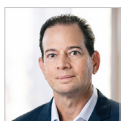


# BCSM Baron SMID Cap ETF — Portfolio Managers Q&A

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.



**Laird Bieger**  
VP, Portfolio Manager



**Randy Gwartzman**  
VP, Portfolio Manager

## To begin, why are you launching a SMID-cap active ETF

**Randy:** For us, launching this SMID-cap active ETF is an organic way to leverage the experience, expertise, and continuity we have developed over decades—while making the strategy accessible in a vehicle that aligns with how many clients and investors prefer to engage with active management today. Our research has always centered on early-stage companies, and we typically continue following these businesses as they grow into the mid-cap range.

## Could you give an overview of Baron SMID Cap ETF?

**Laird:** Baron SMID Cap ETF, BCSM, has the same investment philosophy as Baron Discovery Fund, which we have managed since 2013. The key distinction is that Baron Discovery Fund is a small-cap strategy, whereas Baron SMID Cap ETF focuses on small- and mid-cap (SMID) companies. So, the ETF is essentially a natural extension of our investment process. As companies progress from small- to mid-cap in line with our expectations, they can transition between our portfolios, allowing us to

remain invested in businesses that continue to meet our criteria and capture their growth potential over a longer time period.

This ETF provides investors with opportunities not only in emerging, scalable businesses that we think have high growth potential, but also in those that are more established and often carry a lower risk profile. We find companies in fast-growing areas of the economy such as medical devices, cybersecurity, software-as-a-service, and the internet, by combining a thematic approach with research-intensive stock selection.

The ETF is well-suited for investors seeking the potential for a balanced growth profile and a proven, active risk-managed approach.

## Why is there a compelling opportunity for SMID-cap investing?

**Laird:** Many SMID-cap companies are under-researched because they are underfollowed by Wall Street. As an active growth equity manager with extensive research capabilities to spot promising companies early on, we believe this relative lack of coverage gives us an advantage. A primary goal of active management is to add value by capitalizing on market inefficiencies. With many SMID-cap company stocks flying under the radar, the resulting inefficiencies make this space particularly attractive to active managers. When compared to large caps, stock returns of smaller companies tend to be driven more by company-specific factors and less so by broader industry and market events. This means a skilled stock picker who is able to understand and evaluate a company's idiosyncrasies may find more opportunities in this asset class.

## What is the investment philosophy of Baron SMID Cap ETF?

**Randy:** The ETF focuses on SMID-cap companies that have the potential to become tomorrow's market leaders. Our integrated approach to managing risk in a volatile asset class balances exposure across three growth profiles<sup>2</sup>, with companies we believe will generate predictable revenue and cash flow representing the largest positions.

Our investment approach is closely aligned with Baron Capital's core philosophy of identifying companies with outsized long-term growth potential, strong competitive advantages, exceptional management teams, and compelling valuations.

## What experience and expertise do you both bring to Baron SMID Cap ETF?

**Randy:** We bring decades of developed experience, expertise, and continuity as portfolio managers. We each have 28 years of experience in investing, portfolio construction, and research—most of it gained at Baron Capital.

Our respective sector expertise is complementary. For example, Laird is a specialist in consumer discretionary/staples, real estate, general industrials, and application software. While I have expertise in covering health care, semiconductors, systems software, advanced industrials, automotives, alternative energy, and aerospace and defense. We both cover industrials. Our work is further supported by Baron Capital's in-house research team of 25 analysts, whose deep knowledge and capabilities we leverage to conduct robust due diligence on each investment.

**Laird:** Additionally, central to our success has been maintaining a balanced exposure to higher-growth and moderate-growth companies. We take a disciplined approach to valuation and position sizing, and continuously monitor our holdings through rigorous ongoing analysis.

## Could you expand on your approach to risk management?

**Laird:** There are six key tenets to our risk management approach. First, sector exposure is broadly aligned to the benchmark, as we look to create value through fundamental investment in individual stocks rather than by making sector calls.

Second, we balance the strategy across our three growth profiles—moderate growth, higher growth, and other. “Moderate Growth” typically includes franchises that are more established with cash flow growth potential of 15% to 20%. “High growth” comprises newer businesses with novel products or services and a higher risk/return profile, expanding revenue potentially by more than 20% annually. The “other”

category includes companies that our analysis indicates are less correlated to the market, as well as “fallen angels” and special situation investments. These holdings should have a lower beta than those in the other two categories, which may help reduce volatility.

Third, we focus on position sizing. We ensure that no single holding exceeds 4% by weight for an extended period of time. Typically, the 10 largest holdings will account for around 30% of assets.

Fourth, we focus on valuations. We will perform extensive analysis to assess a company's value on a one-, three-, and five-year basis, with particular emphasis on the longest period of the three. We invest only when we believe a company's price offers the potential to double our investment over four to five years. Similarly, when a holding reaches our long-term target, we trim the size of the position and reallocate capital to opportunities that we see have greater potential for appreciation. We focus on maintaining a strong pipeline of ideas.

Fifth, we focus on due diligence. We undertake a huge amount of rigorous, in-depth research through consistent dialogue with management teams, customers, and competitors, while also leveraging our expansive network of industry experts.

Sixth, we believe the best risk management starts with knowing our portfolio companies and an active investment approach. We look for predictable revenue and cash flow in our largest positions.

## Could you share some examples of companies held in Baron SMID Cap ETF?

**Randy:** Within the defense space, **Kratos Defense & Security Solutions, Inc.** is a preeminent defense technology provider that we believe is well positioned for accelerated multi-year growth due to its investment in rapidly expanding areas of the defense industry.

Within the software and cybersecurity space, the ETF holds positions in **SailPoint, Inc.** whose software manages enterprise identity governance, and **Samsara Inc.**, a cloud-based platform that supports commercial vehicle telematics, video-based driver safety, driver workflow automation, and industrial equipment monitoring, which may continue to benefit from the ongoing movement of software to the cloud, which should enable it to establish recurring revenue streams with strong cash-flow growth potential.

Other holdings include health care companies such as **Insulet Corporation**, which provides wearable self-contained insulin injection systems that change diabetic patients lives.

## How does Baron Cap SMID ETF stand out as a differentiated solution for investors?

**Laird:** We believe the ETF is differentiated by its long-term active management approach, robust risk management framework, and the depth of research that underpins its portfolio, with the goal of identifying high-quality companies. This discipline is also intended to help us take advantage of market inefficiencies and uncover overlooked SMID-cap gems with compelling valuations.

<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.

The three growth profiles are high growth, moderate growth, and other.

The benchmark is the **Russell 2500 Growth Index**, which measures the performance of the growth segment of the Russell 2500 Index, which includes approximately 2,500 small- and mid-cap U.S. companies.

The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

*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.*

**Risks:** Securities issued by small and medium-sized companies may be thinly traded and may be more difficult to sell during market downturns. The risk of investing in special situations is that the anticipated development does not occur or its impact is not what the Adviser expected.

**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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