

QUARTERLY REPORT | SEPTEMBER 30, 2025

# Baron Funds®

EST 1987

## Letter from Ron

### "Those who sow in tears will reap with sounds of joy."

*Psalm 126. Rabbi Ari S. Lorge.  
Central Synagogue. New York City.  
October 2, 2025. Yom Kippur. 5786.*

Rabbi Ari S. Lorge at New York City's Central Synagogue observed there are more than 150 psalms in the Jewish Bible. Those ancient poems, according to the Rabbi's always thought-provoking commentary, can provide guidance to individuals under virtually all circumstances.

Sitting in Central Synagogue's congregation on the morning of October 2, 2025, Yom Kippur 5786, my thoughts were elsewhere. I was fixated upon Baron Capital's Mission to "Change Lives"... of its clients and employees by making certain they are better educated in finance and are more financially secure. This even though I was supposed to be deep in prayer.

My thoughts were interrupted when Rabbi Lorge began to discuss Psalm 126. That psalm seemed to me to outline the rationale for investing in people... and growth businesses for the long term that benefit society and future generations... to build legacy. Not the short-term tactical considerations of most investors designed to "reap what you sow."

Themes and principles I deem most relevant to investing... investing for the long term in growth businesses and people... I often attribute to sermons by Central's rabbis. Especially sermons on Yom Kippur. Like this year. 5786. Rabbi Ari Lorge understands

that the healing prayer from Psalm 126, "Those who sow in tears will reap with sounds of joy," is not meant to suggest that those who plant seeds will always benefit in a year, or in some instances during their lifetimes, from their hard work. The Rabbi notes that to improve lives of society requires a reorientation from a "harvest mentality" to a "planting mentality." In my mind, that means those who plant, may not necessarily be the generation that benefits from harvesting. Our Firm's orientation is to invest in businesses that penalize current profitability in order to enhance their competitive advantages and growth prospects in the future.

Rabbi Lorge observed that in the world in which we live, it is generally believed that "you reap what you sow." In other words, if you toil, you should benefit financially from that labor... that year. Of course, as the Rabbi theorizes, that means "wise choose to invest in projects that promise the quickest results." The harvest mindset works well if we are happy with the status quo but will cause us to fail if the object is to change lives of our societies.

Consider Elon Musk. Talk about "Changing Lives!!!" Without his incredible engineering and leadership skills... brilliant concepts to improve life and health on Planet Earth... prodigious ability to raise capital and persuade governments and institutions to support those ideas... and recently announced partnership with NVIDIA and Saudi Arabia... and investing his profits to create business opportunities that will not scale and reach significant profitability for several years... our lives would be dramatically different.



*Optimus meets Optimist!!! A super charged fist bump to open Baron Capital's 32nd Annual Investment Conference..."Changing Lives." Optimus and Ron. Lincoln Center. New York City. November 14, 2025.*

Rockets that can be reflown over and over again can achieve the lowest cost to orbit... soon cheaper than airline flights on Planet Earth... a low earth orbit broadband communications satellite network... electric vehicles... orbital data centers with low cost cooling and power served by SpaceX... satellites to protect our homeland... massive satellites to capture energy from our sun... robots much smarter than humans that will perform tasks the rest of us want to avoid... and to perform them better than humankind... and who knows what else he will conjure... What is clear? Elon and others like him, no one is exactly like him, of course, will change the course of human history.

According to Rabbi Lorge, we are in a "season of disorientation." Where it is possible to achieve what is seemingly impossible... the Rabbi suggests a mindset of "unreasonable hope."

**"Every time you come on,  
you bring clarity, enthusiasm,  
and a level of thoughtfulness  
that genuinely helps people  
understand the world  
they're investing in. It's why  
viewers lean in when you  
talk and why we always look  
forward to having you."**

*Andrew Ross Sorkin. Co-Host CNBC's  
Squawk Box. November 15, 2025.*



## Letter from Ron

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I apologize for the late publishing of this letter. Preparing for a sole half hour interview on **CNBC's Squawk Box** with anchors Becky Quick, Andrew Ross Sorkin, and Joe Kernen preceding our 32nd annual conference required more prep time this year than usual. When I appear on *Squawk Box*... generally two or three times a year... I outline points I want to discuss before appearing live. This year there was so much to discuss and preparing to be the sole guest on *Squawk Box* was time consuming. Time spent preparing for that CNBC appearance... and a live broadcast interview with Elon after lunch... and my keynote speech in midafternoon delayed this letter. My speech followed "surprise" lunchtime performances by country singer Shania Twain... comedian Sebastian Maniscalco... and Broadway stars Kelli O'Hara and Sutton Foster, and P!nk at the end of the day. You have no idea how hard it is for me to work on my afternoon presentation during lunch rather than watch the performances by spectacular artists I chose... One more thing, all expenses of the day including performers, three Tesla door prizes, scream truck ice cream, and swag are paid by Baron Capital... not by you!

Another even more demanding effort than prepping for CNBC was writing and editing what I considered my most important conference speech to date, "Changing Lives." That Mission statement actually took three months to draft!!! ... and I was still "editing" while I was delivering the speech that afternoon!!! Editing is generally not as hard as drafting. Speeches just need to be bullet points, not lengthy explanations and require ruthless cutting. My writing coach, whose principal business is writing political speeches, encourages me to be direct and eliminate sentences, paragraphs and thoughts. His best advice? "Ron, I have never watched an audience leave a speech regardless of how wonderful telling each other, 'Wow, what a great speech. ... if only it were five minutes longer...' " My target is 20 to 25 minutes.

Finally, preparing for a one-hour broadcast interview with Elon that afternoon... although I expected the conversation to be fun... made it hard for me to sleep for several days. That's because Elon's businesses in which we have invested have "changed

our lives"... **Tesla** with its **FSD**... full self-driving EV cars... enormous fast growing energy storage industrial batteries and, soon, **Optimus** robots... **SpaceX** with its re-flyable rockets and **Starlink** satellites that provide broadband to every square inch on our planet... and who knows what else like data centers in space to save cooling and energy costs and enormous satellites that capture energy from the sun to use on Planet Earth... and **X.AI** data center with **GROK** Ai foundational model... were all complicated... and growing very rapidly... and I had **15 years** of digital notes to study and distill into an hour-long interview!!!

"Faster than a speeding bullet" was the phrase used in the Superman television series of my youth. That's how fast Elon is growing his businesses... and continuing to add elements that embed his hardware and services deeper into workflow and lives of his customers... truly "changing lives" is how we think of him.

Several times after Elon opened a new factory... or implemented innovative production lines or manufacturing processes... until the factory or production lines employing those processes scaled and achieved remarkable results, he slept on the floor of his factory... for weeks or months. Elon has been telling us for years that what is most important as a manufacturer of technology hardware is to focus on "the machine that makes the machine." Which he thinks is more important than focusing on the product! Focus on the most efficient manufacturing processes will result in the best product design in his opinion. In addition to his attention to all details of manufacturing processes... he is proud to call himself a "supply chain guy" when few regarded that as important. This allowed him to solve supply disruptions during the past few years when others struggled with these issues. When you become a customer of Elon's, which most of us will, it will be obvious that he has achieved these goals.

You should not feel sorry for me for the time I spent preparing for my conversation with Elon. It was incredibly stimulating to review and absorb all Elon and I and his executives have spoken about since meeting him in 2010. Or for Elon either in his efforts to "change lives" for the rest of

us. Elon's businesses' mission has morphed to "sustainable abundance" for humankind who inhabit Planet Earth. That's from "sustainable energy." Mine is to "Change Lives" of our clients and employees by making them financially secure. Elon has been the biggest contributor to our effort earning us about \$13 billion profits... 25% of our \$52 billion realized and unrealized gains so far as of 10/31/2025... and we expect to earn at least 5 times more by 2035. No guarantee obviously... but that's the target. We managed only \$100 million in 1992... compared to \$44 billion at present. We have clearly been very lucky.

*Squawk Box's* Becky Quick told me last year that when she was interviewing an awesome midwestern investor, who has been investing even longer than I have, she mentioned to him that she had interviewed me a week ago. His response? *"I really admire how Ron tries to teach individuals investing concepts... and business ownership... not stock trading."*

Elon posted my discussion with him at the "Changing Lives" Baron Investment Conference that afternoon on X. It received **35 million views!!!** Man, o man. That guy has Star power. It's no wonder that Gwynne Shotwell, SpaceX CEO, refers to him as StarMan. Michael Dell posted as well and got 1.5 million views. Most comments were complimentary to Elon.

Three years ago, when Elon announced he intended to purchase Twitter, he was roundly criticized. Baron had already made \$7 billion in gains in Tesla and SpaceX. I then called him to discuss that purchase. When he described the rationale, which provided him an opportunity due to Twitter data to build the Grok AI foundation model... and massive data centers, in addition to its town-center function, I told him we would like to invest \$100 million in that acquisition. His response? "Really? This will take a while to work out but I'm confident it will." Over the next two years we invested an incremental \$235 million in X.AI financings, which then acquired Twitter which had been restructured and renamed "X." As of November 20, 2025, our \$335 million investment has a current value of \$1.4 billion!!!! Pretty neat for a business for which Elon received so much criticism.

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**"I do regard you as true friend. The test of friendship is who supports you when chips are down and times are tough and everyone is against you. That's a real friend... and that's you Ron."**

*Elon Musk. 32nd Annual Baron Investment Conference. November 14, 2025.*

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We met Elon Musk in 2010 when he and his bankers visited us during Tesla's IPO roadshow. We chose not to invest at that time. Although Elon impressed us as an immensely talented engineer/physicist/executive, we were skeptical that he would be successful introducing electric vehicles. This was because powerful and politically strong groups including car dealers... internal combustion engine automobile manufacturers... carbon energy businesses... unions... and politicians stood in opposition to Tesla. Regardless, since we considered Elon a singular leader, we continued to research, study, and visit both businesses.

When Tesla's Model S sedan gained wide acceptance from 2014-2016, we made our principal investments in Tesla. We have been investing in SpaceX from 2017 through today. When we began to invest in SpaceX, that business had not yet landed and reflowed its Falcon 9 rocket...although it would within a year.

Elon has obviously accomplished an heroic task of managing businesses that now offer a vast variety of products and services. Because we have been following the progress of these exponentially growing businesses with open-ended opportunities closely for more than fifteen years. We have accumulated notes that if printed from my digital notebook would be several inches thick. Which is why it so difficult to prepare for only a one-hour interview with him.

**"I really enjoyed your recent interview with Elon Musk. Congrats on your amazing foresight and patience backing Elon and all his endeavors."**

*Lead portfolio manager global growth funds at one of the largest U.S. financial firms. November 16, 2025.*

"When I took over managing the team that runs global growth funds 27 years ago, you were kind enough to have lunch with me. I appreciated it then and would love to have lunch with you again. I think you are probably the only actual long-term investor left standing! You have set a wonderful example for our industry."

**"WOW!!! Simply wow. Deepest congratulations on another phenomenal conference. Where else can one spend time with Optimus, Harley from Shopify, and Sutton Foster??? Only at Baron Funds' annual event."**

*Lynn Martin. President New York Stock Exchange.*

"I cannot wait to host you on December 15 for the bell for **Baron First Principles ETF listing on NYSE**. It will be my honor to share a podium."

In recent weeks, I found myself reflecting on that sermon drawn from **Psalm 126**, a text that has accompanied the Jewish people through centuries of uncertainty and renewal. The psalm contains a line many of us know well: *"Those who sow in tears will reap with sounds of joy."* **The essence of Psalm 126 is delayed gratification, generational thinking, unwavering belief in the compounding of effort... which is also the essence of long-term investing.**

Respectfully,



Ron Baron  
CEO

November 20, 2025



**Risks:** All investments are subject to risk and may lose value.

Portfolio holdings as a percentage of net assets as of September 30, 2025 for securities mentioned are as follows: **NVIDIA Corporation** - Baron Durable Advantage Fund (8.1%), Baron Fifth Avenue Growth Fund (12.7%), Baron Global Opportunity Fund (10.0%), Baron Opportunity Fund (13.2%), Baron Technology Fund (14.1%); **Tesla, Inc.** - Baron Fifth Avenue Growth Fund (4.3%), Baron Focused Growth Fund (9.7%), Baron Global Opportunity Fund (1.9%), Baron Opportunity Fund (6.0%), Baron Partners Fund (33.2%\*), Baron Technology Fund (5.2%); **Space Exploration Technologies Corporation** - Baron Asset Fund (6.3%), Baron Fifth Avenue Growth Fund (1.5%), Baron Focused Growth Fund (11.6%), Baron Global Opportunity Fund (10.4%), Baron Opportunity Fund (4.5%), Baron Partners Fund (18.1%\*); **X.AI Holdings Corp.** - Baron Asset Fund (3.2%), Baron Fifth Avenue Growth Fund (0.8%), Baron Focused Growth Fund (2.2%), Baron Opportunity Fund (1.2%), Baron Partners Fund (0.7%\*); **Shopify Inc.** - Baron Fifth Avenue Growth Fund (5.2%), Baron FinTech Fund (2.5%), Baron Focused Growth Fund (3.6%), Baron Global Opportunity Fund (5.7%), Baron Opportunity Fund (1.7%), Baron Technology Fund (1.3%).

\* % of Long Positions.

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

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