

## BCFN Baron Financials ETF — Portfolio Manager Q&A

There is an ongoing shift toward active solutions in the Exchange Traded Fund (ETF) market. Investors seek liquid, tax-efficient products that deliver alpha<sup>1</sup>. Baron Capital launched a range of active ETFs on December 12, 2025 that meet this need. These ETFs apply our proven approach in a new format. With a long-term track record of outperformance and a disciplined investment process, we believe we are well positioned to meet this evolving demand.



**Josh Saltman**  
VP, Portfolio Manager

### To begin, could you provide an overview of Baron Financials ETF?

The ETF, BCFN, is a conversion of Baron Fintech Fund, which we have managed since its launch at the end of 2019. Its investment philosophy closely aligns with that of the mutual fund and with the Baron Capital investment approach.

The Fund was focused on the fintech space, which we defined as the intersection of financial services and technology. Baron Financials ETF, will continue to invest in what we see as competitively advantaged growth companies that fall into this category via the same fundamental strategy. It will primarily focus on financial businesses that leverage technology, data, and innovation to help them grow more quickly and better serve their customers over the long term. Financials is a category that is largely dominated by passive index products, and we believe this ETF offers a differentiated solution for investors looking for active sector strategies at a lower fee.<sup>2</sup>

The ETF invests across many financial subsectors: banks, insurance, capital markets, payments, information services, and financial software. Several of these themes include capital light businesses, which we believe offer strong growth, higher margins, and durable competitive advantages. The holdings

are split between what we believe to be “Leaders” and “Challengers” to help balance the portfolio’s overall risk profile. We see Leaders as generally larger, more established companies with stable growth rates, higher margins, and moderate valuation multiples. Challengers are generally smaller, earlier-stage companies with the potential for higher growth rates, lower margins, and premium valuation multiples.

### What is the investment philosophy of Baron Financials ETF?

First, it is important to mention that our value-add has been in identifying fast-growing companies that possess durable competitive advantages and economic moats that cannot easily be replicated, and that have high-quality management teams at the helm. The financial sector is generally comprised of traditional banks and insurance companies, which are typically low-growth, undifferentiated, and often held back by regulatory requirements.

Baron Financials ETF will invest in financial and financial-related companies with demonstrable competitive strengths and strong growth prospects. These businesses either provide services to financial firms or are financial services companies themselves, using technology, data, and innovation to grow more quickly and better serve their customers. This approach is strongly aligned with Baron Capital’s investment philosophy, which is focused on identifying companies with outsized growth opportunities, durable competitive advantages, exceptional management teams, and compelling valuations.

This core philosophy is well suited for investing in financials. As one of the largest sectors of the economy, the financials space offers a multitude of growth opportunities. However, we believe many of these are being overlooked by investors who invest passively or focus primarily on the large-cap companies that comprise most of the sector's market capitalization, which are typically banks and insurance companies that usually offer limited growth and undifferentiated business models.

### What is the investable universe for Baron Financials ETF?

We focus on the subset of financial services companies that grow faster and generate higher margins and returns on invested capital. We also invest in companies that may not be formally classified as financial services, but that we view as financial-related businesses. These include data analytics and software firms that may be officially categorized as technology companies but are facilitating financial transactions or selling into the financial services vertical. Such businesses have benefited from the unprecedented level of digitization and innovation occurring across a significant part of the financial sector.

### Can you share some examples of companies held in Baron Financials ETF?

We believe the companies in the ETF will have significant competitive advantages and offer compelling long-term growth opportunities. These include payment companies such as **Visa Inc.** and **Mastercard Incorporated**, both of which have built global brands and networks that took decades to establish. They are asset-light, high-margin businesses that have consistently generated strong returns on invested capital. Other holdings include rating agencies such as **Moody's Corporation**, a century-old brand that has gained the trust of the marketplace, and index providers with unassailable market positions, such as **S&P Global Inc.** and **MSCI Inc.** Similarly,

software and analytics company **Fair Isaac Corporation (FICO)**, has developed its brand and market presence over decades, and is now deeply embedded into the consumer finance ecosystem.

The ETF also holds positions in a range of industry innovators with high switching costs and significant pricing power, including **Intuit Inc.**, a leading provider of accounting and tax preparation software, **MercadoLibre, Inc.**, the leading e-commerce marketplace and fintech provider in Latin America, and online brokerage firm **Interactive Brokers Group, Inc.**

### What are your views on the long-term growth opportunity for Baron Financials ETF?

The financial services industry is one of the largest in the world, representing \$23.7 trillion in market capitalization<sup>3</sup>. Despite financial services companies spending more on technology than those in any other sector (over \$900 billion globally),<sup>4</sup> the digital transition remains in its early stages. The industry is still ripe for disruptive innovation. The scale of this potential transformation is hard to overestimate, given many industry incumbents have been around for decades and, in some cases, centuries, and have yet to fully adapt.

We invest in businesses that are capitalizing on secular trends, including the digitization of banking and insurance, the electronification of capital markets, the shift to electronic payments, the increasing use of data and analytics, and software-driven automation.

There is significant dispersion in how far along businesses are in this digital evolution, and this creates major opportunities for companies to either help incumbents advance their digitization strategies, or invest in the winners that are already leading the way. Baron Financials ETF seeks to invest in those companies that are either at the forefront of this transition and have the competitive advantages required to maintain market leadership, or in those that are helping others catch up.

<sup>1</sup> Source: Nasdaq “ETFs Are More Active Than You Think”. As of 11/13/2025. ETFs can be more tax efficient compared to traditional mutual funds. When assets are delivered from the ETF via an in-kind transfer, no capital gains are realized. This can allow investors more control over the timing of their tax liabilities based on when they sell their position in the ETF. Please consult your tax advisor or financial professional for more information.

<sup>2</sup> As of 06/06/2025 ETF.com reports that passive ETFs now control the majority of U.S. equity allocations, creating systemic effects across sectors, including Financials. Financials typically make up 10–15% of the S&P 500, so every passive fund tracking the index automatically allocates to them.

<sup>3</sup> Source: FactSet Research Systems Inc. as of 9/30/2025.

<sup>4</sup> Source: Gartner Enterprise IT Spending by Vertical Industry Market, Worldwide, 1Q25 Update.

*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 ETF and can be obtained from the Fund’s distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting [BaronCapitalGroup.com](http://BaronCapitalGroup.com). Please read them carefully before investing.*

**As stated within the Supplement to the Summary Prospectus, Prospectus and Statement of Additional Information dated August 18, 2025, on December 12, 2025, Baron FinTech Fund® was converted from a mutual fund into an exchange-traded fund, Baron Financials ETF™.** The ETF has an identical investment objective and substantially similar investment strategies as the predecessor mutual fund. This and other information can be found in the fund’s prospectus.

**Risks:** In addition to general market conditions, FinTech companies may be adversely impacted by government regulations, economic conditions and deterioration in credit markets. Companies in the Information Technology sector are subject to rapid changes in technology product cycles; rapid product obsolescence; government regulation; and increased competition, both domestically and internationally, including competition from foreign competitors with lower production costs. The IT services industry can be significantly affected by competitive pressures, such as technological developments, fixed-rate pricing, and the ability to attract and retain skilled employees, and the success of companies in the industry is subject to continued demand for IT services. 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. 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, resulting in greater share price volatility. 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.

This information does not constitute an offer to sell or a solicitation of any offer to buy securities.

**Investors generally incur the cost of the spread between the prices at which shares are bought and sold. Buying and selling shares may result in brokerage commissions which will reduce returns.**

Prior to trading in the secondary market, shares of the fund are “created” at NAV by market makers, large investors and institutions only in block-size Creation Units. Each “creator” or “Authorized Participant” enters into an authorized participant agreement with Baron Capital, Inc. Only an Authorized Participant may create or redeem Creation Units directly with the fund.

**Investors buy and sell shares of ETFs at market price (not NAV) in the secondary market throughout the trading day. These shares are not individually available for purchase or redemption directly from the ETF. Baron Capital, Inc. serves as the distributor of the Creation Units for the ETFs on an agency basis. Baron Capital does not maintain a secondary market in Fund’s shares.**

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