P 500 Index includes reinvestment of dividends before taxes. Reinvestment of dividends positively impacts performance results.

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