

BCEM Baron Emerging Markets Select 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 alpha¹. Baron Capital launched a range of active ETFs in 2025 that meet this need and continues to add strategies. 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.



Michael Kass
Portfolio Manager

Why are you launching an Emerging Markets active ETF?

Investors are looking for truly active, targeted growth strategies in a vehicle that is liquid, tax efficient, and transparent. Baron Emerging Markets Select ETF (BCEM) meets this need.

BCEM employs the same philosophy and investment process that I use in the broader Baron Emerging Markets Strategy, which I have managed since 2011 and currently has about \$3.54 billion in assets. Both strategies hold investments in China, Taiwan, Korea, India, LATAM, and other Southeast Asian countries.

The main difference is that BCEM is a more concentrated version of the broader strategy. It will have fewer holdings and therefore have larger position sizes. It will also generally exclude less liquid or more speculative positions.

What experience and expertise do you bring to Baron Emerging Markets Select ETF?

In addition to Baron Emerging Markets Strategy, I also manage Baron International Growth Strategy and I have spent nearly four decades managing global portfolios at asset management firms and hedge funds.

Emerging markets investing requires navigating a wide range of policy, regulatory, liquidity, and volatility dynamics, which can shift more quickly than in developed markets. An effective investor needs to have experienced these dynamics through multiple market cycles to manage this asset class thoughtfully and avoid reactive decisions.

Emerging markets investing also requires experienced resources. I am supported by Anuj Aggarwal, the assistant portfolio manager for Baron Capital Emerging Markets Strategy, and a team of five research analysts who are focused exclusively on emerging and global markets. Anuj has 18 years of research experience and close relationships with entrepreneurs in India—an important market for this ETF. His local perspective and network, including being born and raised in India, give us greater understanding and access to the market. As a team, we maintain regular contact with business owners, investors, analysts, and even government officials. Their insights are an important part of our research process, and I think it differentiates us from other managers in this space.

Why do you think investing in emerging markets represents a compelling opportunity?

After several years of underperformance, emerging market equities had a strong year in 2025 and in the first quarter of 2026. Last year, the MSCI Emerging Markets Index rose about 34%, roughly double the return of the S&P 500². We believe this reflects the early stages of a broader inflection point, supported by attractive valuations, strong growth prospects, and a number of earnings catalysts that we think are sustainable.

The first catalyst is that we're moving into this more geopolitically driven world where security needs are superseding economic and corporate optimization³. This new era of deglobalization requires significant capital investment across energy, food, manufacturing, and strategic commodities. As capital rotates back into industrial and real asset-oriented sectors—areas where more resources are in emerging markets—we are seeing the asset class regaining leadership.

Second, the AI ecosystem in emerging markets is expanding beyond the well-known semiconductor names in Taiwan and Korea. A broader set of companies are participating in advanced computing and delivering these products at a much cheaper price. This is beginning to attract global investors, including in the U.S., as a differentiated way to participate in evolving AI opportunities.

Third, India remains a compelling structural growth story despite recent underperformance. It continues to benefit from powerful tailwinds, including digitization, localization, economic formalization, and a growing entrepreneurial class, alongside economic-enhancing productivity reforms. Together, these are creating what I would say is escape velocity for many of its leading companies.

The last catalyst is China, which has adapted to deglobalization by focusing on value-added industries such as advanced technology, automation, and next-generation manufacturing. While we remain underweight China overall, we are selectively concentrated in those areas where we see significant long-term value creation potential.

In addition to these catalysts, we see a supportive macro backdrop. The U.S. dollar is under pressure amid policy shifts to bring back manufacturing and reduce the current account deficit. Historically, a weaker dollar has been closely correlated to EM outperformance and, in our view, is another reason we think the emerging market opportunity is sustainable.

How does active investing stand out in this landscape?

Emerging markets is a large and diverse asset class with more than 10,000 companies. While broad indexes and passive investors can benefit from the catalysts and themes I just mentioned, they often overlook important nuances. Each country reflects a distinct mix of economic, regulatory, cultural, and governmental factors, which means secular growth themes can play out very differently across regions.

This creates a compelling opportunity for active managers to identify investments earlier, position ahead of inflection points, and adapt as conditions evolve. Anticipating these

opportunities before valuations adjust—and capturing the associated earnings potential—requires a forward-looking active approach rather than a reactive one.

Could you give an overview of BCEM?

Baron Emerging Markets Select ETF is an active emerging markets growth equity strategy focused on long-term capital appreciation. It combines Baron Capital's bottom-up, fundamental research approach with forward-looking theme identification to focus on high-impact growth opportunities. We also take a multi-faceted approach to risk management, which is critical to EM investing given the magnitude of unexpected volatility that can take place, especially compared to developed markets.

What is the investment approach of BCEM?

We begin by constructing the portfolio around a dozen or so secular or country-specific growth themes. As I've mentioned, we see these opportunities in deglobalization, AI, India, and value add in China. We take a forward-looking approach because we are absolute-return minded and want to identify opportunities at an early stage. Through this lens, we then allocate to businesses we find fundamentally compelling over the long-term.

Our forward-looking orientation is a key distinction. We want to identify inflection points early—a trend that's likely to lead to material value creation through rising pricing power or revenue growth—before they are reflected in market pricing, which we believe is critical to capturing the full return potential of an opportunity. Our approach differs from many other EM managers, who often use screens to guide their sector or country positions. These screens tend to be backward-looking. Consequently, they can miss inflection points as they are developing.

At the stock level, we look for entrepreneurial businesses with strong fundamentals and long-term growth potential. Our approach is in line with Baron Capital's firmwide philosophy. We look to add alpha through bottom-up research, but we are especially interested in visionary leaders and differentiated businesses.

Could you expand upon how you manage risk in the ETF?

Given the complex mix of geopolitical, economic, and financial factors in emerging markets, a successful approach must actively manage risk. We use a risk management overlay designed to mitigate volatility and manage risk of capital loss, built on four tenets.

First, we prioritize investing in higher-quality businesses—those with strong returns on capital, lower balance sheet leverage, and limited reliance on external funding. Companies with these characteristics tend to be more resilient across various economic conditions.

Second, as I discussed already, we anchor the portfolio in durable, forward-looking themes supported by structural tailwinds. This helps us focus on companies and industries whose fundamentals are likely to improve over time.

Third, we closely monitor global liquidity conditions, including currency and sovereign credit risks. We evaluate factors such as margin of safety and fundamentals through a fixed income lens, seeking to anticipate macro shifts before they appear in valuations so we can make adjustments proactively. This helps us understand system-level risks that can influence equity multiples, capital flows, and volatility.

Lastly, we apply a disciplined approach to initiating, scaling, trimming, and exiting positions. This reflects, in part, my hedge fund experience, and an emphasis on absolute return.

Even when risks are not yet reflected in valuations, we incorporate macro and geopolitical insights to adjust positioning, ensuring the portfolio remains aligned with evolving conditions.

How do you decide to initiate an investment?

We typically conduct several months of due diligence before initiating an investment. This includes meeting with management and conducting on-the-ground research to develop a deep understanding of how a business operates, the risks it faces, and its competitive advantages. Like I mentioned, we emphasize investing in companies with entrepreneurial management, durable competitive advantages, capital efficiency, and shareholder friendly governance.

Quantitatively, we target investments positioned to generate at least 15% annualized returns over the next three-to-five years. To assess this, we build a company-specific model focused on revenue growth drivers, capital structure, cost structure, and outlook for profitability. We then stress test returns under different scenarios.

Position sizing ultimately reflects both company-specific conviction and broader portfolio considerations, including both thematic and geographic exposures.

Can you share some examples of portfolio holdings?

I'll start with **TSMC (Taiwan Semiconductor Manufacturing Company)**, the world's first dedicated semiconductor foundry. The company introduced a groundbreaking business model in 1987 and, despite increasing competition over time, has maintained its leadership through superior technological execution and operating efficiency. TSMC is highly exposed to some of the fastest-growing areas of the global economy and exhibits strong fundamental characteristics, making it a core holding in the portfolio. Today, the company controls approximately 60% of the global semiconductor foundry market and maintains a near-monopoly in manufacturing.

Another example is **Credicorp**, the largest financial services group in Peru. The company provides a broad range of financial services and holds leading positions across key segments of the domestic market. Favorable demographic trends—including increasing banking penetration and rising income levels in the region—are expected to further support demand for financial services, positioning the company to benefit from structural tailwinds. In addition, Credicorp has a high-quality management team, aligning well with our focus on investing in exceptionally managed businesses with strong competitive positioning.

What are the key advantages of investing in BCEM?

BCEM reflects Baron Capital's long-standing focus on investing in high-quality growth businesses led by value-creating entrepreneurs. The relatively scarcity of high-quality businesses in emerging markets actually enhances the opportunity for active differentiation. Our disciplined, research-driven process has been a key differentiator in this asset class.

Another differentiator is our forward-looking, theme-driven framework. With that lens, we set the compass and then look for bottom-up opportunities among a much narrower set of investment candidates. This approach helps us identify substantive inflection points and focus on areas where structural change is most likely to drive meaningful returns on invested capital.

In a rapidly evolving landscape shaped by policy shifts, liquidity cycles, and structural transformation, we believe an active, forward-looking approach is essential to capturing the full opportunity set and optimizing risk-adjusted returns.

¹ 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.

² MSCI Emerging Markets Index returned 33.98% in 2025 and approximately 5% in Q1 2026. S&P 500 total return for 2025 was 17.88%.

³ McKinsey & Company (2026) notes that multinationals are integrating geopolitical intelligence into core decisions, viewing instability and trade uncertainty as equal or greater threats than macro or digital risks.

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. Please read them carefully before investing.

Risks: In addition to the general stock market risk that securities may fluctuate in value, 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. 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. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund.

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

The Fund’s top ten holdings and their respective weightings are as follows: **Franklin FTSE India ETF** (14.82%), **Taiwan Semiconductor Manufacturing Company Limited** (13.73%), **Samsung Electronics Co., Ltd.** (6.47%), **Tencent Holdings Limited** (3.64%), **SK hynix Inc.** (3.26%), **ISC Co., Ltd.** (2.37%), **Itaú Unibanco Holding S.A.** (2.30%), **Alibaba Group Holding Limited** (1.89%), **Credicorp Ltd.** (1.71%), and **Southern Copper Corporation** (1.65%).

Holdings are subject to change and may not represent current or future portfolio composition.

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.

The views expressed reflect those of the portfolio manager. 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.

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