INSIGHTS | AUGUST 2026

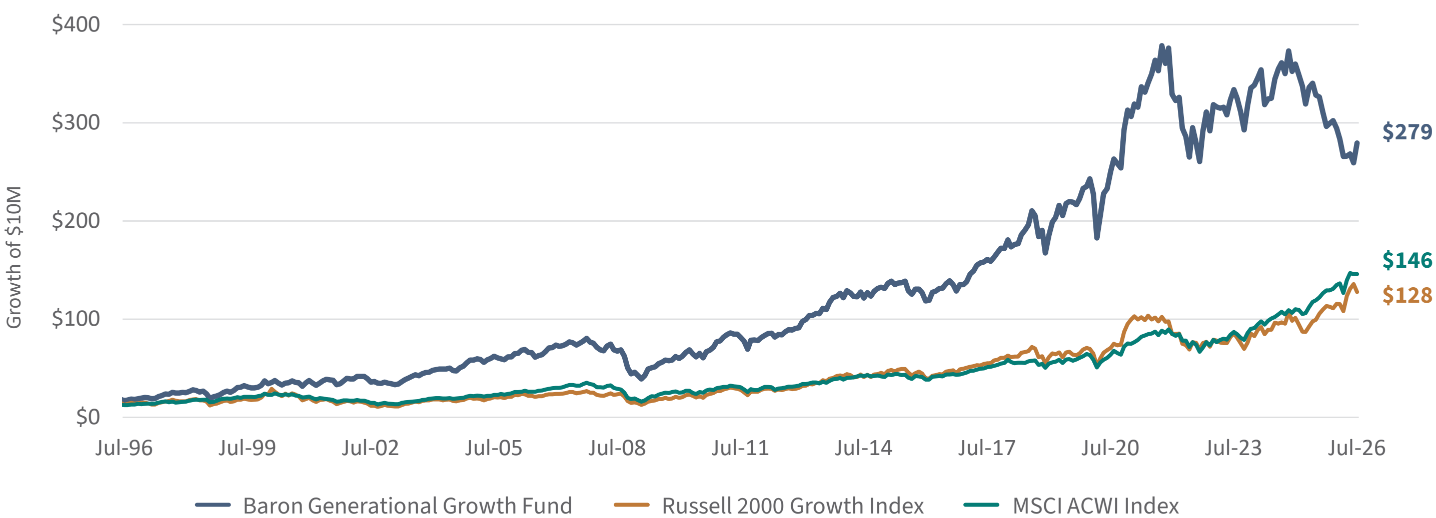
Baron Generational Growth Fund™* Now Is the Time!

Baron Generational Growth Fund invests in businesses with exceptional management teams we believe will likely create long-term sustainable growth. The Fund's investments are identified by Baron Capital's fundamental research. Baron's approach has been our Fund's **foundational strategy.** This strategy has generated **strong outperformance for Baron Generational Growth Fund on an annualized basis** since the Fund's inception in 1994 (**Exhibit 1**).

Baron Generational Growth Fund has since inception experienced discrete periods, *about a third of the time,* when **returns have lagged** its Russell 2000 Growth Index benchmark. Similarly, **Berkshire Hathaway** has **outperformed over the long term,** but has also had periods, *about a third of the time,* when its performance has lagged its benchmark index.[1] That is because both Baron Capital and Berkshire Hathaway attempt to outperform the market by *a lot* over the long term—**not** by trying to beat the market by *a little* every year. Baron Capital has achieved its objective by investing in unique businesses, often **founder-led,** with significantly **faster growth** prospects than the economy. Berkshire focuses its investments on **large,** consistently growing, **sustainably advantaged businesses.**

Exhibit 1: Baron Generational Growth Fund—A Record of Long-Term Outperformance

Growth of $10 Million Since Inception



As of 7/31/2026.

Sources: Baron Capital, FTSE Russell, MSCI, Inc., and Morningstar Direct.

Baron Generational Growth Fund's Inception Date is 12/31/1994, and its primary benchmark is the Russell 2000 Growth Index. MSCI ACWI returns are gross rather than net due to lack of historical data.

* **Baron Growth Fund** changed its name to **Baron Generational Growth Fund** as of June 1, 2026.

[1] Since Baron Generational Growth Fund's Inception (12/31/1994), Baron Generational Growth Fund has outperformed its primary benchmark, the Russell 2000 Growth Index, in 17 of the last 31 calendar years. Similarly, Berkshire Hathaway has outperformed the S&P 500 Index in 19 of the last 31 calendar years.

A Recent Negative Environment for "High Quality" Offers Opportunity

From the end of July 2016 through November 2023, Baron Generational Growth Fund rose 133.6%.[2] This was **more than double the return** of the Russell 2000 Growth Index. As of end November 2023, Baron Generational Growth Fund was the **top performing Fund** in the Morningstar Mid-Cap Growth Category and the Morningstar Small Growth Category since its inception. Over the next 16 months, however, the Fund trailed the Index by over 800 basis points. Returns lagged significantly beginning in April 2025, while U.S. equity markets rallied. This underperformance continued into the first half of 2026. Since June 22, however, Baron Generational Growth Fund **has risen more than 10%** while the category average and the Index declined (**Exhibit 2**).

Baron Generational Growth Fund invests in "high quality"[3] growth businesses. This means, in many instances, investing in businesses with consistently recurring revenues. This long-term strategy was out of favor for most of 2025 and 2026. As factor analysis makes clear, investors during that period chose to invest in *cyclical* technology businesses, not those we define as "quality." In addition, and even more unusual, the performance of multiple factors that are ordinarily not present in our most successful investments—high beta, residual volatility, and momentum—hit extreme levels simultaneously.[4] There have been few periods of such sustained disparities in factor performance.

In 2026, the Fund's underperformance was driven mainly by active industry weights. Investors increasingly viewed accelerating AI capabilities as an existential threat to a range of industries. The Fund's investments in internet software and IT services, as well as various Financials-linked industries (e.g., insurance brokers and reinsurance), negatively impacted performance. Lack of exposure to computer energy and electrical equipment also impeded relative results. Starting in late June, however, this positioning supported Fund performance as previously penalized areas of the market outperformed.

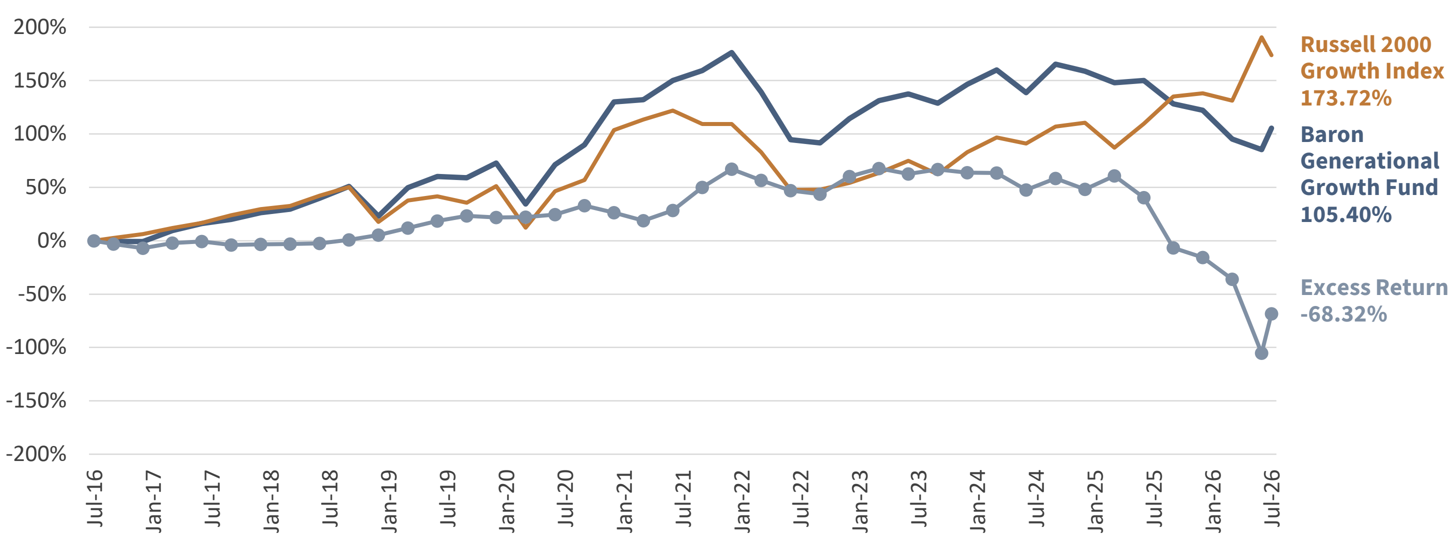
Baron Generational Growth Fund's Historical Performance Shows a Pattern

Baron Generational Growth Fund's recent short-term performance has been consistent with historical precedent. The Fund has underperformed for seven periods since inception more than 30 years ago. This was mostly when the Index increased dramatically (+25% cumulative or higher).

The Fund also typically underperformed in "risk-on" market environments. The leaders in these markets often exhibit cyclical revenues and high measures of beta, residual volatility, and momentum. This was in contrast to the Fund's higher-quality, lower-beta profile.

Exhibit 2: Baron Generational Growth Fund Underperformed in the First Half of 2026 but Has Recently Rebounded

Baron Generational Growth Fund vs. Russell 2000 Growth Index—Cumulative Performance Last 10 Years



As of 7/31/2026.
Sources: Baron Capital and FTSE Russell.

[2] July 31, 2016, to November 30, 2023; institutional shares.
[3] "High quality" is in reference to the Fund's meaningful overexposure to MSCI Barra's Earnings Quality factor.
[4] Performance of these factors from June 30, 2025, to July 31, 2026, ranked in the top decile compared to historical data from the 1970s.

Historically, periods of underperformance for the Fund have been followed by much longer periods of meaningful outperformance. The periods of outperformance lasted over two years on average (**Exhibit 3**), resulting in strong absolute and relative returns for the Fund since inception.

During the most recent period of underperformance—which we believe is characterized by extreme undervaluation—many companies in which we are shareholders repurchased and retired their shares. They obviously believed, as did we, that their share prices were significantly undervalued. We made material purchases as well, which have helped drive recent outperformance.

Owning Better Businesses at Compelling Valuations

We believe the holdings in Baron Generational Growth Fund offer unusual value. This reflects substantial declines in their stock prices relative to the growth in their businesses' earnings and asset values.

We believe earnings and asset values of businesses in which we are invested can continue to grow at faster-than-expected rates for longer-than-expected periods of time. Despite recent outperformance, the portfolio's margins, cash flow, and returns on capital remain materially higher when compared to its historical composition and the Index (**Exhibit 4**).

Exhibit 3: Baron Generational Growth Fund's Performance Reflects a Cyclical Pattern Over Time

Baron Generational Growth Fund vs. Russell 2000 Growth Index

	Period of Out-performance 12/31/1994 to 6/30/1999	Period of Under-performance 6/30/1999 to 2/29/2000	Period of Out-performance 2/29/2000 to 9/30/2002	Period of Under-performance 9/30/2002 to 1/31/2004	Period of Out-performance 1/31/2004 to 4/30/2005	Period of Under-performance 4/30/2005 to 1/31/2006	Period of Out-performance 1/31/2006 to 1/31/2008	Period of Under-performance 1/31/2008 to 4/30/2011	Period of Out-performance 4/30/2011 to 4/30/2013
Cumulative Returns (%)									
Baron Generational Growth Fund (Institutional Shares)	222.94	10.12	-1.71	36.94	16.77	15.74	10.19	20.70	20.66
Russell 2000 Growth Index	88.07	54.89	-62.60	68.09	-5.25	30.90	0.51	32.93	10.56
Excess Return vs. Russell 2000 Growth Index	134.87	-44.77	60.89	-31.15	22.02	-15.16	9.68	-12.23	10.10
Length in Months	54	8	31	16	15	9	24	39	24

	Period of Under-performance 4/30/2013 to 12/31/2016	Period of Out-performance 12/31/2016 to 8/31/2020	Period of Under-performance 8/31/2020 to 1/31/2021	Period of Out-performance 1/31/2021 to 11/30/2023	Period of Under-performance 11/30/2023 to 6/22/2026	Period of Out-performance 6/22/2026 to 7/31/2026	Full Period 12/31/1994 to 7/31/2026	Average for Periods of Out-performance	Average for Periods of Under-performance
Cumulative Returns (%)									
Baron Generational Growth Fund (Institutional Shares)	30.05	94.85	16.42	3.77	-20.69	10.88	2,694.72	47.29	15.61
Russell 2000 Growth Index	47.71	51.11	32.94	-23.44	77.95	-5.81	1,177.52	6.64	49.34
Excess Return vs. Russell 2000 Growth Index	-17.66	43.74	-16.52	27.21	-98.64	16.69	1,517.20	40.65	-33.73
Length in Months	44	44	5	34	31	1	379	28	22

As of 7/31/2026, since inception.
Sources: Baron Capital and FTSE Russell.

Exhibit 4: Quality Profile Remains Outstanding Relative to History and the Index

Baron Generational Growth Fund vs. Russell 2000 Growth Index

	Baron Generational Growth Fund			**Russell 2000 Growth Index**			**Difference**	
	Current	LT Average*	+/-	Current	LT Average*	+/-	Current	LT Average*
Gross Margin (%)	50.5	45.8	4.7	41.9	41.4	0.5	8.6	4.4
Net Margin (%)	22.9	14.1	8.8	4.9	4.9	0.0	18.0	9.3
Operating Margin (%)	30.0	21.9	8.2	8.0	10.0	-2.0	22.1	11.9
EBITDA Margin (%)	36.1	29.3	6.8	13.2	15.2	-2.0	23.0	14.1
FCF Margin (%)	28.8	17.9	11.0	10.0	7.9	2.1	18.9	10.0
ROIC (%)	19.4	13.7	5.8	-2.4	3.7	-6.1	21.8	10.0
ROE (%)	35.4	21.6	13.8	1.4	6.5	-5.1	34.0	15.1
ROA (%)	11.6	8.5	3.1	-4.5	2.0	-6.5	16.1	6.5

As of 7/31/2026.
Sources: Baron Capital, FTSE Russell, and FactSet PA.
* The Long-Term (LT) Average is for the past 20 years.

Outlook

We are even more optimistic than normal about the outlook for Baron Generational Growth Fund—more so because of the Fund's recent underperformance. Among the periods in the Fund's history that we believe are analogous to the current market environment are the dot-com bubble, 1999 to 2000, the post-COVID rally in late 2020, and the large-cap growth/Magnificent Seven AI Technology Rally. During those periods, the Index rose sharply for a relatively brief time, and our underperformance during those periods was driven in large part by style-related headwinds. The Fund subsequently significantly outperformed.

In addition, as extreme as factor performance has been, it also reveals an important pattern: **factor-driven performance has never been sustained.** The earnings quality factor, for example, typically rebounds when markets transition from speculative, momentum-driven phases to environments where fundamentals, balance sheet strength, and cash flow sustainability reassert themselves.

During those factor-driven underperformance periods, markets tend to favor high-beta, story-driven, or cyclical names. **But when volatility rises, liquidity often tightens, or earnings dispersion widens, high-quality earners historically outperform as investors seek durability, transparency, and reliability.**

The Fund's underperformance in 2026 was principally due to concern about negative AI impact. We expect patient, selective investing in this environment will generate attractive long-term returns as the market ultimately distinguishes between genuine AI losers and the misperceived ones. We believe recent outperformance may indicate that this is already happening.

A New Name and an Enhanced Approach

Baron Growth Fund changed its name to Baron Generational Growth Fund as of June 1, 2026. In addition, the Strategy modified its investment approach: Portfolio Managers Ron Baron and Neal Rosenberg are now able to add to investments in companies that have grown beyond the portfolio's small- to mid-cap market capitalization limits. **The new name better reflects the updated Strategy's long-term, multigenerational wealth-building focus.** The greater flexibility brings the Firm's objectives and the Strategy's process into closer alignment. It also empowers portfolio managers to reinvest in family-owned and -controlled, entrepreneur-led businesses—and participate in the companies' continuing growth. We believe the current environment offers extraordinary opportunities: **Now is the time!**

Investors should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. The prospectus and summary prospectus contain this and other information about the Fund and can be obtained from the Fund's distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting BaronCapitalGroup.com. Please read them carefully before investing.

Baron Generational Growth Fund's annualized returns for the Institutional Shares as of June 30, 2026: 1-year, -23.82%; 5-year, -5.31%; 10-year, 7%. Annualized returns for the Institutional Shares as of July 31, 2026: 1-year, -14.84%; 5-year, -4.39%; 10-year, 7.46%. As of January 28, 2026, the annual expense ratio of the Fund's Institutional Shares was 1.13% (comprised of operating expenses of 1.04% and interest expense of 0.09%).

Russell 2000 Growth Index's annualized returns as of June 30, 2026: 1-year, 38.74%; 5-year, 5.57%; 10-year, 11.97%. Annualized returns as of July 31, 2026: 1-year, 28.42%; 5-year, 5.07%; 10-year, 10.59%.

Russell 3000 Index's annualized returns as of June 30, 2026: 1-year, 22.82%; 5-year, 12.31%; 10-year, 15.06%. Annualized returns as of July 31, 2026: 1-year, 19.60%; 5-year, 11.82%; 10-year, 14.56%.

MSCI ACWI Index's annualized returns as of June 30, 2026: 1-year, 23.67%; 5-year, 10.98%; 10-year, 12.78%. Annualized returns as of July 31, 2026: 1-year, 22.11%; 5-year, 10.85%; 10-year, 12.32%.

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit BaronCapitalGroup.com or call 1-800-99-BARON.

Performance for the Institutional Shares prior to May 29, 2009, is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009, did not reflect this fee, the returns would be higher.

Risks: Specific risks associated with investing in smaller companies include that the securities may be thinly traded and more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund.

As of July 31, 2026, the Morningstar Mid Cap Growth Category consisted of 470, 435, and 369, share classes for the 1-, 5-, and 10-year periods, respectively. Morningstar ranked Baron Generational Growth Fund in the 100th, 99th, 94th, and 17th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched on December 31, 1994, and the category consisted of 154 share classes.

As of July 31, 2026, the Morningstar Small Growth Category consisted of 534, 499, and 403, share classes for the 1-, 5-, and 10-year periods, respectively.

Morningstar moved **Baron Generational Growth Fund** from the Small Growth Category effective May 31, 2011 to the Mid-Cap Growth Category. The Fund's investment mandate has been, and continues to be, to invest in small-cap growth stocks for the long term. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment. As a result, we provide comparative performance data for the Fund against the Morningstar Small Growth and Morningstar Mid-Cap Growth categories.

Ranking information provided is calculated for the Institutional Share Class and is as of July 31, 2026. The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct. Morningstar calculates its category average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

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The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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

The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. The **Russell 3000® Index** measures the performance of the largest 3,000 US companies representing approximately 98% of the investable US equity market, as of the most recent reconstitution. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The **MSCI ACWI Index Net (USD)** is designed to measure the equity market performance of large and midcap securities across 23 Developed Markets and 24 Emerging Markets countries. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The MSCI Indexes and the Funds include reinvestment of dividends, net of foreign withholding taxes, while the Non-MSCI Indexes include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

Quality Characteristics definitions:

- **Gross Margin** is calculated as Sales minus the sum of Cost of Goods Sold and Depreciation & Amortization Expense, divided by Sales, multiplied by 100.
- **Net Margin** is the percentage of net income generated from a company's revenue.
- **Operating Margin** is calculated as operating income divided by Sales, multiplied by 100. Operating Income is calculated as sales minus cost of goods sold minus SG&A (selling, general & administrative) expenses minus other operating expenses.
- **EBITDA Margin** is the Earnings Before Interest, Taxes, Depreciation and Amortization is calculated as EBITDA (Operating Income plus D&A) divided by Sales, multiplied by 100.
- **FCF Margin** is calculated as Free Cash Flow divided by Sales, multiplied by 100. FCF is calculated as Net Cash Flow From Operations minus the sum of the following if available: Capital Expenditures from the cash flow statement and Common & Preferred Cash Paid Dividends. If Capital Expenditures is not available, Property Plant & Equipment - Capital Expenditures will be substituted. If Common & Preferred Cash Paid Dividends is not available, the sum of Total Common Dividends by Ex-Date and Preferred Dividends is substituted. If Preferred Dividends is not available, zero will be substituted.
- **ROIC (Return on Invested Capital)** is calculated as Net Income divided by Average Invested Capital multiplied by 100. Average Invested Capital is calculated as the sum of Long-Term Invested Capital including Minority Interest and Total Short-Term Debt.
- **ROE (Return on Equity)** is calculated as Net Income Before Extraordinary Items divided by the one-year average of Total Stockholders Equity (This item includes: 1. Capital Surplus 2. Common Stock 3. Nonredeemable Preferred Stock 4. Retained Earnings 5. Treasury Stock - Total Dollar Amount (reduces Stockholders Equity). This item excludes redeemable preferred stock.), multiplied by 100.
- **ROA (Return on Assets)** is calculated as Net Income Before Extraordinary Items divided by the one-year average of Total Assets multiplied by 100. Total Assets represent current assets plus net property, plant, and equipment plus other noncurrent assets (including intangible assets, deferred charges, and investments and advances.

U.S. Total Market Model – Style Factors Interpretation and Descriptors:

Growth - Positive exposure indicates high historical/predicted growth. Negative exposure indicates low historical/predicted growth. Descriptors: (i) long term analyst-predicted EPS growth (50%), (ii) historical EPS growth (20%), and (iii) historical sales per share growth (30%).

Momentum - Positive exposure indicates high short/mid-term momentum (good recent performance). Negative exposure indicates low short/mid-term momentum (poor recent performance). Descriptor: relative strength over the past 504 trading days with a lag of 21 trading days and half-life of 126 trading days.

Earnings Quality - Positive exposure indicates low B/S and C/F accruals, and low variability of firm fundamentals. Negative exposure indicates high accruals and high variability of fundamentals. Descriptors: (i) accruals using B/S statement (~12%), (ii) accruals using C/F statement (~6%), (iii) sales variability (~12%), (iv) earnings variability (~12%), (v) C/F variability (~12%), and (vi) analyst-predicted EPS-to-price variability (~47%).

Residual Volatility - Captures the volatility of idiosyncratic stock returns. Positive exposure indicates high idiosyncratic volatility. Negative exposure indicates low idiosyncratic volatility. Descriptors: (i) historical volatility of residual returns (50%), (ii) impl. volatility of 1M call option (12.5%), (iii) impl. volatility of 1M put option (12.5%), (iv) impl. volatility of 3M call option (12.5%), (v) impl. volatility of 3M put option (12.5%).

Beta - Explains common variation in stock returns due to different stock sensitivities to market or systematic risk that cannot be explained by the US Country factor. Positive exposure indicates high beta stock. Negative exposure indicates low beta stock. Betas are estimated over the trailing 252 trading days of returns with a half-life of 63 trading days.

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