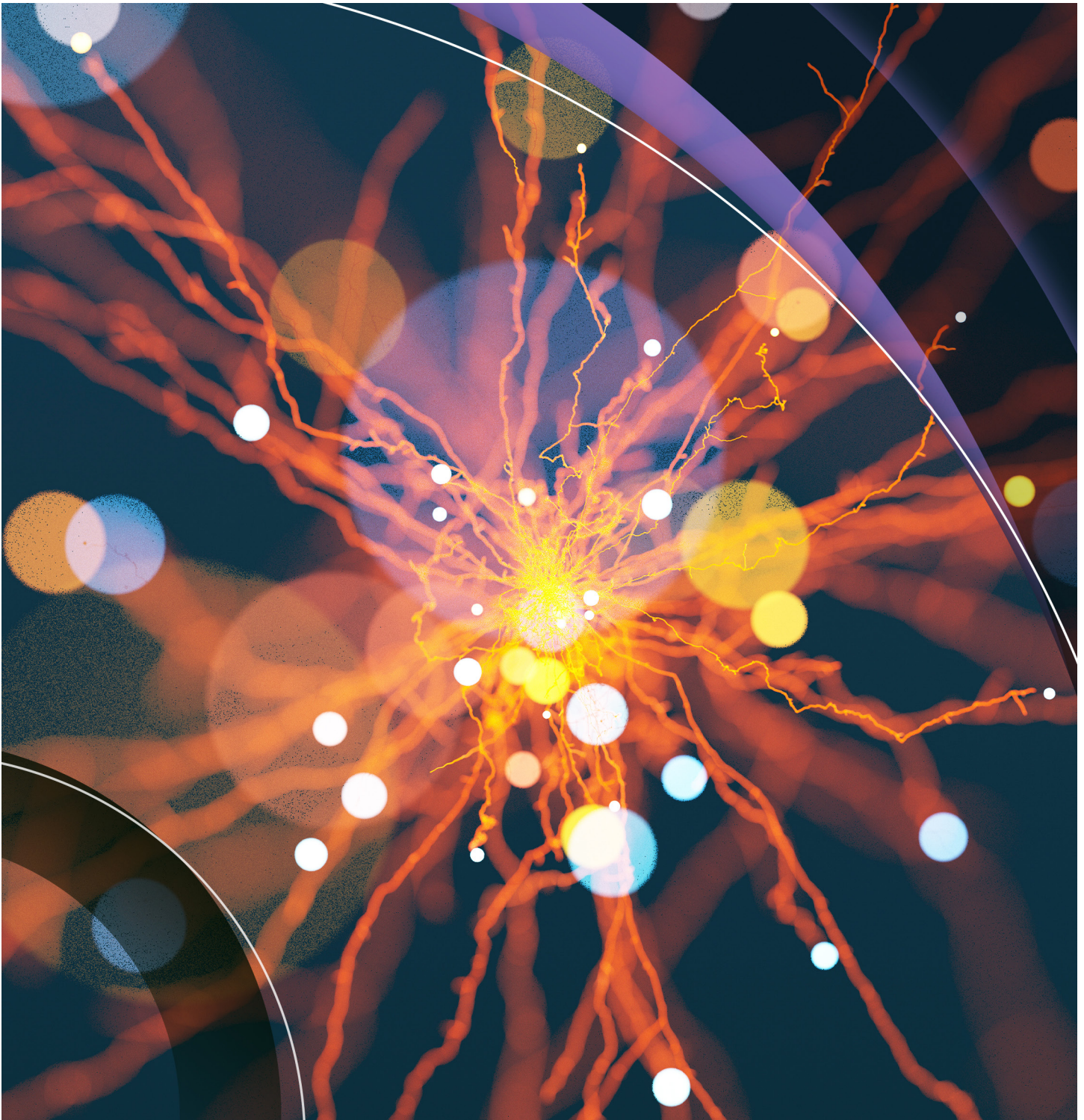


IN DEPTH | SPRING 2026



The AI Disruption: A Long-Term Opportunity



Uncertainty about AI-driven disruption has been a primary driver of market performance in early 2026. Investors, lacking visibility into the long-term impact of accelerating AI capabilities, sold off whole industries on the fear that AI tools would replace their business models. In contrast, areas of the market with exposure to positive AI trends—such as semiconductors and infrastructure—appreciated significantly. We believe this dispersion in the markets between “AI winners” and “AI losers” (**Exhibit 1**) was driven by misunderstanding and fear. More important, in our view, this short-term perspective overlooks long-term investment opportunities in both groups.

In AI winners, companies across sectors—including Financials, Real Estate, Health Care, and Industrials—are benefiting from a generational change in how individuals interact with technology. These companies are providing crucial elements in the AI buildout or have successfully adopted AI capabilities into their businesses. They have been rewarded by the markets, but we believe that their growth potential is much larger—and will last much longer—than investors realize.

On the other hand, we believe many companies that have borne the brunt of AI displacement fears—the AI losers—have resilient strengths, including visionary management, competitive moats, and sustainable growth opportunities. These strengths may help them not only survive AI disruption but profit from AI advancements. We also note that, after recent market volatility, many are priced at what we view as attractive valuations despite solid fundamentals.

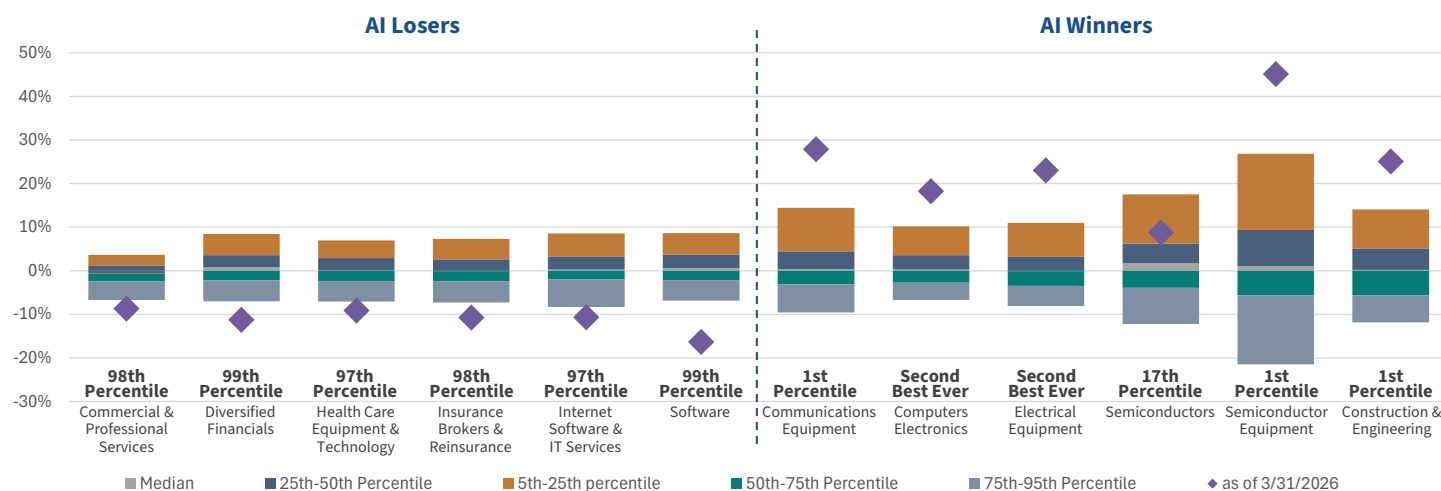
As bottom-up investors, we focus on secular growth trends that disrupt industries and create sustained, profitable growth opportunities—not geopolitical events (e.g., Iran-U.S. conflict) or sentiment swings. In our survey of industries recently impacted by AI, we describe why AI winners may offer more growth potential than widely perceived, while select AI losers may be underestimated and have competitive strengths that could emerge and deliver long-term outperformance. For skilled, patient investors, we believe the current environment offers extraordinary opportunities as the market eventually separates genuine AI losers from misperceived ones.

Technology

While semiconductors and infrastructure are direct beneficiaries of the AI revolution, the software industry has been experiencing its most dramatic valuation re-rating since the dot-com era. The median public software company fell about 25% in the first quarter of 2026, and multiples compressed to 10-year lows (**Exhibit 2**).¹ This decline has been largely indiscriminate—driven not by deteriorating fundamentals but by fear that AI will disrupt software incumbents. AI disruption is a viable concern, but not all companies face the same degree of risk. Some will be disrupted, some will prove resilient, and some will emerge as significant beneficiaries.

Exhibit 1: Industry Performance in Q1 2026 Hit Historic Extremes*

3-Month U.S. Factor Performance Relative to History Dating Back to 1996



As of 3/31/2026.

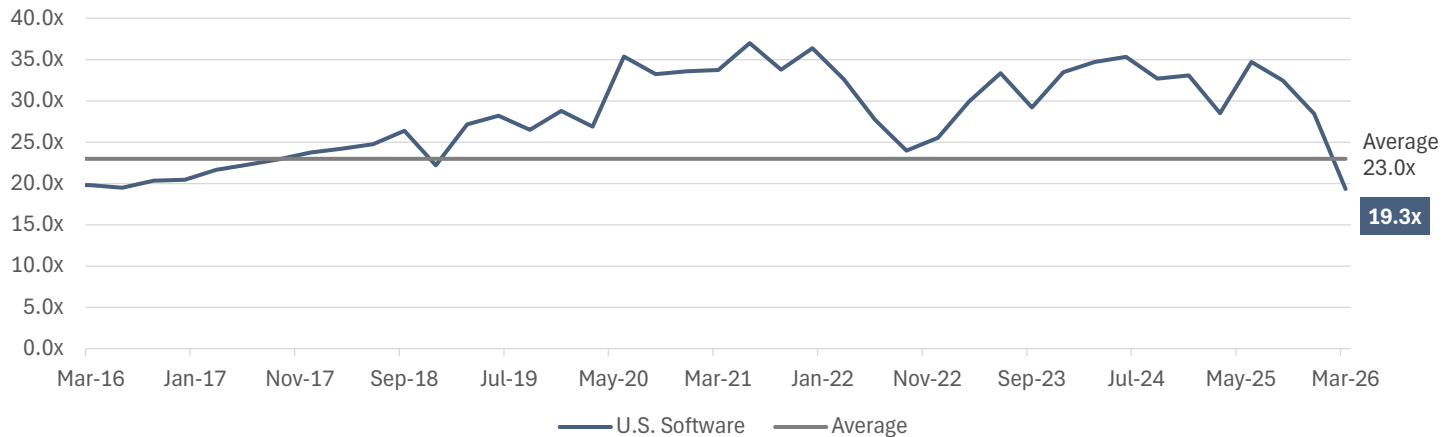
Sources: Barra and Baron Capital.

*MSCI Barra and Baron Capital analysis. Chart shows rolling 3-month MSCI Barra U.S. industry factor returns relative to each industry factor’s own history since 1996. Colored bars represent historical percentile bands of rolling 3-month returns; purple diamonds show the 3-month return as of March 31, 2026. Percentile labels rank historical 3-month returns from strongest to weakest, so lower percentiles indicate stronger relative performance and higher percentiles indicate weaker relative performance. Barra industry factor returns are model-derived and are not investable index returns.

¹ FTSE Russell.

Exhibit 2: Software Multiples Declined to a Decade Low in Q1 2026

Software Industry in Russell 3000 Index: Historical FY1 P/E Multiples



As of 3/31/2026.

Source: FTSE Russell.

We recently attended company and industry conferences, participated in expert panels and technical sessions, and spoke with IT teams at Fortune 500 companies and global systems integrators to better understand how AI adoption is expanding across workflows and budgets. We also met with venture capital investors and domain experts. This level of corporate access informs not just individual stock decisions but the broader analytical framework we apply across our strategies.

One of our conclusions is that companies in technology infrastructure (AI winners) have more growth potential than the market recognizes. Multiple AI scaling laws remain intact—across pre-training, post-training, inference-time compute, context windows, and memory—and frontier AI labs continue to demonstrate strong improvements in model capability with each successive generation. This demand continues to fuel the infrastructure buildout, which is of historic proportions. Leading technology companies have collectively guided to about \$650 billion to \$700 billion of capital expenditures in 2026, triple the level from two years ago. The vast majority of these investments are directed at AI data centers, semiconductors, and networking.²

This buildout has benefited many companies directly and indirectly, such as those that produce custom silicon. Broadcom confirmed an expanded agreement with Alphabet for next-generation Tensor Processing Units (TPUs) and a deal to supply approximately 3.5 gigawatts of compute capacity to Anthropic. Amazon's custom chip business—spanning Trainium, Graviton, and Nitro—has reached a \$20 billion annual revenue run rate, representing triple-digit growth rates.

One of the most important questions for investors in 2025 was whether the hundreds of billions of dollars devoted to

AI infrastructure would yield a worthwhile return. In 2026, evidence appeared that a return-on-investment (ROI) inflection is underway. Anthropic's Opus 4.5 release dramatically accelerated AI inference and triggered a surge in corporate AI adoption and model use. Anthropic's annualized revenue rate jumped from about \$9 billion at year-end 2025 to over \$30 billion as of early April 2026, with more than 1,000 enterprise customers spending over \$1 million annually—a figure that doubled in under two months. As of the first quarter 2026, OpenAI was generating \$2 billion in monthly revenue, ChatGPT's weekly active user base had exceeded 900 million, and its coding agent was serving over two million users, up five times in three months. Both companies are investing aggressively in compute, with expected capacity buildouts of 5 to 6 gigawatts each by year end.

These results surprised many investors who, in our view, are still underestimating the true potential of AI growth. On the other hand, we believe investors are too pessimistic about software.

Software market performance in the first quarter was largely driven by multiple compression rather than fundamentals, reflecting fear-based narratives about potential AI disruption. This overlooks, in our view, that many software companies have differentiated proprietary data that is inaccessible to outside AI applications. The companies can leverage this data to compound their competitive advantages, which can include more effective AI-driven analysis because they have highly accurate, verifiable (i.e., deterministic) data. In addition, the software beneficiaries will be market-share leaders growing faster than competitors, with pricing models aligned to usage or outcomes rather than headcount, and led by talented founders with the authority and willingness to self-disrupt.

² Baron Capital, the companies.

Emerging Markets

Many emerging market (EM) companies play a crucial role in the AI value chain. Memory and leading-edge logic, the two most important enabling technologies, are disproportionately supplied by EM companies, which is driving the asset class's share of AI spend higher.

Taiwan and Korea are well-known centers of semiconductor manufacturing, and smaller EM companies produce critical components for the ongoing development of advanced computing, advanced semiconductor design, manufacturing, packaging, bonding, and testing. Over the past year, EM companies have begun to outperform the U.S. hyperscalers and the Magnificent Seven complex, given their increasing share of AI spend. This performance, in turn, is attracting global investors, who are seeing emerging markets as a more diversified way to participate in the AI theme. Given our view that AI's potential is still underestimated by investors, however, we believe select EM companies in the AI value chain are opportunities.

China, largely independent of the U.S., is developing its own AI ecosystem. This system is a couple of years behind the U.S. because the Chinese do not have access to leading-edge semiconductors and technology. However, due to these constraints, the Chinese have been forced to develop solutions that have delivered strong results for significantly less capital than deployed in the U.S. Agentic AI capabilities are starting to emerge in the region as well and are being employed across the country, offering opportunities to investors.

China has a number of other significant advantages as well. The Chinese economy offers a large addressable market with exposure to more than a billion consumers, and China has aggressively followed a roadmap for energy development and production. China's engineering and technology skillset is deep, and its technology hardware is catching up to the U.S. We believe this AI opportunity will drive productivity growth within China, creating value and opportunity for investors who are on the ground level looking for bottom-up opportunities.

The U.S. and China are in a competition to see which AI ecosystem is adopted by the rest of the world, since regions like Europe, Canada, and Latin America do not have an organic source of AI potential and development. These regions have been U.S. allies but, as U.S. foreign policy continues to evolve, they are beginning to explore a deeper relationship with China. The global competition for share remains early, but we believe some applications that are not nationally security dependent could gain popularity in the rest of the world, benefiting select Chinese companies.

Chinese internet service companies, for example, are among the largest gaming companies in the world, often combining their gaming offerings with social platforms and thus benefiting from virtuous network effects. They can deploy AI tools across their gaming and social media services to improve both engagement and monetization.

Financials

In the Financials sector, potential disruption from AI weighed on many subsectors, including financial data providers, insurance brokers, and wealth managers. Alternative asset managers faced higher redemption requests from retail investors due to concerns in their private credit business about lending standards and exposure to software companies facing AI risks.³

Financial software and information services companies sold off after Anthropic's release of specialized Claude Cework plug-ins, which enable AI to function as domain-specific analysts across legal, finance/accounting, sales/marketing, and customer support. This development caused investors to worry that AI agents could directly replace expensive human-

led, subscription-based business workflows. Accounting and tax preparation software providers, along with data analytics companies, fell dramatically as a result.

Within these pockets of extreme underperformance, several companies with strong competitive characteristics were punished as well. As their advantages are combined with AI tools to outperform competitors, increase market share, and drive growth, we believe these companies will ultimately be recognized by the markets. As technology adoption accelerates, the gap between outperformers and underperformers within Financials is already widening. Firms that are embracing and using transformative technologies are expected to grow three

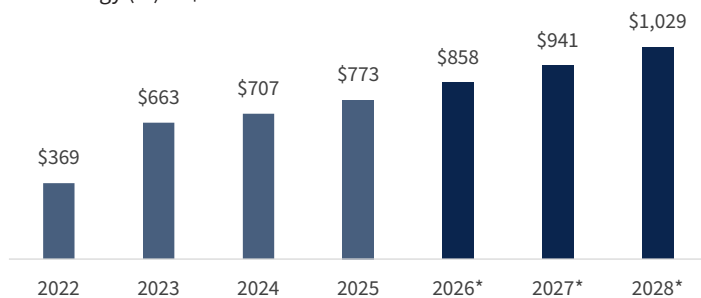
³ Reuters, "Blue Owl limits withdrawals from two funds after historic surge in redemption requests," April 2, 2026; Reuters, "US banks raising borrowing costs for private credit funds as AI fears pummel valuations, sources say," March 31, 2026; Bank for International Settlements, "Private credit's software lending meets AI disruption," BIS Quarterly Review, March 16, 2026.

times faster than traditional banks from 2023 to 2028.⁴ Notably, since the Global Financial Crisis, the number of capital-light, service-oriented companies—rather than traditional branch-based institutions—among the top 25 financial businesses has more than doubled, indicating that the industry shift is already well underway.

Looking forward, we believe financial companies are poised to be among the primary beneficiaries from the explosive growth in AI capabilities. Many are well-capitalized, have ample access to cash flow and expertise, and have massive datasets that are well suited for AI-driven applications. Financial services firms continue to invest heavily in innovation. The sector spent \$425 billion on technology as of year-end 2024, more than any other industry, and that figure is projected to rise each year (**Exhibit 3**). This is creating strong tailwinds for financial businesses positioned to capitalize on tech-driven change—an opportunity that we believe has been largely underestimated by the markets.

Exhibit 3: Financials Are Lead Investors in Technology

Annual Spending by Banking and Investment Services on Information Technology (IT) in \$B



*2026-2028: Forecasted. Source: Gartner Market Statistics "Forecast: Enterprise IT Spending for the Banking and Investment Services Market, Worldwide, 2022-2028, February 2, 2026 Update."

Real Estate

In the first quarter of 2026, tangible assets emerged as AI winners. Real Estate, for example, tends to offer greater near-term certainty and lower risk of AI-driven disruption compared to segments of the digital economy. Investors purchased asset-intensive businesses—HALO (heavy assets, low obsolescence)—including select REITs, homebuilders, and residential building products companies. Some REITs were relatively insulated from AI-related disruption, benefiting from well-covered dividends, contracted cash flows, annual rent escalators, and other structural advantages. At the same time, the asset class was supported by several secular themes: higher demand for data centers, an aging population (boosting Health Care real estate), housing affordability pressures (increasing rental demand), suburbanization (benefiting retail), and the rise of remote work (fueling storage needs).

We note, however, that concerns about AI-driven disruption did pressure some parts of the sector. Providers of information and marketing services to the commercial and residential real estate industries fell, as did companies that provide brokerage services and advisory and consulting. Many of these companies, however, remain high-quality opportunities—the declines were not reflected in the fundamentals, which remained solid.

As AI tools improve and usage rises, AI-driven change will continue to impact Real Estate. While visibility remains limited, we see potential beneficiaries in:

Data centers: AI workloads are driving explosive demand for data center real estate around the world. Given the many factors needed to make a data center site suitable—including power sources, water, favorable regulations, and government support—this real estate can be extremely valuable.

Industrial: AI's physical manifestation—robotics, chip manufacturing, and supply chain automation—will require more industrial facilities (hubs that can accommodate robotics and on-site servers).

However, real estate categories that may face AI-related headwinds include:

Office: The long-term prospects for office real estate are mixed, in part since AI-driven automation and hybrid work models may lead to reduced traditional office demand.

Residential: AI infrastructure may reshape regional housing markets—job loss may weaken some residential markets, while other markets attracting large AI campuses may see housing demand spike.

We have been selective with the addition of office and residential companies due to AI-related job loss concerns and our expectations for superior long-term growth prospects in other segments of Real Estate. In certain instances, however, individual office and residential real estate companies are considered for purchase if we view them as attractively valued and offer prospects for solid population and job growth, which should lead to improvements in occupancy, rents, and cash flow growth.

Lastly, though Baron Capital does not predict the path of interest rates, we note that AI could lead to greater productivity and lower numbers of workers for companies. This runs counter to the Federal Reserve's mandate for full employment, and AI-driven job loss may result in a secular trend toward lower interest rates.

⁴ McKinsey & Company as of 12/3/2025.

Health Care

Health Care is one of the largest sectors in the U.S. economy, accounting for almost a fifth of GDP in 2024. Health Care encompasses a diverse array of sub-industries, and it is a dynamic sector undergoing changes driven by legislation, regulation, and advances in science and technology. Health Care companies can also be responsible for a range of tasks, from administration, to diagnoses, to drug development, to patient experience, to billing. Given the scale and expense of these operations, investors have long recognized the potential beneficial applications of AI.

In 2026, however, the stocks of certain Health Care companies were punished because of investor concern about potential AI-driven disruption. These included companies that offer AI-driven diagnostic solutions—such as AI algorithms to enhance cancer screenings—as well as companies that sell products and services used in scientific research and companies that offer AI-guided, robotic support for surgical procedures. As in other sectors, we believe these AI losers have been diagnosed prematurely.

We believe AI is not a threat but a tool that can improve business operations and generate breakthrough discoveries. Health Care companies hold enormous amounts of proprietary data that can provide fertile areas for AI-driven analysis. AI can help accelerate drug development and, ultimately, drive overall R&D investment higher. For firms that specialize in diagnostic imaging, AI can reduce the time required to conduct and review scans, as well as enhance accuracy of diagnoses. This could increase capacity while enabling earlier and more effective cancer detection.

Technology companies have recognized the potential of AI in Health Care. NVIDIA and Lilly, for example, have announced a partnership to help discover new medicines and improve clinical trials, and Lilly executives have cited AI for identifying inefficiencies in the company's drug manufacturing processes.⁵ In mid-April, OpenAI launched model GPT-Rosalind, which specializes in biology knowledge and scientific research. The model is designed to “help research accelerate the early stages of discovery” and, among other objectives, shorten the drug development timeline.⁶

The federal government is also supporting AI use in Health Care. In April, the FDA announced that it will launch an AI pilot to accelerate clinical trials of medicines. The agency expects AI can help companies collect and submit study data in real time, supplanting a normally laborious and often manual process. This can also make studies more accessible to companies with

fewer resources and outside traditional study centers. The potential benefits are significant. More than 90% of candidates fail drug clinical trials, and drug discovery can cost hundreds of millions of dollars and require several years.⁷

These examples show why Health Care offers some of the largest—and least understood—opportunities for AI-driven change.

Industrials

While industrial firms have been relatively unexposed to AI disruption, they have benefited from the growth of AI infrastructure. Non-residential construction spending is currently being driven by favorable trends in data center building, as well as the reshoring of manufacturing and other industrial categories, which we believe can continue for several more years. Federal and state-level funding for new and existing projects continues to support steady growth in infrastructure-related spending. AI is driving electrical load growth for the first time in 20 years, which is also leading to demand for grid modernization, electrification, and broader energy independence globally.

We believe these secular tailwinds are more powerful than generally recognized in the markets, and well-run and competitively advantaged companies that provide skills, services, and products into infrastructure are opportunities. The manufacturers of specialized equipment used in data centers, the power grid, and energy-intensive industrial applications will also benefit. (About 1,500 data centers are under construction in the U.S. and, as noted, hundreds of billions have been allocated by U.S. technology companies for further data center investment.⁸) Suppliers of basic raw materials used in construction and infrastructure development (crushed stone, sand, and gravel for concrete and asphalt) are seeing strong demand. Finally, the demand for energy to power data centers has led to a renewed interest in previously moribund industries, such as nuclear power.

Industrials also offer exposure to robotics, which can fulfill a large number of relatively simple, repetitive tasks (e.g., manufacturing) and are a focus of leading technology companies. Industrials are also using AI to improve their operations (e.g., in food processing). Finally, industrials provide niche, valuable labor skills needed for infrastructure capex, from electricians to nuclear engineering.

Industrials have typically been considered relatively safe from AI disruption because the work is driven by materials and labor, but also because of the nature of risk-tolerance in the space. Many of the companies have deep, long-lasting

⁵ Peter Loftus, “The Quest to Use AI to Help Find New Drugs,” *The Wall Street Journal*, May 2, 2026.

⁶ Judy Babu, “OpenAI launches AI model GPT-Rosalind for life sciences research,” *Reuters*, April 16, 2026.

⁷ Brian Gormley, “FDA Turns to AI to Speed Up Clinical Trials,” *The Wall Street Journal*, April 28, 2026.

⁸ Peter Rudegeair and Kate Clark, “AI Investor Coatue Joins Data-Center Frenzy With New Venture to Buy Land,” *The Wall Street Journal*, May 1, 2026.

relationships with customers based on reliability and trust. It is notable that industrial production has real-world consequences that set high standards for work quality and materials. Companies have strong incentives to avoid experimentation or risks because a failure—from shoddy construction, to accidents, to code violations—can have long-lasting, even catastrophic consequences.

Competitive Advantages in an Era of AI Disruption

We believe AI accelerates disruptive change, reduces barriers to entry, and makes it easier for companies to copy features and functionality from competitors. We also believe, however, that structural, competitive moats remain durable and many are widening. Simpler product- or workflow-based moats, in contrast, are becoming less defensible. As we have discussed, we believe investors have largely underestimated the competitive resilience of many companies that have been caught in fear-driven selling. We have identified several competitive advantages that will help companies not just survive AI disruption, but flourish because of it. These advantages include:

- 1 Unique, deterministic, and proprietary data.** Data—proprietary, clean, secure, well-organized, and accessible—has been called the “new gold for companies.”⁹ In the AI era, we believe companies that can capture or create unique, proprietary data have an enormous competitive edge. These companies can generate revenue by selling their data for independent ratings, research, risk management, and analytics. Management can use increasingly sophisticated AI tools to analyze the data and develop new products, competitive insights, and strategic initiatives. Software companies with access to private customer data may generate better solutions or answers to queries. (It may also be unsafe, illegal, or out of policy for a company to use an external model, or to allow that external model to have access to its proprietary information.) The gap between the data “haves” and “have nots” is widening. In many companies, data is continuously generated as a byproduct of serving customers and cannot be replicated by a foundation model trained on public sources.
- 2 Regulation.** Heavily regulated industries—such as health care and finance—make up a sizeable portion of the U.S. economy. Effective regulations are necessary for economic growth; they establish clear rules, build confidence, and encourage development. While regulatory environments will evolve, these companies

will always operate within a regulatory framework. They will need deep expertise, solid internal processes and controls, and regular contact with regulators and the regulatory process. They carry high barriers to entry and high switching costs. Health Care companies can be subject to extreme penalties for misuse or loss of patient information, and clinical trials and FDA approval may be required before Health Care software can be used. Financial companies must protect client data and defend themselves against fraud and cybercrime. Insurance companies rely on historical data for their analysis and models. Other companies must undergo rigorous regulatory procedures for specialty parts. After-market aerospace parts, for example, are critical to their customers even though they represent a small fraction of the overall cost. In this case, the question is not whether a customer can switch, but whether it is in their best interest to do so.

- 3 Network effects.** Companies that effectively meet the needs of participants create networks that are not easily replaced or replicated. Online markets, trading, and social media platforms bring together participants by serving their exclusive needs. These networks become more efficient and useful as more participants join, deepening their competitive advantages. Online market platforms, for example, benefit from network effects by attracting a high number of loyal consumers, which attracts merchants, who offer the widest variety of products at competitive prices. This attracts more loyal consumers and so on, resulting in a beneficial, upward spiral. On social media, active users with consistently high engagement can be more effectively targeted by advertisers, which results in high returns for ad expenditures. On exchanges, the wide availability of contracts and healthy volumes creates liquidity, which attracts more traders to the platform, which creates more contracts and liquidity, which benefits the traders. Companies that run payment networks connect millions of businesses with billions of consumers globally, enabling seamless commerce. In each of these examples, it is extremely difficult for a competitor to establish a rival network that can attract the number of participants (and thus generate the scale) needed to be successful.
- 4 AI enablers.** As companies look to leverage AI for their businesses—a critical, idiosyncratic, and complex task—some will look to new breeds of software companies. These companies integrate with and service their clients’ needs, tailoring and improving their offering through feedback, rather than selling an off-the-shelf

⁹ Kolawole Samuel Adebayo, “Why Proprietary Data Is the New Gold for AI Companies,” *Forbes*, Feb. 25, 2025.

software package. Such software provides high ROI and auditable security compliance at a reasonable cost. Even if cheaper, Large Language Model (LLM)-coded software solutions became available, they would still have to be integrated and maintained into the enterprise's architecture, and they would have to link to outside LLMs for AI capability (which could be more expensive, and risky, to run). We believe that these companies will become even more valuable in an agentic AI world, where software autonomously executes tasks based on user goals, operates with its own enterprise privileges, and must be monitored and controlled.

5 Manufacturing complexity and accumulated know-how. Many of the leading-edge components of technology require deep expertise, experience, and resources. These represent self-reinforcing competitive moats that have been developed over decades and are, in the current environment, unlikely to be successfully challenged. These companies enjoy a self-reinforcing cycle: the higher yields of their chips attract more customers, which enables the company to earn higher cross-cycle returns on its investment (while the diversity of its customers also reduces the overall cyclicity of the business). This funds more R&D, which enables the company to develop the next generation of chips more quickly and with higher yields than competitors, which widens their lead further. Competitors would have to make an extraordinary investment to build fabrication facilities, which would take years to construct. The facility would have to be staffed by an expert workforce that would produce sophisticated chips efficiently enough to be competitive. Even this might not be sufficient, because the company would need to win enough customers to amortize fixed costs and accumulate yield-learning data. In the meantime, lead chip developers will have innovated further, widening the capabilities gap. Rising chip complexity increases the switching costs for customers, as changing suppliers would take years, add major costs, and risk product delays, which could negatively impact their competitive positioning. Companies that design, develop, and supply semiconductors have also spent years building co-design relationships, custom silicon, and networking capabilities.

6 Switching costs. Companies must consider the potential advantages of new AI capabilities with the potential risks of switching. In some cases, companies have sensitive, regulated information and processes that protect it. Other companies have deep relationships built on trust and reliability. In many cases, changing to a new AI solution would take years, add major costs,

and risk product delays. Some companies serve a very specific customer base and provide increased value by giving each customer the benefit of understanding (using hard-to-compile domain-specific data) what is going on in their industry. Platforms for service trades such as plumbing and HVAC, for example, can offer lead generation, job bookings, dispatching, estimating jobs, customer communications, and payments/financing. Each trade has its own specific characteristics and regional data on pricing, competition, service times, and contract terms. It is not easy to switch software with these capabilities, particularly because it helps businesses automate their processes and minimize the overall personnel needed. Another example, integrated construction software, is required by many major general contractors in order for subcontractors to be able to participate in a construction project. The software combines computer-aided design software blueprints with job scheduling, cost estimations, materials costs, and change order management. In this manner, the job site can be coordinated among all the different parties involved in the construction project. This community-oriented platform is not easily replaced.

AI Disruption: A Long-Term Investment Opportunity

AI is a generational paradigm shift in how enterprises and individuals engage with technology. While the lack of visibility into the impact of evolving AI capabilities led to sell-offs across an array of industries in the first quarter, we believe a number of companies have been oversold. Recent declines were valuation multiple compression rather than deteriorating fundamentals, and we believe the combination of geopolitical uncertainty and early stage AI apprehension has created an attractive buying opportunity for many companies. In addition, we believe the long-term potential of AI to increase productivity, strengthen businesses, and generate growth has been largely underestimated by investors.

During periods of heightened uncertainty, it is critical to maintain long-term perspective. This era is marked by change, but the characteristics of great companies remain the same. Going forward, we believe that, as the impact of AI becomes visible, investors will be able to correctly distinguish the AI losers from winners.

Ultimately, in our view, the true risk would be allowing short-term noise or rapidly shifting AI narratives to influence long-term decision-making. We continue to focus on companies whose competitive advantages that we believe are reinforced, not eroded, by the accelerating adoption of AI and whose business models support durable, compounding growth.

Stock Names and Rationales

These companies, which are held in Baron Capital strategies as of March 31, 2026, are examples of holdings that offer exposure to AI themes or competitive advantages.*

Company	Strateg(ies)	Rationale
 Advanced Energy Advanced Energy Industries, Inc. (AEIS)	Baron Discovery Strategy	Advanced Energy is a leader in power conversion and control, with strong market share driven by energy efficiency and power density in its core applications. The company remains well positioned for the current upcycle in semiconductor equipment business and is benefiting from a refocused data center business emphasizing high-value, sole-source solutions growing alongside AI infrastructure buildouts. Advanced Energy is also seeing signs of recovery in its industrial and medical markets, generates significant cash flow, and maintains an active acquisition pipeline.
 airbnb Airbnb, Inc. (ABNB)	Baron All Cap Focused Growth Plus Strategy Baron Focused Growth Strategy Baron Real Estate Strategy	Founder-led, high-growth branded global travel company participating in a large and growing addressable market. Airbnb is built on a disruptive platform leading to dominant market share, a highly valuable global brand and strong barriers to entry powered by an asset-light business model.
 Alphabet Alphabet Inc. (GOOG)	Baron Global Durable Advantage Strategy Baron Opportunity Strategy Baron Technology Strategy	Alphabet is the largest beneficiary of the secular shift in advertising from traditional media to online and mobile platforms. The company has processed and indexed more data than any other firm, leveraging its extensive datasets to improve products and expand into adjacent markets. Alphabet's scale, distribution, and talent position it to benefit from AI in both its core and cloud services businesses. YouTube provides exposure to the transition toward connected TV, while Waymo remains a leader in autonomous driving.
 amazon Amazon.com, Inc. (AMZN)	Baron Durable Advantage Strategy Baron Fifth Avenue Growth Strategy Baron Global Durable Advantage Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy Baron Technology Strategy	Amazon's market share of U.S. online retail sales is around 40%, while its share of global retail sales is less than 5%. Amazon has many avenues for revenue growth, including consumer staples, international expansion, grocery, digital media offerings, private label, pharmacy and Health Care services, advertising, and a better shopping experience powered by generative AI. Amazon also represents an opportunity to invest in the secular growth of cloud computing and the adoption of enterprise AI through AWS—a large, fast-growing, and margin-accretive part of the business.
 Amphenol Amphenol Corporation (APH)	Baron Asset Strategy Baron Durable Advantage Strategy Baron Fifth Avenue Growth Strategy Baron Global Durable Advantage Strategy	Amphenol has a strong history of shareholder value creation. The company benefits from its diverse end-market exposure and decentralized operating culture, supporting balanced performance across economic and market cycles. They create value by deploying around 50% of cash flow toward acquisitions in the fragmented sensor and connector space while returning the other 50% to shareholders through dividends and share buybacks. Most recently the company has benefited from its strong positioning in interconnects in AI servers, which we expect to drive continued strong growth.
 Arch Arch Capital Group Ltd. (ACGL)	Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Durable Advantage Strategy Baron Focused Growth Strategy Baron International Growth Strategy	Arch is led by an experienced management team with a successful track record across insurance cycles. The company excels at underwriting specialized policies and can nimbly shift its business mix to target the most profitable lines as market conditions change. Operating in a large global market, Arch is generating attractive returns across many of its product lines. Management has demonstrated strong underwriting discipline and capital stewardship, allowing Arch to maintain industry-leading returns on equity with less volatility.

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

Company	Strateg(ies)	Rationale
 ARISTA Arista Networks, Inc. (ANET)	Baron Opportunity Strategy Baron Technology Strategy	Arista is a key beneficiary of the AI infrastructure buildout, with NVIDIA as its only competitor in back-end networking. Additionally, Arista is gaining market share from legacy vendors like Cisco and Juniper. Its switch systems are built from the ground up to address large-scale compute infrastructure, offering better scalability and performance. Arista is a management-owned company with some of the industry's top networking talent, which positions it well to continue penetrating new accounts as companies transition to the cloud era.
 ASML ASML Holding N.V. (ASML.NA)	Baron Fifth Avenue Growth Strategy Baron Global Durable Advantage Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy Baron Technology Strategy	ASML is the clear leader in the photolithography space, with its equipment used by nearly all major semiconductor manufacturers. The company holds over 80% market share in deep ultraviolet photolithography and 100% market share in extreme ultraviolet systems—critical tools that enable continued improvement in chip performance, efficiency, and cost as transistor sizes shrink. In our view, ASML's next-generation high-NA EUV will extend its technological advantage and positions the company for continued lithography dominance at the leading edge of semiconductor production.
 Blackstone Blackstone Mortgage Trust, Inc. (BXMT)	Baron Real Estate Income Strategy Baron Real Estate Strategy	BXMT is an attractive yield vehicle with a dependable and growing dividend that's protected from rising interest rates. The company benefits from an improving commercial real estate market and tight credit availability. The company's large size and affiliation with Blackstone provide significant sourcing and underwriting advantages and low funding costs. The loan portfolio is growing rapidly and should produce attractive risk-adjusted returns. In contrast to most mortgage REITs, BXMT's floating-rate loan portfolio becomes more valuable as rates rise.
 BROADCOM Broadcom Inc. (AVGO)	Baron Durable Advantage Strategy Baron Fifth Avenue Growth Strategy Baron Opportunity Strategy Baron Technology Strategy	Broadcom's semiconductor portfolio is reaching an inflection point, driven by its AI solutions in networking and custom compute. We expect Broadcom to capture a significant share of most of the custom AI chip market, a market opportunity of hundreds of billions, and to grow VMware at a high-teens rate over the next few years. The rest of Broadcom's semiconductor business is recovering, and we expect other software segments to grow at a mid-single-digit rate. The company has best-in-class margins and cash flow, which it returns to shareholders.
 CBRE CBRE Group, Inc. (CBRE)	Baron Asset Strategy Baron Real Estate Strategy	We believe CBRE will gain meaningfully from the long-term recovery in the commercial real estate industry. Its leasing and investment sales units have high incremental margins, and we believe its profitability will improve with healthier end markets. We also believe the market underappreciates the value associated with CBRE's property management unit given its growing, highly recurring revenue stream and open-ended growth prospects. CBRE is also one of the world's leading managers of real estate assets.
 CLOUDFLARE Cloudflare, Inc. (NET)	Baron Fifth Avenue Growth Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy Baron Technology Strategy	Cloudflare's technology is 30% to 50% cheaper than that of peers, while its gross margins are 1,000 to 2,000 basis points higher. It is widely respected among developers, who migrate it from personal to enterprise use. These advantages allow Cloudflare to service about 25% of global internet traffic. We believe Cloudflare will maintain 25%-plus growth for several years given its unique technology and go-to-market strategy that is disrupting a \$181 billion market, along with the potential to attack a nascent Edge Computing market that could grow to \$10 billion in four years.
 CME Group CME Group, Inc. (CME)	Baron Durable Advantage Strategy Baron Financials Strategy Baron Global Durable Advantage Strategy	We believe CME should benefit as episodic market volatility and fluctuating interest rates lead to higher trading volumes. Bank capital requirements favor CME's centrally cleared securities over non-cleared OTC products. Its deep liquidity pools, vertical integration into post-trade clearing, and cross-margining benefits for customers represent high barriers to entry, in our view. CME produces significant free cash flow, which is being returned to shareholders through dividends.
 COGNEX Cognex Corporation (CGNX)	Baron Small Cap Strategy	Machine vision is a foundational technology that underpins advancements in AI, robotics, next-generation automotive production, e-commerce fulfillment, product traceability, counterfeit prevention, consumer electronics manufacturing, and life sciences. Cognex is the global leader in machine vision and invests heavily in R&D to sustain its leadership and expand into new markets. The company's competitive advantages include deep engineering expertise, an extensive patent portfolio, a strong distribution network, and the ability to service customers worldwide.

Company	Strateg(ies)	Rationale
 Coherent Corp. (COHR)	Baron Opportunity Strategy Baron SMID Cap Strategy Baron Technology Strategy	Coherent is positioned to benefit from secular communications tailwinds driven by AI data center buildouts, growing data center interconnect demand, increasing optical penetration within server racks, advances in optical switching, and the migration of traditional telecom networks to pluggable transceivers. In addition to these structural drivers, the company's operational initiatives—including margin expansion, debt reduction, and diversification of its global supply chain—continue to support its improving financial profile.
 CoStar Group, Inc. (CSGP)	Baron All Cap Focused Growth Strategy Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Focused Growth Strategy Baron Partners Strategy	CoStar has built a proprietary database through data collection over a 30-year period, creating high barriers to entry. We think CoStar's suite should grow at double digit rates, and we believe its Loopnet marketing platform can grow even faster. The company's Apartments.com platform is the dominant multi-family internet listing service and should grow revenue by more than 20%. CoStar expanded into residential, creating additional significant growth opportunities. Strong cash generation and a solid balance sheet also provide meaningful M&A optionality.
 Datadog, Inc. (DDOG)	Baron Fifth Avenue Growth Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy Baron SMID Cap Strategy Baron Technology Strategy	Datadog employs a viral go-to-market strategy and an expanding product line to generate growth through its land-and-expand business model. It is also rapidly increasing its platform capabilities with a broad use, single-pane-of-glass strategy. With strong secular trends, a large total addressable market, a flexible platform, solid unit economics, and a robust product line, we believe Datadog is well positioned to generate significant growth over the coming years.
 Digital Realty Trust, Inc. (DLR)	Baron Real Estate Income Strategy Baron Real Estate Strategy	Digital Realty enjoys strong growth prospects driven by cloud adoption, IT/data center outsourcing, and emerging AI applications. With a recurring revenue model, a sticky customer base with long-term leases, scale advantages, and a strong management team, we think Digital Realty is well positioned to take share. It offers a comprehensive suite of services through its acquisitions of Telx Group (network dense interconnection provider), Equinix (eight European assets), DuPont Fabros (U.S.-based wholesale operator), Ascenty (Brazil-based operator), and InterXion (Europe).
 Dynatrace, Inc. (DT)	Baron Discovery Strategy Baron SMID Cap Strategy	With its new platform, Dynatrace is better equipped to address complex use cases across multi-cloud, containerized, and hybrid environments. Estimates suggest only about 20% of enterprise applications are currently monitored, a figure expected to rise to 50% in the coming years. The growing application economy should drive greater monitoring demand as existing apps expand and new ones are developed. Dynatrace is well positioned to capture this opportunity through its differentiated platform, enterprise-grade solutions, expanding salesforce, and ongoing product innovation.
 Eli Lilly and Company (LLY)	Baron Health Care Strategy Baron Global Durable Advantage Strategy	We are investors in Lilly given its focus on industry-leading growth categories like diabetes, obesity, and oncology. Leading GLP-1 drugs Mounjaro and Zepbound offer superb blood sugar control for diabetics, can drive 20%-plus weight loss in obese patients, and improve cardiovascular outcomes in both diabetic and non-diabetic obese patients. We think GLP-1 drugs will become the standard of care for both diabetes and obesity, representing a \$150 billion-plus market.
 Enpro Inc. (NPO)	Baron Discovery Strategy Baron Small Cap Strategy Baron SMID Cap Strategy	Enpro's industrial businesses focus on high-margin, niche applications with recurring demand, supported by industry-leading brands. Its semiconductor businesses are similarly entrenched in specialized niches and are well-positioned to benefit from leading-edge investment and the reshoring of semiconductor production to the U.S. The company leverages strong free cash flow to acquire higher-growth businesses that can benefit from the Enpro platform, driving meaningful shareholder value creation over time.
 Equinix, Inc. (EQIX)	Baron Real Estate Income Strategy Baron Real Estate Strategy	Equinix benefits from several long-term secular trends, including increasing internet traffic, IT outsourcing, cloud computing, AI, and mobility. As data and customer needs become more global, Equinix should be able to leverage its leading global data center platform. We believe Equinix can continue to grow through new data center development, rent increases, and the addition of value-added services supplemented by accretive acquisitions that increase market penetration and reach.

Company	Strateg(ies)	Rationale
FACTSET FactSet Research Systems Inc. (FDS)	Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Financials Strategy Baron Focused Growth Strategy Baron Partners Strategy	FactSet serves only a small part of the addressable market, which we estimate at over \$20 billion annually. The company offers broader datasets and more advanced portfolio analytics than peers and has a highly regarded customer service model. FactSet has also been expanding into the fixed income and wealth management markets. The company's products are sticky, leading to retention rates of over 95% and high visibility. FactSet generates robust free cash flow, which it has returned to shareholders via share repurchases and dividends.
 Figma, Inc. (FIG)	Baron All Cap Focused Growth Plus Strategy Baron Focused Growth Strategy Baron Partners Strategy	Figma holds a dominant position in design with roughly 80% market share, representing about 85% of revenue, and has a key long-term opportunity to expand into non-designer adjacencies. The company is rapidly innovating in AI coding with Figma Make but must further improve the coding model, integrate it with Figma Design and Dev Mode to deepen enterprise value and retention, and develop a credit-based, lighter-featured version to serve smaller customers and prevent churn at the low end of the market.
 FIGS, Inc. (FIGS)	Baron All Cap Focused Growth Plus Strategy Baron Focused Growth Strategy	FIGS is disrupting the traditional Health Care apparel market through a combination of its strong brand, superior product and merchandising, and DTC business model. We see a long runway for growth as the company gains share domestically and expands internationally. We also like FIGS' strong margin profile, marked by high gross margins, low markdown and fashion risk, and an effective marketing strategy, which we believe can support mid- to high-teens EBITDA margins over time.
 Forgent Power Solutions, Inc. (FPS)	Baron Asset Strategy Baron Discovery Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy	Forgent differentiates itself by engaging deeply with customers during the design phase and delivering custom products in shorter lead times than standard offerings. This advantage is supported by its customer engagement model, manufacturing floor plan layout, and supply chain management. The company recently completed a footprint expansion to support up to \$5 billion in revenue, compared with roughly \$1 billion today, and demand remains robust. Even with excess overhead, margins are near best-in-class levels, with further room for expansion as growth scales.
Gartner Gartner, Inc. (IT)	Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Focused Growth Strategy Baron Generational Growth Strategy* Baron Partners Strategy	Gartner has a vast addressable market, which management estimates exceeds \$100 billion annually, implying a penetration rate of less than 3%. Information technology is rapidly changing and growing in strategic importance, leading users to turn to third-party providers for insight into trends. Gartner enjoys retention rates around 100% driven by the low price of its research relative to value. We think consistent execution in Global Technology Sales and improvements in Global Business Sales will help accelerate Insights growth toward double-digit rates over time.
 GDS 万国数据 GDS Holdings Limited (GDS)	Baron Real Estate Income Strategy Baron Real Estate Strategy	We believe that, as the preferred provider to Alibaba and Tencent, as well as other large global technology companies, GDS is poised to benefit from the explosive growth in cloud computing in China and abroad. Cloud adoption is still in the early stages in China, and GDS is capturing more than its fair share of incremental deployments due to its proven track record and carrier-neutral value proposition. Its first-mover advantage in southeast Asia, with recent lease signings from major U.S.-based global technology companies, provides a major growth runway ahead.
 Guardant Health, Inc. (GH)	Baron Health Care Strategy	We believe Guardant's liquid biopsy tests are superior to tissue biopsy because they are less invasive, do not require physical access to the tumor, are representative of the tumor's molecular profile, enable repeat sampling, have faster turnaround times, and support real-time monitoring. Competitive advantages include unique technology incorporating proprietary biochemistries and machine learning, demonstrated clinical utility, regulatory barriers, payer coverage, and commercial adoption. We believe the market opportunity for Guardant is >\$70 billion in the U.S.

* On September 30, 2025, Baron Small Cap Growth Strategy changed its name to Baron Growth Strategy. Then on June 1st, 2026 the strategy changed its name again to Baron Generational Growth Strategy.

Company	Strateg(ies)	Rationale
 GUIDEWIRE Guidewire Software, Inc. (GWRE)	Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Focused Growth Strategy Baron Generational Growth Strategy Baron SMID Cap Strategy	Guidewire is a small player in a vast addressable market and benefits from P&C insurers' need to upgrade 30-year-old systems. The company offers best-in-class functionality, as evidenced by its growing installed base and near-100% retention rates. After a multi-year transition period, we think Guidewire's cloud migration is largely complete, and we expect accelerating revenue, expanding margins, and improving free cash flow over the next several years. We believe recent M&A in the vertical software space supports a meaningful value creation opportunity for shareholders.
 HEICO HEICO Corporation (HEI)	Baron All Cap Focused Growth Plus Strategy Baron Durable Advantage Strategy Baron Global Durable Advantage Strategy	HEICO's niche products and services benefit from protected markets. The company has a time-tested strategy of compounding cash flow, driven by its commitment to long-term durable growth (both acquired and organic) and its unique, entrepreneurial culture. Since 1990 (when the current management team became involved), sales at HEICO have compounded at a 15% rate, and the company has completed over 95 acquisitions.
 InteractiveBrokers Interactive Brokers Group, Inc. (IBKR)	Baron All Cap Focused Growth Plus Strategy Baron Focused Growth Strategy	Interactive Brokers is gaining share due to its advanced technology, quality of execution, and low trading costs. We expect the company to continue growing rapidly through international expansion and as domestic RIAs depart traditional institutions to launch their own firms. Interactive Brokers' competitive advantage comes from automation through best-in-class software engineering, which enables it to offer industry-low costs to customers. Founder and Chairman Thomas Peterffy is well regarded and is the company's largest shareholder.
 ISC ISC Co., Ltd. (095340.KS)	Baron Emerging Markets Strategy	We believe ISC will be a key long-term beneficiary of the inexorable shift from pogo pin to elastomer sockets, which provide superior electrical performance, faster time to market, and lower cost for advanced chip testing. We expect the company to maintain over 70% market share—supported by first-mover advantages, superior technology, and unparalleled manufacturing scale—while growth is further driven by demand for leading-edge processors fueled by secular trends in AI and high-performance computing.
Jefferies Jefferies Financial Group Inc. (JEF)	Baron Focused Growth Strategy	Jefferies is a traditional investment bank with a history as a merchant bank in underserved areas. This background should position it to gain share as it expands into more conventional investment banking services. It has strong relationships in the small- and mid-cap markets, where many peers lack focus. Finally, a more favorable macroeconomic environment, following the Federal Reserve's pivot toward monetary easing, should boost financial sponsor deal activity. We expect Jefferies to improve earnings consistency as it attracts quality bankers, enhancing productivity.
 JLL Jones Lang LaSalle Incorporated (JLL)	Baron Real Estate Income Strategy Baron Real Estate Strategy	JLL has a reputable brand, sophisticated technology, a global platform, a deep bench of talent, and a solid balance sheet. Its scale and platform provide a strong competitive moat. In our view, JLL will benefit from eventual stabilization in interest rates and the economy, which should lead to improvement across business lines, particularly in leasing and capital markets. We think the company can grow EPS at a double-digit CAGR over the next few years, driven by a cyclical recovery, secular tailwinds, market share gains, operating leverage, acquisitions, and share buybacks.
 KINSALE CAPITAL GROUP Kinsale Capital Group, Inc. (KNSL)	Baron All Cap Focused Growth Plus Strategy Baron Discovery Strategy Baron Generational Growth Strategy Baron Partners Strategy Baron Small Cap Strategy	We believe Kinsale is a well-run insurer that should grow earnings and book value per share much faster than its peers. The company's focus on the attractive E&S market, underwriting discipline, and efficient technology platform enable it to rapidly grow premiums while delivering industry-leading underwriting margins. Management is highly regarded and has decades of experience in the E&S market. We believe Kinsale has a long runway for growth in an attractive segment of the P&C insurance market.

Company	Strateg(ies)	Rationale
 KKR & Co. Inc. (KKR)	Baron Fifth Avenue Growth Strategy Baron Financials Strategy Baron Global Durable Advantage Strategy	KKR has strong franchises in alternative asset management, having successfully diversified from its buyout roots into private equity, credit, and real assets. These strategies are in early stages of maturation, positioning KKR to raise over \$300 billion from 2024 to 2026 and eventually grow assets under management to more than \$1 trillion. KKR also owns an insurer, Global Atlantic, which should continue compounding as it leverages KKR's asset sourcing capabilities, driving growth in both fee and spread earnings.
 Lam Research Corporation (LRCX)	Baron Durable Advantage Strategy Baron Opportunity Strategy Baron Technology Strategy	Lam is a market leader in deposition and etch, two critical steps in semiconductor manufacturing, with particular strength in plasma etch, thin-film deposition (metal and dielectric) platforms, photoresist strip systems, and single-wafer wet and plasma-based cleaning products. As semiconductor capital spending grows over time, Lam is positioned to outpace the broader market as its technologies enable increasingly complex manufacturing requirements, including logic node transitions and new transistor architectures, DRAM node scaling, and rising layer counts in 3D NAND.
 Lumentum Holdings Inc. (LITE)	Baron Opportunity Strategy Baron Technology Strategy	As the market leader in laser production, Lumentum is capitalizing on its strong competitive position in a severely supply-constrained market. Additionally, the company is well positioned to lead two major technology transitions expected over the next two years: optical switches for data center communication and co-packaged optics for data center electrical switches. We believe Lumentum will remain a key beneficiary of the long-term secular shift toward greater optical communication penetration across AI infrastructure.
 Mastercard Incorporated (MA)	Baron Durable Advantage Strategy Baron Financials Strategy Baron Opportunity Strategy	Mastercard benefits from consumer spending growth and the secular shift from cash to electronic payments. Most of its revenue comes from international markets, where consumer spending and the adoption rate of electronic payments are rising quickly. Margins should continue expanding due to operating leverage. The company generates significant free cash flow, which it uses for acquisitions and share repurchases. Mastercard's well-established brand, ubiquitous acceptance network, and extensive banking relationships are significant competitive advantages.
 MercadoLibre, Inc. (MELI)	Baron Fifth Avenue Growth Strategy Baron Financials Strategy Baron Global Durable Advantage Strategy Baron Global Opportunity Strategy	MercadoLibre benefits from the emergence of two secular trends: e-commerce and digital payments. The company has a significant first-mover advantage and is investing aggressively in logistics to widen its competitive moat. Latin America is a predominantly cash-based economy with e-commerce penetration under 20%, and MercadoLibre has an attractive, asset-light marketplace business model. We believe the company's logistics network is a key competitive advantage, and we see a significant opportunity in the growth of its fintech offerings.
 Meta Platforms, Inc. (META)	Baron Durable Advantage Strategy Baron Fifth Avenue Growth Strategy Baron Global Durable Advantage Strategy Baron Global Opportunity Strategy	Meta owns unique social platforms with users that continue to demonstrate stickiness and high engagement. Advertisers want to be where users are, and Meta's ability to analyze, target, and show clear, demonstrable, and rising returns on investment makes the platform particularly attractive. We believe the company has significant room to further monetize its vast customer base, especially internationally. In addition, we believe Meta could be among the leaders in consumer AI with paths toward strong productization.
 Microsoft Corporation (MSFT)	Baron Durable Advantage Strategy	Over the past decade, Microsoft has transformed itself, refocusing the business on cloud computing and AI. Microsoft's commercial cloud business now represents over 60% of revenue and is growing around 20% to 25% year over year. The company's moat is built on the wide reach of its sales channel, diverse platform of software offerings, hybrid cloud capabilities, and the high costs of switching away from its solutions, which tend to be mission critical for customers. We believe Microsoft will benefit from the growing adoption of cloud for years to come.

Company	Strateg(ies)	Rationale
 MPS Monolithic Power Systems, Inc. (MPWR)	Baron Durable Advantage Strategy Baron Fifth Avenue Growth Strategy Baron Opportunity Strategy Baron SMID Cap Strategy Baron Technology Strategy	With a history of growing 10% to 15% above the analog semiconductor market—and holding only a single-digit share—MPS has a long runway for growth. We believe the company is still in the early stages of penetrating large and expanding end markets, including 5G, automotive, data center, and Internet of Things. MPS' deep system-level and application knowledge, strong design expertise, entrepreneurial culture, and proprietary process technologies enable it to deliver highly integrated, energy-efficient, cost-effective, and easy-to-use monolithic (single die) products.
 MOODY'S Moody's Corporation (MCO)	Baron Durable Advantage Strategy	Moody's benefits from the secular growth of bond issuance as global debt levels rise and bond markets gain share from unrated bank debt. We think the data and analytics business will generate steady growth from new sales, product upgrades, and price increases. Further, we believe margins should continue expanding due to operating leverage and efficiency initiatives. It uses excess cash flow for accretive acquisitions and share repurchases and dividends.
 MORNINGSTAR Morningstar, Inc. (MORN)	Baron All Cap Focused Growth Plus Strategy Baron Focused Growth Strategy	Morningstar produces strong free cash flow margins and benefits from significant barriers to entry. The high fixed cost of gathering and analyzing financial information keeps many competitors out, and the company has developed an inexpensive and scalable distribution platform. In our view, the company can continue topline growth and increase margins toward peer levels, driving strong long-term earnings prospects. We think Morningstar is well positioned to benefit from continued investor demand for data in the years ahead.
 MSCI MSCI Inc. (MSCI)	Baron All Cap Focused Growth Plus Strategy Baron Durable Advantage Strategy Baron Focused Growth Strategy Baron Global Durable Advantage Strategy	We believe MSCI, the de facto standard for measuring global market performance, is positioned to benefit from the continuing development of emerging markets, passive investing, sustainability, and the growth of global financial assets. We believe the company's indexes remain the global standard for cross-border investing and will continue to be selected by institutions when issuing new mandates. Both its index and multi-asset portfolio and risk analytics products are mission critical and deeply embedded in client workflows.
 NEBIUS Nebius Group N.V. (NBIS)	Baron Global Opportunity Strategy	Nebius Group N.V., which divested out of Yandex, is an Amsterdam-based company with decades of experience building large-scale computing systems with the goal of creating a purpose-built, vertically integrated hardware and software stack that is optimized for AI workloads. We believe Nebius is an opportunity at an appropriate value. It offers a contracted bare metal business and a portfolio of valuable stakes at a fair price, and what could become one of the world's next great AI cloud platforms with a world-class Founder/CEO and a team of engineers who have succeeded before.
 NU Nu Holdings Ltd. (NU)	Baron Emerging Markets Strategy Baron Financials Strategy Baron Global Durable Advantage Strategy Baron Global Opportunity Strategy	Nubank is disrupting the financial services industry in Brazil via its digital distribution and intense focus on user experience, which has allowed it to reach over 112 million customers (roughly 60% of the country's adult population) in just over a decade. Nu is addressing the key pain points faced by retail bank clients in the region, including high fees, poor customer service, and limited access to financial products. We believe the company's superior product offering will allow it to take share from incumbents in this massive market.
 NVIDIA NVIDIA Corporation (NVDA)	Baron All Cap Focused Growth Plus Strategy Baron Durable Advantage Strategy Baron Fifth Avenue Growth Strategy Baron Global Durable Advantage Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy Baron Technology Strategy	Computing demand has been doubling every one to two years, driven by electrification, digitization, and recent advancements in AI, yet supply growth has decelerated dramatically due to the slowdown in Moore's law. NVIDIA's accelerated computing architecture enables continued growth in computing capacity through parallelization. We are at the tipping point of a new era in computing, with NVIDIA at its epicenter as generative AI adoption grows. With leading market share in gaming, data centers, and autonomous machines, we think NVIDIA is well positioned for long-term growth.

Company	Strateg(ies)	Rationale
 Procore Technologies Inc. (PCOR)	Baron Asset Strategy Baron Discovery Strategy	Procore is the leader in a large and under-digitized market, yet the company still has a relatively modest market share. Its existing customer base provides significant room for expansion, with new customers and adjacent growth levers such as international markets and fintech representing additional opportunities for growth. Procore's competitive edge is derived from its unified platform and collaborative pricing model that drives network effects across the construction industry. Management remains focused on scaling profitability and free cash flow.
 Quanta Services, Inc. (PWR)	Baron Asset Strategy Baron Durable Advantage Strategy Baron Global Durable Advantage Strategy Baron Opportunity Strategy Baron Technology Strategy	Quanta is a leading energy infrastructure solutions provider with a core competency in training and building a skilled labor force. The company is uniquely positioned to capitalize on multiyear secular tailwinds, including increased utility grid spending, transmission upgrades, data center build-outs, renewable energy adoption, reshoring, and electrification. Quanta is targeting EPS growth of 10% to 15% annually over the next five years.
 RadNet, Inc. (RDNT)	Baron Health Care Strategy Baron Small Cap Strategy	RadNet's growth is driven by aging U.S. demographics, greater use of imaging in disease diagnosis and treatment, and the shift from inpatient imaging to lower-cost outpatient settings. The company builds leading positions in regional markets to leverage operational efficiencies through relationships with payors, radiology groups, and referring physicians. RadNet's multi-modality strategy diversifies revenue streams and reduces reimbursement risk, while its AI capabilities enhance radiologic reads, supporting earlier disease detection and improving physician productivity.
 RBC Bearings Incorporated (RBC)	Baron Discovery Strategy Baron Small Cap Strategy	RBC operates in niche markets with high barriers to entry and switching costs driven by stringent certification requirements, enabling the company to manage margins effectively. We believe these characteristics, combined with RBC's successful M&A strategy—most recently demonstrated through its acquisition of ABB's Dodge mechanical power transmission business—position it for sustained growth and long-term value creation.
 Roivant Sciences Ltd. (ROIV)	Baron Health Care Strategy	We're excited about Priovant/Pfizer's brepocitinib, launching in dermatomyositis and showing promise in cutaneous sarcoidosis, non-infectious uveitis, and other autoimmune diseases. We think it has promise in a range of other autoimmune conditions. Immunovant (IMVT) is developing a next-gen FcRn inhibitor for Graves' disease, which could potentially unlock a multi-billion-dollar market. Both teams have strong track records in in-licensing underappreciated assets, and we look forward to moslicigat data in PH-ILD later this year.
 S&P Global Inc. (SPGI)	Baron Durable Advantage Strategy Baron Financials Strategy Baron Global Durable Advantage Strategy	S&P Global benefits from the secular growth of rated bond issuance, the ongoing shift from active to passive investing, and growing demand for data and analytics. The company operates in oligopoly markets, where it enjoys formidable competitive advantages from strong brand awareness, high switching costs, and network effects. Excess cash flow is being used for accretive acquisitions and is being returned to shareholders through share repurchases and dividends.
 Samsara Inc. (IOT)	Baron Fifth Avenue Growth Strategy Baron Focused Growth Strategy Baron Opportunity Strategy Baron SMID Cap Strategy Baron Technology Strategy	Samsara has been rapidly gaining market share in the \$51 billion connected fleet software market, driven by its superior cloud-native architecture, ability to address both safety and telematics use cases, and its proprietary data moat (over 20 trillion data points collected annually across more than 1 million assets). The company has leveraged its strong position in commercial fleets to expand into adjacent areas such as construction equipment monitoring and driver workflow automation, increasing its value to customers.
 Samsung Electronics Co., Ltd. (005930.KS)	Baron Emerging Markets Strategy Baron International Growth Strategy	Samsung is the bellwether for global technology innovation and continues to deliver robust earnings across memory, logic, display, and smartphones. We are confident Samsung can maintain its technology leadership for years to come, given its strong research and development track record and ability to meet ever-changing global consumer demand.

Company	Strateg(ies)	Rationale
 SentinelOne SentinelOne, Inc. (S)	Baron Discovery Strategy	SentinelOne was built with AI from inception to facilitate the protection of enterprises across endpoints, identities, and clouds and quickly detect anomalies and potential hacks. We believe it has a long runway for growth driven by 1) market share capture from legacy endpoint vendors struggling to compete against SentinelOne's AI-enabled platform, 2) an ongoing IT infrastructure shift to the cloud driving demand for cloud application protection, and 3) cybersecurity vendor consolidation favoring platforms with comprehensive security portfolios over point solutions.
 ServiceTitan ServiceTitan, Inc. (TTAN)	Baron Discovery Strategy	We view ServiceTitan as a high-quality vertical software business with significant potential to lead its end market. The company operates in a large and expanding market that provides a long runway for durable growth. We believe ServiceTitan's meaningful competitive advantages—including its comprehensive suite of tools, industry-specific focus, and scalable business model—position it to achieve substantial margin expansion in the coming years, making it an attractive long-term opportunity.
 shopify Shopify Inc. (SHOP)	Baron All Cap Focused Growth Plus Strategy Baron Fifth Avenue Growth Strategy Baron Focused Growth Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy Baron Technology Strategy	Shopify offers a scalable, end-to-end commerce platform that serves merchants of all sizes, including offline, international, and B2B businesses. Its aggregate scale, innovation, and ecosystem of partners allow merchants to run every part of their business on the Shopify platform. The company's access to real-time, transaction-level data across its merchant base strengthens its competitive position, allowing it to share the benefits of scale directly with its merchants. With less than 2% share of \$25 trillion in global commerce (ex China), it has a long runway for growth.
 snowflake Snowflake Inc. (SNOW)	Baron Fifth Avenue Growth Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy	Snowflake is leveraging its cloud-native architecture to deliver affordable, scalable, secure, and easy-to-use functionality lacking in many competing solutions. Its early-mover advantage, broad vision, strong brand, growing ecosystem, and talented management team should support growth within a large addressable market. We also expect Snowflake's new CEO and recent product launches to better position the company to address rising data demands from generative AI workloads. Snowflake's unique marketplace and data sharing offerings should further accelerate customer usage.
 SPACEX Space Exploration Technologies Corp. (SpaceX)	Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Fifth Avenue Growth Strategy Baron Focused Growth Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy	We believe SpaceX will continue to drive down the cost of space launches and capture market share with its unique, reliable, and improving reusable launch capabilities. As costs decline, we also expect demand for access to space to increase. By leveraging its launch cost leadership, vertical integration, and innovative design approach, SpaceX has an advantage in building and operating its rapidly expanding satellite-based broadband services, creating an even more attractive growth profile for the company.
 Spotify Spotify Technology S.A. (SPOT)	Baron All Cap Focused Growth Plus Strategy Baron Focused Growth Strategy Baron Opportunity Strategy Baron Partners Strategy Baron Technology Strategy	With over 290 million paying subscribers, Spotify has created a two-sided marketplace where creators can monetize their work and consumers can stream music. Longer term, we expect the company to grow to over 1 billion subscribers (from 751 million today) and improve margins materially through advertising, its artist promotions marketplace, audiobooks, and improved cost discipline. We expect Spotify to continually improve its value proposition through additional features like video, and monetize this value through more optimized pricing tiers like Super Premium.
 Stevanato Group Stevanato Group S.p.A. (STVN)	Baron Discovery Strategy Baron Global Durable Advantage Strategy Baron International Growth Strategy Baron SMID Cap Strategy	Stevanato has a stable growth business that should benefit from a product mix shift towards higher value, higher priced, higher margin products such as EZ Fill (ready-to-fill products provided to customers after they have been washed, sterilized, and depyrogenated), Alba (a material that reduces silicon oil particle leaks and delamination), and Nexa (a material that provides high mechanical resistance). We think the business can grow high single digits to low double digits on the top line with EBITDA margin expansion to the high 20% to low 30% range over time.

Company	Strateg(ies)	Rationale
 Taiwan Semiconductor Manufacturing Company Limited (TSMC)	Baron Durable Advantage Strategy Baron Emerging Markets Strategy Baron Fifth Avenue Growth Strategy Baron International Growth Strategy Baron Global Durable Advantage Strategy Baron Global Opportunity Strategy Baron Technology Strategy	TSMC is the dominant force in leading-edge semiconductor foundry manufacturing, as it benefits from economies of scale and a superior cost structure. The company's successful track record of deploying new technology faster than competitors helps it maintain market share and pricing power. We believe TSMC's investments in advanced nodes will strengthen its market leadership and support long-term profitability.
 Tencent Holdings Limited (700.HK)	Baron Emerging Markets Strategy	We are bullish on Tencent's ability to grow earnings per share at low-double-digit rates over the long term and to meaningfully enter new markets like e-commerce by leveraging its massive distribution. Tencent benefits from virtuous network effects, and we think it has a long runway to monetize its large user base by pushing value-added services and advertising through its platforms. We believe Tencent will be an AI leader in China, implementing it across its core gaming and social media services to improve both engagement and monetization.
 Tesla, Inc. (TSLA)	Baron All Cap Focused Growth Plus Strategy Baron Fifth Avenue Growth Strategy Baron Focused Growth Strategy Baron Global Opportunity Strategy Baron Opportunity Strategy Baron Partners Strategy Baron Technology Strategy	We expect Tesla to continue growing its automotive business as it benefits from the secular adoption of electric vehicles, vertical integration, technological innovation, and cost advantages. The company is also leveraging its core automotive technologies to address the rapidly growing energy storage segment. In addition, Tesla's software and AI expertise is broadening the industrial opportunity to large and profitable revenue avenues that were previously locked in the legacy vehicle architecture, such as autonomous driving, robotics, insurance, and other AI use cases.
 The Charles Schwab Corporation (SCHW)	Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Financials Strategy Baron Opportunity Strategy Baron Partners Strategy	Schwab's emphasis on customer trust has made it a sterling brand in financial services. We believe its investor services division is well positioned to take share from traditional brokerages, while its institutional business continues to gain RIA relationships. The company has made acquisitions that have broadened its product offering and brought new customers onto the platform. As a result, we expect Schwab to retain clients while further lowering its industry-leading cost per client asset.
 The Japan Steel Works, Ltd. (JSW)	Baron Emerging Markets Strategy Baron International Growth Strategy	The Japan Steel Works has unique capabilities for large forgings for nuclear reactors. The company has 80% global market share for large-scale primary components, including the nuclear reactor pressure vessel, a component where safety is of paramount importance. We expect JSW to benefit as companies begin to build nuclear reactors after the Fukushima accident.
 Thermo Fisher Scientific Inc. (TMO)	Baron Durable Advantage Strategy Baron Global Durable Advantage Strategy Baron Health Care Strategy	Thermo Fisher's \$240 billion addressable market is growing 4% to 6% per year due to favorable demographics, scientific advances, new technology, and increased regulations. Long-term, management expects to grow revenue on an organic basis by 7% to 9% annually, driven by share gains and exposure to high-growth segments of the market. Competitive advantages include industry-leading scale, commercial infrastructure, e-commerce platform, supply chain capabilities, and R&D investment. The market is fragmented, offering opportunities to create shareholder value through M&A.
 Toll Brothers, Inc. (TOL)	Baron Focused Growth Strategy Baron Real Estate Income Strategy Baron Real Estate Strategy	New single-family home construction activity in the U.S. remains below the levels needed to meet current and pent-up demand following a decade of underbuilding. We expect single-family home construction activity to continue over the medium term. In our view, Toll Brothers is a differentiated homebuilder with a niche focus on high-end homes and an excellent management team. We believe Toll Brothers is well positioned to benefit from housing growth through its sizable land bank, healthy balance sheet, and market share gains against smaller players.

Company	Strateg(ies)	Rationale
 TotalEnergies SE (TTE)	Baron International Growth Strategy	TotalEnergies is one of the largest and lowest cost producers of liquefied natural gas (LNG), with one of the industry leading project growth pipelines and marketing networks. In addition, the company is making significant investments across the integrated power supply chain by building a large portfolio of renewable, and low-carbon power projects. We view favorably its improving shareholder returns and ESG initiatives, including targets aligned with the Paris Agreement to reduce Scope 1 and 2 emissions by 40% by 2030 and achieve net-zero emissions by 2050.
 TransDigm Group Incorporated (TDG)	Baron Durable Advantage Strategy Baron Global Durable Advantage Strategy Baron Small Cap Strategy	TransDigm's parts are custom designed at the pre-production stage and approved by the Federal Aviation Administration and aircraft manufacturers. TransDigm is typically the sole supplier of 90% of the parts that it manufactures. While the company earns a modest return on original equipment parts, it earns large margins on after-market replacement parts for airframes that stay in service for decades, generating a substantial stream of recurring cash flow that is used for acquisitions and shareholder dividends.
 Verisk Analytics, Inc. (VRSK)	Baron All Cap Focused Growth Plus Strategy Baron Asset Strategy Baron Financials Strategy Baron Focused Growth Strategy Baron Partners Strategy	We believe Verisk holds a unique competitive position. The company is investing to expand its product set in insurance and has divested its financial services and energy segments. We think this pure-play focus on insurance offers an attractive financial profile with mid- to high-single-digit organic growth, robust margins (with room for expansion), and strong free cash flow generation.
 Vertiv Holdings Co (VRT)	Baron Asset Strategy Baron Small Cap Strategy	As a leader in critical infrastructure solutions for data centers, Vertiv is positioned to exceed end-market growth due to its broad offering across electrical and thermal management products, enabling integrated, modular solutions and industry-leading service capabilities. We expect Vertiv to leverage its healthy contribution margins and strong execution to drive profit growth and robust free cash flow generation, which can be deployed toward share buybacks or M&A to create additional value over time.
 Visa Inc. (V)	Baron Durable Advantage Strategy Baron Financials Strategy Baron Global Durable Advantage Strategy Baron Opportunity Strategy	Visa benefits from consumer spending growth and the secular shift from cash to electronic payments. Most of its revenue comes from international markets, where consumer spending and the adoption rate of electronic payments are rising quickly. The company generates significant free cash flow, which is being returned to shareholders through dividends and share repurchases. We believe Visa enjoys significant competitive advantages from its well-established brand, ubiquitous merchant acceptance network, and extensive banking relationships.
 Vulcan Materials Company (VMC)	Baron Asset Strategy Baron Real Estate Strategy	Vulcan is a high-quality company in a high-barrier-to-entry industry. We think the business is poised to grow significantly over the next several years due to a continued cyclical recovery across its construction end markets and its ability to implement price increases. Vulcan should benefit from strong federal funding for infrastructure construction projects, which should provide a secular growth tailwind.
 Waystar Holding Corp. (WAY)	Baron Discovery Strategy Baron SMID Cap Strategy	Waystar's extensive database and broad payor connections create a sustainable competitive moat. The platform helps Health Care providers address reimbursement pressure and workforce constraints, delivering a 4:1 ROI for customers. Incorporating AI enhances WAY's ability to improve claims coding, reduce payor denials, and increase collections. The company enjoys high retention rates with its diverse, high-profile client base and is positioned to grow through upsell and cross-sell opportunities.
 Weyerhaeuser Company (WY)	Baron Real Estate Income Strategy	Weyerhaeuser is trading at a significant discount to its NAV, which is the result of recent headwinds in new housing construction and R&R activity. Historically, WY has performed well off of cyclically low valuations near today's levels. Additionally, recently implemented duties and tariffs on Canadian lumber are putting upward pressure on lumber prices, which should benefit Weyerhaeuser's business due to its significant exposure to lumber production. A recovery in housing activity and demand for lumber and other wood products would further benefit the business.

About Baron Capital

Baron Capital is a research and 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 been united under one style of investing with a single objective—to be long-term investors in secular growth businesses with durable competitive advantages, run by great management teams. With **\$47.0 billion** in assets under management (as of 3/31/2026) across **25** strategies, Baron Capital prides itself on delivering the best solutions and outcomes for clients globally.

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Actual future results, however, may prove to be different from our expectations. Our views reflect our best judgment at the time and are subject to change at any time based on market and other conditions and Baron Capital has no obligation to update them.

Figures in USD

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For any queries or questions coming from EU/EEA potential investors, please contact Arnaud Gérard, CFA, Managing Director FundRock Distribution at Arnaud.GERARD@Fundrock.com or call +352691992088.

For information on Baron Capital or any queries or questions coming from non-EU/EEA potential investors, please contact Stephen Millar, Head of Europe Business Development at smillar@baroncapitalgroup.com or call +44(0)7769-958822.

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Latin America

Argentina

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Brazil

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Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.”

Chile

Pursuant to the Securities Market Law of Chile and Norma de Carácter General (Rule) No. 336, dated June 27, 2012, issued by the Chilean Commission for the Financial Market (Comisión para el Mercado Financiero or “CMF”) (“Rule 336”), the securities may be privately offered to certain accredited investors identified as such by Rule 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, of the CMF).

Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: As of March 31, 2026. The offer of the securities is subject to Rule (Norma de Carácter General) No. 336, dated June 27, 2012, issued by the CMF;
2. The offered securities and this offering document are not registered with the Securities Registry (Registro de Valores) of the CMF, nor with the Foreign Securities Registry (Registro de Valores Extranjeros) of the CMF and as such are not subject to the oversight of the CMF;
3. Since the offered securities are not registered in Chile, there is no obligation by the issuer to make publicly available information about the offered shares in Chile; and
4. The offered securities shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the CMF.

Peru

“The units have not been and will not be registered in Peru under Legislative Decree No. 861, Ley del Mercado de Valores (the “Securities Market Law”) and its complementary regulations, and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law and the Reglamento del Mercado de Inversionistas Institucionales, approved by SMV Resolution No. 021-2013-SMV-01), pursuant to a private placement, under the terms of article 5 of the Securities Market Law. The units have not been registered in the Securities Market Public Registry (Registro Público del Mercado de Valores) maintained by, and the offering of such securities in Peru is not subject to the supervision of, the Superintendencia del Mercado de Valores.

By subscribing for an interest in the Fund, each subscriber in Peru will be deemed to represent to the Fund that it is an “institutional investor” under the applicable abovementioned Peruvian regulation. Any transfers of the units shall be subject to the limitations contained in the Securities Market Law and regulations issued thereunder.

As the units are not registered in Peru, there is no obligation to deliver public information in this jurisdiction regarding the securities hereby offered. These securities cannot be offered through a public offering in Peru as long as they are not registered in the Securities Market Public Registry. Certain regulatory information obligations may apply before the Superintendencia de Banca, Seguros y AFP depending on the regulatory qualification of the investor subscribing the shares or units of the Fund.

The persons and/or entities that do not qualify as “institutional investors” under the abovementioned Peruvian regulations, shall abstain from participating in the private placement of the units of the Fund.”

Mexico

Mexican Residents

The Fund(s) has/have not and will not be registered with the National Registry of Securities maintained by the National Banking and Securities Commission and may not be publicly offered in Mexico. However, the [Fund(s)/Strategy(s)] may be offered to institutional or qualified investors pursuant to the private offering exceptions provided in the Securities Market Law.

Middle East

Dubai & UAE

The offering document that this material pertains to is not subject to any form of regulation or approval by the Dubai Financial Services

Authority (“DFSA”). The DFSA has no responsibility for reviewing or verifying any offering memorandum or other document in connection with this product. Accordingly, the DFSA has not approved this product or its offering memorandum or any other associated documents nor taken any steps to verify the information set out in this offering memorandum.

This product shall only be offered upon request to institutions and individuals who qualify as a “Professional Client” as defined in the DFSA Conduct of Business Rulebook and shall not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre (the “DIFC”) other than in compliance with the applicable DIFC laws and DFSA rules and regulations.

Baron Capital Management (DIFC) Limited, located at Level 8, Gate Village Building 10, Dubai International Financial Centre (DIFC), Dubai, UAE is registered in the Dubai International Financial Centre (DIFC) and is regulated by the Dubai Financial Services Authority (DFSA) with firm reference number F011236.

Dubai & UAE

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Unless otherwise permitted, this Prospectus may be made available only to persons of a type specified in the DFSA’s Rules (i.e. “Professional Clients”) and, therefore, must not be delivered to, or relied on by a Retail Client, or any other type of person. This Prospectus is for the exclusive use of the persons to whom it is addressed and in connection with the subject matter contained therein.

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The Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Shares.

If you do not understand the contents of this document, you should consult an authorized financial adviser.

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Oman

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Oman

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APAC

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For Residents of Hong Kong

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Switzerland

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