DEAR BARON FINTECH FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended December 31, 2021, Baron FinTech Fund (the "Fund") fell 2.53% (Institutional Shares) compared with an 11.03% gain for the S&P 500 Index (the "Benchmark") and a 7.68% decline for the FactSet Global FinTech Index. For the full year 2021, the Fund rose 15.35% compared with a 28.71% gain for the Benchmark and a 3.71% decline for the FactSet Global FinTech Index. Since inception (December 31, 2019), the Fund has risen 30.31% on an annualized basis compared with a 23.44% gain for the Benchmark and a 13.92% gain for the FactSet Global FinTech Index.

JOSH SALTMAN

PORTFOLIO MANAGER

Retail Shares: BFINX
Institutional Shares: BFIIX
R6 Shares: BFIUX

Table I.
Performance
For period ended December 31, 2021

	Baron FinTech Fund Retail Shares[1,2]	Baron FinTech Fund Institutional Shares[1,2]	S&P 500 Index[1]	FactSet Global FinTech Index[1]
Three Months[3]	(2.65)%	(2.53)%	11.03%	(7.68)%
One Year	15.04%	15.35%	28.71%	(3.71)%
Since Inception (December 31, 2019)	30.00%	30.31%	23.44%	13.92%

The Fund underperformed the Benchmark by 13.56% in the fourth quarter due to a pullback in valuations across the FinTech sector. The Fund was also hurt by its bias towards small- and mid-cap stocks, which sold off in the latter half of the quarter as investors rotated into large caps during a period of heightened volatility. Large-cap stocks (defined as those with market capitalizations greater than $179 billion) represent 54.3% of the Benchmark compared to only 18.2% of the Fund. Two of the Fund's seven investment themes outperformed the Benchmark during the quarter: Digital IT Services and Capital Markets.

In a difficult quarter for the broader FinTech category, the Fund outperformed the more comparable FactSet Global FinTech Index by 5.15% due to stock selection and, to a lesser extent, differences in exposures to various themes. Five of the Fund's seven investment themes outperformed the FactSet Global FinTech Index: Digital IT Services, Capital Markets, Information Services, Tech-Enabled Financials, and Enterprise Software.

The Fund's Digital IT Services holdings were responsible for just over two-thirds of the outperformance in the period after collectively appreciating 23%. Outsourced software developers **Endava plc** and **EPAM Systems, Inc.** led the group after reporting outstanding quarterly financial results and raising full-year guidance to reflect strong client demand across all market segments. Consulting firm **Accenture plc** also performed well after reporting 27% revenue growth in the latest quarter and raised full-year guidance. The Fund's Tech-Enabled Financials holdings held up better than their counterparts in the FactSet Global FinTech Index thanks to gains from global asset management firm **BlackRock Inc.** and specialty insurer **Kinsale Capital Group, Inc.** BlackRock benefited from elevated organic growth in higher-fee products, while Kinsale's stock performed well after reporting

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2020 was 3.09% and 2.43%, respectively, but the net annual estimated expense ratio was 1.20% and 0.95% (net of the Adviser's fee waivers), respectively. 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 Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2032, unless renewed for another 11-year term and 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 www.BaronFunds.com or call 1-800-99BARON.

The Fund's 4Q 2021 and 1-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

1 The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The **FactSet Global FinTech Index™** is an unmanaged and equal-weighted index that measures the equity market performance of companies engaged in Financial Technologies, primarily in the areas of software and consulting, data, and analytics, digital payment processing, money transfer, and payment transactional-related hardware across 30 developed and emerging markets. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

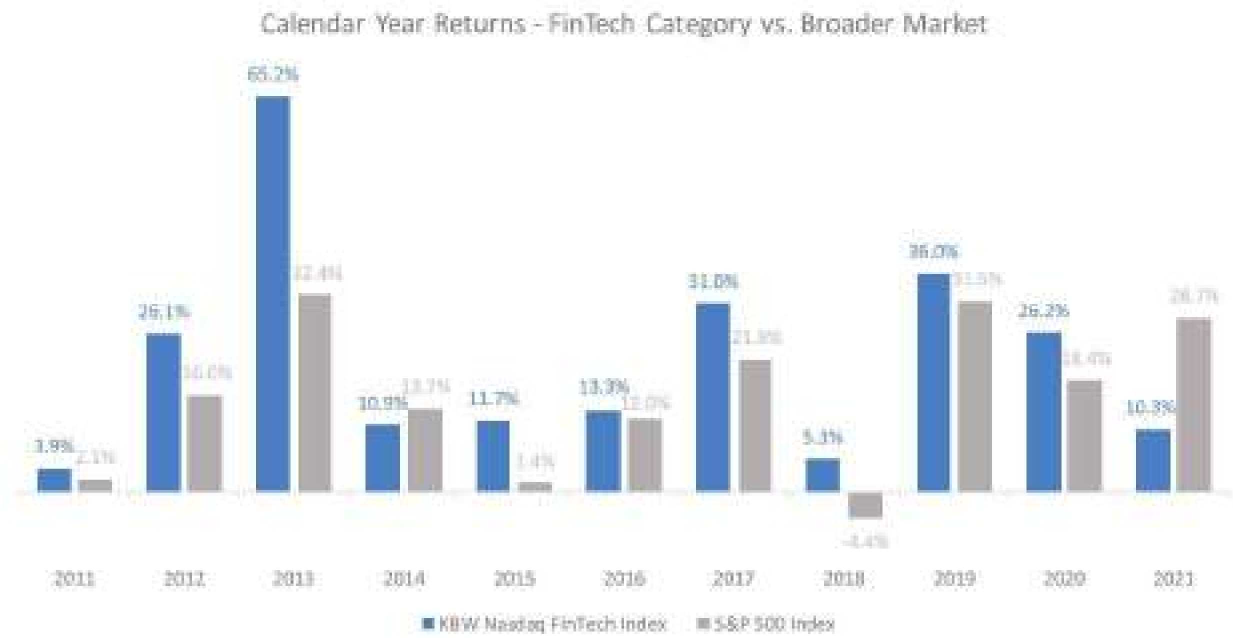
3 Not annualized.

strong quarterly results with 36% premium growth and record-high underwriting margins. Strength in Capital Markets was broad based, led by double-digit gains from trading platforms **Tradeweb Markets Inc.** and **CME Group, Inc.** Tradeweb's shares reacted positively to solid quarterly results as the company continued to gain market share, particularly in interest rate swaps and U.S. credit. CME's stock was up in response to expectations that rising interest rates will lead to more hedging and trading activity on its financial exchanges. Another standout in Capital Markets was advisory firm **Houlihan Lokey, Inc.**, which nearly doubled revenues in the most recent quarter and completed a large, accretive acquisition of another advisory firm that significantly expands its global presence.

High exposure to lagging E-commerce companies and underperformance of **Block, Inc.** (formerly Square, Inc.) in the Payments theme were the only material detractors from relative performance. E-commerce stocks lagged as a return to in-store shopping caused online shopping growth to moderate. Block was the second largest detractor due to slowing growth in the Cash App segment and greater skepticism about the growth prospects for the pending acquisition of Afterpay.

We also segment the Fund's holdings between "Leaders" and "Challengers." Leaders are generally larger, more established companies with stable growth rates, higher margins, and moderate valuation multiples on near-term estimates. Challengers are generally smaller, earlier-stage companies with higher growth rates, lower margins, and higher valuation multiples on near-term estimates. During the quarter, Leaders appreciated 4.96% and Challengers fell 9.52% as the market adopted a more risk-off posture. For the full year, performance was more balanced with Challengers up 17.33% and Leaders up 15.19%.

FinTech stocks were uncharacteristically weak during the quarter and the year. Using the long-dated KBW Nasdaq FinTech Index, FinTech stocks enjoyed a decade of in-line performance or outperformance relative to the S&P 500 Index through 2020. However, this streak ended in 2021.



The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

We believe several factors weighed on performance of FinTech stocks during the year:

- Competition between "legacy" and "modern" companies: Investment into FinTech start-ups has grown rapidly in recent years. In 2021, FinTech companies raised a record $132 billion of venture capital funding, up 169% over the prior year and represented 21% of all venture investments, according to CB Insights. These newer companies built using modern technology are increasingly competing with incumbent FinTech companies, some of which have been operating for decades. Share prices of many incumbents sold off due to fears of potential market share loss and obsolescence. The Fund includes a healthy mix of Leaders and Challengers, and many of our Leaders have more durable competitive advantages than the market seems to appreciate.

- Cryptocurrency disintermediation risk: 2021 was an exceptional year for crypto assets as greater investor interest fueled a near-tripling of the total value of all cryptocurrencies from $773 billion to $2.2 trillion, according to CoinDesk. This was largely driven by a 60% rise in the price of Bitcoin and a near 400% rise in the price of Ethereum. These rapid price gains, combined with greater investment in blockchain-related businesses, led to concerns of potential disruption of card-based payment companies. We are closely monitoring crypto- and blockchain-related businesses to identify new investment opportunities and potential risks to our existing holdings. We believe cryptocurrencies represent more of an opportunity than a threat to our payment companies.

- Disruption from Buy-Now Pay-Later ("BNPL") providers: BNPL is a financing method provided at the point-of-sale that gives consumers the flexibility to shop by splitting payments into several installments, oftentimes without paying interest. The credit decision involved in BNPL typically comes instantly without requiring an application or credit check from credit card companies or banks. Consumers appreciate the cheap financing and merchants enjoy a meaningful sales lift from BNPL providers such as Afterpay, Klarna, and Affirm. BNPL usage is growing rapidly off a small base with global usage expected to double from 2% of e-commerce payments in 2020 to 4% by 2024, according to FIS's Global Payments Report. Some countries that were early adopters are seeing much higher usage rates, such as Sweden and Australia where BNPL represented 23% and 10% of 2020 e-commerce payments, respectively. Some investors view BNPL as an emerging threat to the card networks even though over 80% of installment payments are made with debit cards, effectively turning one purchase transaction into four repayments. In addition, Visa and Mastercard are enabling BNPL transactions for many merchants that accept payment cards but have not directly integrated with a BNPL provider.

- Slow recovery of cross-border travel: International travel is a significant revenue source for the card networks and some merchant acquirers, so the big decline in travel activity since the start of the pandemic has been a meaningful headwind for these payment companies. International airline passenger traffic fell by over 60% in 2020 and only recovered to half of pre-pandemic levels in 2021. However, we saw significant improvement throughout the year as vaccination rates rose, border restrictions eased, and leisure travel resumed. Visa reported cross-border travel spending volume rose from under 40% of 2019 levels in January to 75% of 2019 levels in November. The emergence of the Omicron variant in December may have delayed the recovery, but we expect this is more likely a "speed bump" than the start of an extended slowdown. Further recovery of cross-border travel should drive a significant boost to payment industry revenue.

- Rising rates causing sector rotation to Financials and other cyclicals: The best-performing sectors in the S&P 500 Index in 2021 were Energy, Real Estate, and Financials. This coincided with the 10-year U.S. Treasury yield rising from 0.92% to 1.51% by year end. We believe cyclical stocks benefit from rising rates due to: (i) better earnings prospects; and (ii) a shifting market preference from growth to value as higher discount rates more acutely impact growth stocks with higher valuation multiples. Outperformance of traditional Financials and value stocks in general weighed on the relative performance of growthier FinTech stocks. In addition, we believe many investors view FinTech as an adjacent category to traditional financials and can be tactically sold to provide a source of funds to buy banks and life insurers with potentially greater upside to rising rates. We do not change our strategy based on predictions of interest rates and other macroeconomic factors, so the Fund may occasionally underperform when low-growth cyclicals are in favor.

- Competition for capital from new issuances: A notable factor this past year was the boom in the number of new FinTech companies that went public. A record-high 56 FinTech IPOs were completed globally in 2021, up 87% from the prior year. There was a similar surge of SPAC transaction activity in the FinTech sector with a record 39 deals announced or closed in 2021, up 160% from the prior year. These new IPOs and SPACs had a combined market cap exceeding $225 billion, creating incremental competition for investor attention and capital in the FinTech sector. Share prices of incumbent FinTech companies were likely weighed down by reduced buying demand and greater concern about competitive threats from new entrants.

Table II.
Top contributors to performance for the quarter ended December 31, 2021

	Percent Impact
Endava plc	0.94%
Accenture plc	0.73
Intuit Inc.	0.63
EPAM Systems, Inc.	0.49
S&P Global Inc.	0.37

Endava plc provides consulting and outsourced software development for businesses. Shares increased on quarterly results that beat Street estimates, with 55% revenue growth and 89% EPS growth. Revenue from the Payments and Financial Services segment accounts for half of the total and grew 55%. Full-year financial guidance was raised to reflect strong demand across all verticals and geographies. Management expects organic revenue growth to exceed 30% this year and 20% over the long term with upside from accretive acquisitions. We continue to own the stock because we believe Endava will continue gaining share in a large global market for IT services.

Accenture plc provides consulting and technology services to corporate clients around the world. Shares increased on robust client demand, with 27% revenue growth and 28% EPS growth in the most recent quarter. Revenue and earnings exceeded expectations, leading management to raise full-year guidance to 16% to 19% revenue growth and 17% to 20% EPS growth. We believe Accenture is well equipped to help its clients pursue digital transformations and will continue gaining share in a large global market.

Intuit Inc. is the leading provider of accounting and tax preparation software. Shares increased after the company reported quarterly results that beat Street estimates, with 22% revenue growth in the Small Business segment and record-high revenue from Credit Karma. The company closed the acquisition of MailChimp, which expands its product offering and is accretive to EPS. Management increased full-year guidance to reflect better organic growth and the contribution from MailChimp. We continue to own the stock due to Intuit's strong competitive position and numerous growth opportunities.

EPAM Systems, Inc. provides outsourced software development to business customers. Shares rose on quarterly results that beat Street forecasts, with 52% revenue growth and 47% EPS growth. Management raised full-year financial guidance to reflect strong client demand across all market segments, and it expects organic revenue growth to exceed 20% over the long term with upside from accretive acquisitions. We continue to own the stock due to EPAM's long runway for growth and strong execution.

Shares of rating agency and data provider **S&P Global Inc.** increased after the company reported quarterly results that beat Street forecasts and raised full-year guidance. Revenue grew 13% and EPS grew 24% due to elevated issuance activity across bank loans and structured finance combined with strong growth in the Indices segment. Shares also benefited from the receipt of regulatory approvals for the pending merger with IHS Markit. We continue to own the stock due to the company's long runway for growth and significant competitive advantages.

Table III.
Top detractors from performance for the quarter ended December 31, 2021

	Percent Impact
Nuvei Corporation	–1.32%
Block, Inc.	–1.24
PayPal Holdings, Inc.	–0.93
DLocal Limited	–0.79
Wise Plc	–0.74

Nuvei Corporation provides payment processing services for online merchants around the world. After appreciating significantly earlier this year, the stock fell sharply following a short seller report that raised questions about management's background, the company's acquisitions, and the stock's valuation. Management provided a point-by-point rebuttal and reaffirmed full-year guidance and medium-term growth targets. The share price was also likely impacted by weak performance of other payment company stocks during the quarter. We continue to own the stock due to Nuvei's numerous growth opportunities and strong execution.

Block, Inc. provides point-of-sale technology to small businesses and operates the Cash App ecosystem of financial services for individuals. The stock declined on quarterly results that missed Street forecasts. Cash App growth is moderating from elevated levels as the benefits of government stimulus payments wear off. Shares also may have suffered from investor concerns about the earnings prospects for the pending acquisition of Afterpay. We continue to own the stock due to, in our view, Block's long runway for growth, competitive advantages, and unique corporate culture.

PayPal Holdings, Inc. enables digital payments for consumers and merchants worldwide. Shares fell on financial results that missed Street forecasts and reduced guidance due to the roll-off of eBay's processing business and slowing e-commerce growth as stores reopen. Shares were also pressured by discussions of a potential acquisition of Pinterest as well as a broader pullback in payment stocks during the quarter. We believe weaker financial results were due to temporary headwinds that should abate later this year, leading to accelerating revenue and earnings growth. We continue to own the stock because we believe PayPal is a prime beneficiary of the secular growth of e-commerce and digital financial services given its leading scale with over 400 million active accounts.

DLocal Limited processes online payments in developing countries for large global merchants, such as Google, Microsoft, Amazon, Facebook, and Netflix. The company's strong growth continued in the third quarter with payment volume tripling and revenue doubling with a 185% net revenue retention rate. However, shares fell due to a lower gross margin, which was driven by volume mix shifts and tier-based pricing discounts for existing merchants. We remain confident in DLocal's ability to deliver high growth with attractive profitability as the market opportunity is significant and the company provides a superior service.

Wise Plc enables international money transfers for individuals and businesses. The company reported strong results for the first half of the fiscal year with 44% volume growth, 33% revenue growth, and 46% gross profit growth. The benefits of lower operating costs were shared with customers through lower pricing, which support continued market share gains. However, shares declined due to concerns about competition and a less favorable environment for growth stocks. We believe Wise's proprietary infrastructure provides a structural cost advantage that enables significantly lower customer prices, which should lead to continued market share gains and attractive margins over time.

PORTFOLIO STRUCTURE

The Fund seeks to invest in competitively advantaged, growing FinTech companies that we can own for years. We conduct independent, fundamental research and take a long-term perspective. The Fund invests in companies across all market capitalizations and geographies. The quality of the ideas and level of conviction determine the position size of each investment. We do not try to mimic an index, and we expect the Fund will look very different from the Benchmark.

As of December 31, 2021, the Fund held 51 positions. International stocks represented 21.7% of the Fund's net assets. The Fund's 10 largest holdings represented 37.9% of net assets, and the 20 largest holdings represented 64.8% of net assets. The market capitalization range of the investments in the Fund was $1.3 billion to $472.0 billion with a median of $16.8 billion and an asset-weighted average of $92.8 billion. The Fund's active share was 94.9%.

We segment the Fund's holdings into seven investment themes. Some companies have characteristics that span more than one theme, but we classify each company by a single theme that we believe is most representative.

1. **Payments:** The world is migrating to electronic payments, but $18 trillion of consumer payments each year are still made with cash or check. **Visa, Inc.** and **Mastercard Incorporated** operate leading global networks that facilitate electronic payments for consumers, merchants, and banks. We own several companies that facilitate electronic payments, including **Block, Inc.**, **Bill.com Holdings, Inc.**, **Paymentus Holdings, Inc.**, **Global Payments Inc.**, and **Marqeta, Inc.**

2. **E-commerce:** We have several investments that benefit from the secular growth of e-commerce. Online sales are growing much faster than in-store sales, but e-commerce penetration is still low at only around 15% of total U.S. retail sales. As payment processors for mostly online merchants, **PayPal Holdings, Inc.**, **Adyen N.V.**, **Nuvei Corporation**, and **DLocal Limited**, benefit from the rapid growth of e-commerce around the world. **MercadoLibre, Inc.** operates a leading online marketplace and payment service in Latin America, while **Shopify Inc.** provides software and services that make it easier for merchants to sell online.

3. **Enterprise Software:** We have several investments in software companies that help businesses manage their financial processes and operations. **Intuit Inc.** provides accounting and payroll solutions for small businesses as well as tax preparation software for consumers and tax professionals. **Fidelity National Information Services, Inc.**, **Jack Henry & Associates, Inc.**, and **nCino Inc.** provide software for banks to manage account and transaction data. **Guidewire Software, Inc.** and **Duck Creek Technologies, Inc.** are leading providers of core systems software for the global insurance industry.

4. **Information Services:** Financial institutions increasingly rely on information and insights to improve loan pricing, insurance underwriting, marketing efficiency, and investment returns. We have several investments in companies that provide critical data to help financial institutions improve performance and fulfill regulatory requirements. Rating agencies **S&P Global Inc.** and **Moody's Corporation** provide credit ratings that are deeply embedded in the financial ecosystem. **TransUnion** provides the data and **Fair Isaac Corporation** provides the rating methodology used by lenders for

consumer credit and marketing decisions. The insurance industry relies on **Verisk Analytics, Inc.** for underwriting data, and the real estate industry relies on **CoStar Group, Inc.** for property data.

5. **Digital IT Services:** Many banks, insurers, and other businesses have decades-old technology that is difficult to maintain. Disruption from new tech-enabled entrants is forcing incumbents to either upgrade their legacy systems or risk losing customers. **EPAM Systems, Inc.**, **Endava plc**, **Accenture plc**, and **Grid Dynamics Holdings, Inc.** provide consulting and outsourced software development for business customers to help them modernize their systems and navigate complex digital transformations.

6. **Capital Markets:** Investing decisions and trade execution increasingly rely on digital solutions to improve performance and reduce costs. **MarketAxess Holdings Inc.** and **Tradeweb Markets Inc.** operate the leading electronic trading platforms for fixed income markets and benefit from the secular shift from voice-based trading to electronic trading. **CME Group, Inc.** is the world's largest and most diversified derivatives marketplace whose electronic exchanges are used by traders around the world to manage risk.

7. **Tech-Enabled Financials:** Forward-thinking financial institutions are using technology in particularly innovative ways to better serve their customers and operate more efficiently. **BlackRock Inc.** uses technology to evaluate risk for institutional investors and manage trillions of dollars' worth of ETF assets at very low cost. **Kinsale Capital Group, Inc.** is an insurance company that uses proprietary technology to enable faster underwriting and create meaningful cost advantages over the competition. **Wise Plc** provides international money transfers that are cheaper, faster, and more convenient than bank transfers. **TCS Group Holding PLC** offers banking and brokerage services without a branch network and is gaining market share from traditional banks.

As of December 31, 2021, Information Services represented 22.8% of net assets, E-commerce represented 15.5%, Enterprise Software represented 15.2%, Payments represented 14.6%, Digital IT Services represented 13.6%, Tech-Enabled Financials represented 10.5%, and Capital Markets represented 5.7% with the remainder in cash.

We also segment the Fund's holdings between "Leaders" and "Challengers." Leaders are generally larger, more established companies with stable growth rates, higher margins, and moderate valuation multiples. Challengers are generally smaller, earlier-stage companies with higher growth rates, lower margins, and higher valuation multiples. Leaders include **Intuit Inc.**, **S&P Global Inc.**, **Mastercard Incorporated**, **Visa, Inc.**, and **MSCI, Inc.** Challengers include **Endava plc**, **Shopify Inc.**, **Adyen N.V.**, **MercadoLibre, Inc.**, and **Block, Inc.** While we expect stocks in both categories to outperform over time, Leaders tend to have more predictable performance than less-proven Challengers. As of December 31, 2021, Leaders represented 53.9% of net assets and Challengers represented 44.0% with the remainder in cash.

Table IV.
Top 10 holdings as of December 31, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Endava plc	2020	$ 2.6	$ 9.4	$3.9	5.0%
Intuit Inc.	2020	69.3	182.1	3.6	4.6
S&P Global Inc.	2020	67.9	113.7	3.1	4.0
Mastercard Incorporated	2020	306.1	353.1	2.9	3.7
Visa, Inc.	2020	411.0	472.0	2.9	3.7
Shopify Inc.	2020	118.7	172.4	2.8	3.5
EPAM Systems, Inc.	2020	11.9	37.9	2.7	3.5
BlackRock Inc.	2021	116.4	140.0	2.6	3.3
MSCI, Inc.	2020	22.5	50.5	2.6	3.3
Accenture plc	2020	133.7	273.3	2.6	3.3

Table V.
Fund investments in GICS sub-industries as of December 31, 2021

	Percent of Net Assets
Data Processing & Outsourced Services	27.2%
Application Software	16.3
Financial Exchanges & Data	14.7
IT Consulting & Other Services	13.6
Research & Consulting Services	8.4
Investment Banking & Brokerage	3.7
Internet Services & Infrastructure	3.5
Asset Management & Custody Banks	3.3
Internet & Direct Marketing Retail	2.6
Interactive Media & Services	1.3
Property & Casualty Insurance	1.2
Diversified Banks	1.1
Insurance Brokers	1.0
Cash and Cash Equivalents	2.1
	100.0%

RECENT ACTIVITY

During the quarter, the Fund initiated three new positions and exited five positions. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended December 31, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
LPL Financial Holdings Inc.	$12.8	$1.7
Moody's Corporation	72.6	0.6
CI&T Inc	1.6	0.6
Expensify, Inc.	3.6	0.5
Tradeweb Markets Inc.	23.3	0.4

We initiated a position in **LPL Financial Holdings Inc.**, an independent broker-dealer for financial advisors. The U.S. market for financial advice continues to grow, as does the volume of assets that are advisor-mediated. There is also an ongoing migration away from wirehouses, such as Morgan

Stanley and Wells Fargo, to independent firms in which the financial advisor runs their own practice and retains more of the economics. LPL offers an integrated technology platform, brokerage services, and practice management support that help advisors run their own independent advisory firms with a broad menu of investment options. LPL is the largest independent broker-dealer in the country with $1.1 trillion of assets under management and nearly 20,000 advisors on its platform. LPL is classified within the "Leader" category.

We believe that LPL has compelling growth opportunities and enjoys strong competitive advantages. As the largest independent broker-dealer, LPL has scale advantages from managing a growing pool of assets over a fixed cost base. LPL has invested heavily in technology over the past five years, and it also self-clears transactions, which provides additional revenue streams. These capabilities lead to superior margins and cash flow, which then enable LPL to invest more in its technology and better compete for new advisors. LPL continues to gather assets as advisors migrate away from the wirehouses. The company is shifting towards advisory fees paid as a percentage of assets under management and away from transaction-based brokerage commissions. Given this revenue model, LPL benefits from underlying asset appreciation, which is a natural tailwind to growing LPL's asset base. LPL also earns cash sweep revenues on idle client cash balances. As interest rates rise, we believe LPL will be able to monetize these balances at higher yields, improving its overall return on assets. With a profitable business, good growth prospects, and underlying tailwinds, we believe that LPL is well positioned to continue growing earnings per share at a rapid rate.

During the quarter, we participated in the IPO of **Expensify, Inc.**, a provider of expense management software primarily for small- and mid-sized businesses. Expensify enables individuals and companies to track expenses, pay bills, generate invoices, collect payments, plan trips, and manage company credit cards in a single application. The company operates in a large market with an estimated U.S. revenue opportunity of $16 billion. Small- and mid-sized businesses are difficult to reach, so they tend to be underserved by competitors who generally focus on larger enterprises. Expensify employs an efficient go-to-market approach with a freemium product offering that is driven by bottom-up employee adoption rather than outbound sales efforts. This enables Expensify to profitably serve an attractive market segment with better monetization potential and lower selling costs. Relative to the competition, Expensify has a difficult-to-replicate platform due to the combination of a blockchain database infrastructure, network effects as more businesses and individuals adopt the product, and a proprietary AI-based customer service model. Expensify is classified within the "Challenger" category.

We believe Expensify will grow revenue 25% to 30% for many years through a combination of new users, increasing usage from existing customers, greater adoption of newer products (such as Expensify Card), and international expansion. The company already has an attractive margin profile due in part to its efficient go-to-market approach and should comfortably operate at 30%-plus EBITDA margins over time. We believe that Expensify will be a strong earnings compounder, which should drive solid returns for the stock over a multi-year period.

We also initiated a position in **CI&T Inc**, a digital IT services company that completed its IPO during the quarter and is classified within the "Challenger" category.

Table VII.
Top net sales for the quarter ended December 31, 2021

	Amount Sold (millions)
TCS Group Holding PLC	$1.0
SoFi Technologies, Inc.	1.0
Zillow Group, Inc.	0.5
Shift4 Payments, Inc.	0.5
Grid Dynamics Holdings, Inc.	0.3

We sold our position in **SoFi Technologies, Inc.** after a strong run due to concerns about intensifying competition and rising customer acquisition costs for consumer-facing FinTech companies. We sold **Zillow Group, Inc.** following the company's abrupt exit from the Zillow Offers (iBuying) business and subsequent restructuring. We were wrong about our thesis that Zillow's large user base and data advantages would enable it to grow profitably in a highly competitive and capital-intensive new business line. We also sold **Shift4 Payments, Inc.** at what we felt was a full valuation due to concerns about slowing growth and increasing competition in its end markets. We also sold our small positions in **Banco Inter S.A.** and **Paya Holdings Inc.** where we had less conviction in their competitive positioning and growth trajectories to allocate capital to higher-conviction ideas elsewhere in the Fund.

We trimmed our positions in **TCS Group Holding PLC** and **Grid Dynamics Holdings, Inc.** following significant share price appreciation for both stocks due to concerns about rising geopolitical risk in Russia and Ukraine.

Outlook

Equities have had a challenging start to the new year with several indexes down double digits. In addition to ongoing concerns about high inflation, Fed tapering, and rising interest rates, new worries about the Omicron variant, slowing economic growth, and potential military conflict with Russia have further weighed on equity prices.

We spend almost all our time analyzing the microeconomics of individual companies rather than investing based on macroeconomic forecasts of interest rates, inflation, and GDP growth. However, we are mindful of how various economic conditions might impact our holdings. We believe most of our companies are relatively insulated from inflation because they have a high degree of pricing power and sticky customer relationships. For example, our IT Services holdings are raising billing rates to offset higher levels of wage inflation, and several of our payment companies earn fees based on nominal payment volumes that rise with inflation.

During periods of market volatility, we are reminded of the advice that Ron Baron often shares: "Follow the business, not the share price." The vast majority of the Fund's holdings experienced improving business prospects over the past year, even if this improvement was not always reflected in their share prices. For each our holdings that have been public for at least a year, we compared the 2022 consensus estimates for the primary valuation metric (either earnings or revenue) on January 1 to the 2022 consensus estimates on December 31. We observed that 85% of the Fund's year-end holdings experienced positive estimate revisions where the 2022 estimate at the end of the year was higher than the estimate at the beginning of the year. However, only 63% of the Fund's year-end holdings generated a positive share price return over the same period. In other words, 22% of the Fund's holdings saw their share prices fall during the year despite better-than-expected growth prospects. We also observed that half of the year-end holdings experienced less share price appreciation than the increase in 2022 estimates, which means that these stocks experienced valuation multiple compression and are quantitatively cheaper than they were a year ago. While this analysis is not perfect, we believe it illustrates that share price movements frequently deviate from business performance over short periods of time.

Despite the market pullback, we feel great about the growth prospects for our holdings. We are bottom-up, fundamental investors who seek out companies with long runways for growth, sustainable competitive advantages, and outstanding management teams where we believe the value of the business will double within five years. As such, our research process focuses not on where we expect a stock to trade next month or what the earnings will be next quarter but rather on what the earnings and cash flow will be over the next five years and beyond. The demand drivers and earnings prospects for most of our holdings have not changed despite the recent drop in valuations. Banks and other traditional financial institutions still have a long road ahead in digitizing their businesses, and consumer facing FinTech companies continue gaining share around the world. We are constantly evaluating our holdings and making sure we know them as well as we can, but we are also continually researching new opportunities that are competing for capital to get into the Fund. Volatility usually presents opportunities for us to upgrade the portfolio at more attractive valuations.

Thank you for investing in Baron FinTech Fund. We are working hard to identify good investment ideas that we expect will generate attractive returns over the long term.

Sincerely,

Josh Saltman
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by investments in fin tech companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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