Dear Baron Emerging Markets Fund Shareholder:

Performance

Baron Emerging Markets Fund® (the Fund) gained 2.50% (Institutional Shares) during the first quarter of 2024, while its primary benchmark index, the MSCI EM Index (the Benchmark), was up 2.37%. The MSCI EM IMI Growth Index (the Proxy Benchmark) gained 2.98% for the quarter. The Fund performed similarly to the Benchmark while modestly underperforming the Proxy Benchmark during the quarter.

In recent letters, we have suggested that weaker global growth and a peak in bond yields would be a likely precursor to global central bank easing and an inflection point in emerging markets (EM) equity performance relative to the U.S. As we discussed in our year end 2023 letter, November's U.S. Federal Reserve (the Fed) pivot suggested such conditions had likely been triggered, and investors fairly quickly discounted a soft landing towards the end of 2023. Illustrating the inherent reflexivity of the easing of liquidity/credit and economic expectations, year to date we have witnessed a notable uptick in U.S. growth and inflation expectations, as well as an anticipated delay in the Fed's easing. Global equities surprised many during the quarter, given the abrupt rise in bond yields, in continuing to follow through on last quarter's strength.

We believe the recent strength in equities can be attributed to the Fed's indication that while it may delay or moderate, it principally remains on course for multiple rate cuts during the current year. To us, the Fed is suggesting an equity friendly posture given its apparent willingness to look through the uptick in growth and inflation *in an election year*. We suggested in our last letter that financial markets may have moved too far, too fast in the aftermath of the Fed pivot, though we noted the improved relative performance of EM equities as a likely foreshadowing of a sustained period of mean reversion. While global equities continued to appreciate in early 2024, the strength was concentrated in the U.S., Japan, mega caps, and semiconductor and other AI proxies, while EM and small-cap equities lagged as global central bank easing expectations moderated. In our view, the shifting conditions referenced above present an interesting setup for non-U.S. equities. We have consistently remarked that the global response to COVID-19 was disproportionate, with U.S. fiscal expansion and monetary support orders of magnitude larger than that of most foreign jurisdictions. This, in turn, led to a stronger recovery and greater inflation pressure in the U.S., which largely remains today. Whether non-U.S. central banks calibrate monetary policy based on their own domestic conditions, or in response to the Fed and U.S. conditions, is likely to influence forward-looking relative performance, as conditions in most foreign jurisdictions warrant substantially more easing than the U.S., in our view. We continue to believe we are at or near an inflection point in relative performance that will favor EM equities. Of course, we remain confident that our diversified portfolio of well-positioned and well-managed companies will capitalize on their attractive growth potential over the coming years regardless of the macro environment.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BEXFX
Institutional Shares: BEXIX
R6 Shares: BEXUX

Table I.
Performance
Annualized for periods ended March 31, 2024

	Baron Emerging Markets Fund Retail Shares[1,2]	Baron Emerging Markets Fund Institutional Shares[1,2]	MSCI EM Index[1]	MSCI EM IMI Growth Index[1]
Three Months[3]	2.37%	2.50%	2.37%	2.98%
One Year	7.76%	8.09%	8.15%	6.75%
Three Years	(8.41)%	(8.17)%	(5.05)%	(7.54)%
Five Years	0.93%	1.19%	2.22%	3.02%
Ten Years	2.28%	2.54%	2.95%	3.69%
Since Inception (December 31, 2010)	3.05%	3.31%	1.70%	2.55%

Performance listed in the above table is net of annual operating expenses. The annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2023 was 1.37% and 1.11%, 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 may waive or reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2034, 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 baronfunds.com or call 1-800-99-BARON.

1 The **MSCI EM (Emerging Markets) Index Net (USD)** is designed to measure equity market performance of large and mid-cap securities across 24 Emerging Markets countries. The **MSCI EM (Emerging Markets) IMI Growth Index Net (USD)** is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities exhibiting overall growth characteristics across 24 Emerging Markets countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign 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 does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

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Baron Emerging Markets Fund

For the first quarter of 2024, we performed broadly in line with the Benchmark as well as our all-cap EM growth Proxy Benchmark. From a sector or theme perspective, positive allocation effect and solid stock selection in the Materials sector, primarily driven by investments in our sustainability/ESG theme (**Suzano S.A.** and **Grupo Mexico, S.A.B. de C.V.**), was the largest contributor to relative performance this quarter. In addition, favorable stock selection effect in the Communication Services sector, owing to our digitization-related positions in India (**Bharti Airtel Limited**, **Indus Towers Limited**, and **Tata Communications Limited**), was also a notable contributor to relative results. Lastly, good stock selection in the Consumer Discretionary sector across multiple themes (**Bundl Technologies Private Limited**, **Trent Limited**, and **Codere Online Luxembourg, S.A.**), also bolstered relative performance during the quarter. Somewhat offsetting the above was poor stock selection effect in the Financials sector, primarily attributable to select holdings in our fintech disruption (**Pine Labs Pte. Ltd.**) and India wealth management/consumer finance (**JM Financial Limited**, **HDFC Bank Limited**, **Edelweiss Financial Services Limited**, **Bajaj Finance Limited**, and **Muthoot Finance Limited**) themes. Adverse stock selection together with our underweight positioning in the Information Technology sector also weighed on relative performance.

From a country perspective, strong stock selection effect in Brazil added the most value this quarter. Within Brazil, a standout contributor was **Nu Holdings Ltd.**, a best-in-class, digitally native, financial services player that continues to gain market share from incumbent banks with improving profitability and customer satisfaction scores. Positive allocation effect combined with favorable stock selection in South Africa was also a notable contributor to relative results. Lastly, solid stock selection effect in Taiwan, primarily driven by our overweight positioning in **Taiwan Semiconductor Manufacturing Company Limited**, also bolstered relative performance during the quarter. Broadly offsetting the above was poor stock selection effect in China, as private sector, growth-oriented equities in China continued to lag. Concerns related to a general lack of an earnings recovery after China terminated its zero-COVID policy in late 2022, tight liquidity conditions in the property sector, and geopolitical friction resurfaced early in the quarter and continued to weigh on investor sentiment. That said, as the quarter progressed, we were encouraged to witness early signs of stabilization and recovery, driven by recent government stimulus measures along with easing monetary and regulatory policies. These developments supported a positive reversal of Chinese equities in the latter half of the quarter. We continue to believe that many of our China holdings trade well below fundamental intrinsic value, and that any ongoing signs of recovery could trigger material repricing.

Table II.
Top contributors to performance for the quarter ended March 31, 2024

	Percent Impact
Taiwan Semiconductor Manufacturing Company Limited	2.36%
Bundl Technologies Private Limited	0.52
Nu Holdings Ltd.	0.49
Bharti Airtel Limited	0.43
Jio Financial Services Limited	0.40

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** contributed in the first quarter due to investor expectations for a continued strong cyclical recovery in semiconductors and significant incremental demand for AI chips. We retain conviction that Taiwan Semiconductor's technological leadership, pricing power, and exposure to secular growth markets, including high-performance computing, automotive, 5G, and IoT, will allow the company to sustain strong double-digit earnings growth over the next several years.

Bundl Technologies Private Limited is the parent entity of Swiggy, India's leading food delivery platform with a market share of roughly 45%. Shares of Bundl were up during the quarter, driven by increasing penetration of food delivery in India and improving profitability of the company. We retain conviction as we believe India's food delivery industry is still in its infancy and will continue to scale over the next several years, driven by a growing middle class, rising disposable income, higher smartphone penetration, and a structural shift in consumer preference to a tech-savvy younger population.

Nu Holdings Ltd. is a digital bank with operations in Brazil, Mexico, and Colombia. Shares appreciated during the quarter, as the company reported strong balance sheet growth and continued improvement in profitability. Initiatives to deploy new products and accelerate growth in new geographies are yielding strong results, leading to enhanced earnings expectations. Nu also benefited from news that its shares had become eligible for inclusion in the MSCI Brazil Index, which drove technical flows into the name. We remain investors. Nu is disrupting the financial services industry in Latin America via its digital distribution and intense focus on user experience, which has allowed it to reach over 90 million registered users (almost half of the Brazilian adult population) in less than 10 years with little marketing investment. We believe its superior product offering will allow it to take share from incumbents in this massive market.

Table III.
Top detractors from performance for the quarter ended March 31, 2024

	Percent Impact
Pine Labs Pte. Ltd.	–0.80%
HDFC Bank Limited	–0.34
Zai Lab Limited	–0.33
PDD Holdings Inc.	–0.28
Localiza Rent a Car S.A.	–0.28

Pine Labs Pte. Ltd. is a leading merchant commerce solutions provider in India with a network of more than a million point-of-service checkout points across more than 520,000 merchants. Share price weakness was driven by a marked slowdown in Pine Labs' Buy Now Pay Later (BNPL) business momentum. While we are disappointed with recent developments, we remain investors, as we believe merchant digitization/BNPL in India is still in its infancy and will be a high-growth sector over the next decade (and beyond), driven by accelerating digital payments adoption and growing consumption/disposable income by a tech-savvy and aspirational Indian population.

HDFC Bank Limited is India's largest and most prominent private sector bank. Shares declined after the company reported results that showed slowing deposit growth due to competition and overall tight liquidity conditions. The company will likely have to curtail the pace of asset growth or increase funding costs to attract more deposits in the near term as a result. We think this headwind is temporary. We believe the size and scope of HDFC Bank's distribution network is a competitive advantage that will allow it to grow its funding base at a faster pace than the industry over the long term. We retain conviction in HDFC Bank as one of the best ways to invest in the underpenetrated market for retail lending in India.

Zai Lab Limited is a Chinese biotechnology company dedicated to bringing Western medicines to greater China and to transitioning to a fully integrated company with internal drug development capabilities. While performance as a business has been excellent, shares fell on concerns related to the advance in the U.S. Congress of the BIOSECURE Act, which would prohibit federal agencies from contracting with certain biotechnology firms in China. As a purely domestic player with minimal U.S. export aspirations, we do not believe Zai Lab would be impacted by the legislation, however in the near term, investors have reacted by reducing exposure to essentially all biotechnology-related entities in China.

Portfolio Structure

Table IV.
Top 10 holdings as of March 31, 2024

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	8.0%
Samsung Electronics Co., Ltd.	4.9
Tencent Holdings Limited	3.8
Bundl Technologies Private Limited	2.6
Suzano S.A.	2.5
Bharti Airtel Limited	2.4
Reliance Industries Limited	2.1
Alibaba Group Holding Limited	2.0
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	1.9
InPost S.A.	1.9

Table V.
Percentage of securities by country as of March 31, 2024

	Percent of Net Assets
India	28.0%
China	22.2
Korea	12.6
Taiwan	9.8
Brazil	9.0
Mexico	2.8
Poland	2.3
Philippines	2.2
Hong Kong	1.8
Indonesia	1.8
South Africa	1.5
Peru	1.2
Japan	0.7
Spain	0.4
France	0.2
Russia	0.0*

* *The Fund's exposure to Russia was less than 0.1%.*

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing world companies of all sizes can exhibit attractive growth potential. At the end of the first quarter of 2024, the Fund's median market cap was $14.7 billion, and we were invested 48.7% in giant-cap companies, 38.1% in large-cap companies, 8.9% in mid-cap companies, and 0.7% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the first quarter, we added several new investments to our existing themes, while also increasing exposure to various positions that we established in earlier periods. We continue our endeavor to add to our highest conviction ideas.

We were most active in adding to our digitization theme by initiating positions in **Indus Towers Limited** and **Tencent Music Entertainment Group** (TME). Indus is a leading telecommunications tower operator in India. The telecom towers sector in India in currently structured as a duopoly, with Indus and a key competitor accounting for approximately 60% market share. The company has been a key beneficiary of ongoing industry consolidation and telecom providers' rollout of 5G services. However, its valuation has remained deeply discounted compared to global tower peers, primarily due to a key customer, Vodafone Idea (Vi), which has been experiencing share losses that triggered insolvency concerns for Vi. With its recent improvement in financial viability, Vi resumed monthly payments to Indus, which, in our view, will be a key re-rating catalyst for Indus' stock. Additionally, as Vi completes an equity raise, Indus will benefit from Vi's planned 4G expansion and 5G rollout, which will drive tower additions, tenancy ratio improvement, and consequently higher operating leverage and free-cash generation. We expect Indus to deliver high single-digit revenue growth and approximately 10% compounded earnings growth over the next three to five years, with nearly all the incremental earnings enhancing distributable free cash flow.

TME, a listed subsidiary of Tencent Holdings Limited, is the largest online music platform in China. The company has a dominant 70% share of music streaming and the most comprehensive library of content in China. After navigating a decline in its legacy music livestreaming business over the last few years, TME has now transitioned to a pure-play music streaming model, improving earnings quality and durability. Music streaming is still in its early stages in China, with paid penetration of only 18% and average revenue per paying user (ARPPU) of only RMB 10.7 (U.S. $1.50) per month, a fraction of global peers. As a result, we believe the company has a long runway to drive at least high-teens subscription revenue growth over the intermediate term via both user growth and increasing ARPPU, driving a doubling of earnings over the next four to five years. As the business scales and the self-produced content mix rises, TME is also poised for margin expansion, while China's more fragmented music label landscape compared to other global markets bodes well for the company's long-term profitability.

During the quarter, we also initiated a position in **KB Financial Group Inc.**, which is the holding company for Kookmin Bank, one of South Korea's largest commercial banks. Through its subsidiaries, the company offers a broad range of products including traditional corporate and retail banking, asset management, life and non-life insurance, and securities-related services. We like KB Financial for several reasons. First, its broad business diversification provides a more resilient earnings stream relative to peers. Second, the company operates with the highest capital ratios among Korean banks and a high provisioning buffer, which we believe will drive a higher total return for shareholders via increasing dividend payout and buybacks. At the current valuation (0.4x price/book), we believe KB Financial is undervalued relative to its ROE potential. We believe the combination of strong capital ratios and high return profile should drive a re-rating in the company's shares, with further upside potentially triggered by the value-up program that Korea recently established to enhance long-term shareholder value for listed companies.

As part of our China value-added theme, we initiated a position in **Fuyao Glass Industry Group Co., Ltd.**, the world's largest auto glass manufacturer and distributor with 30% global market share. The company was founded in Fuzhou, China in 1987 and now has manufacturing facilities in 11 countries with a diverse customer base. Its scale, supply-chain integration, and leading position in high value-add products such as panoramic sunroof and heads-up display glass are sources of competitive advantage, in our view. Electric vehicle (EV) proliferation is an upside driver, carrying up to 70% more glass content at higher average selling prices (ASPs) than traditional internal combustion engine automobiles. We expect Fuyao Glass to deliver high double-digit revenue growth on rising EV and autonomous driving penetration with consistent upward migration in ASP via the positive mix shift. The company also benefits from Chinese EV export growth due to its dominant 65% share in China.

During the quarter, we also increased exposure to our EM consumer theme by initiating an investment in **InterGlobe Aviation Limited** (IndiGo). The company is India's largest airline operator, commanding over 60% market share in the duopolistic domestic aviation market. IndiGo has been a key beneficiary of industry consolidation in the aftermath of the COVID-19 pandemic and ongoing supply-chain challenges that have disproportionately impacted smaller competitors. The company operates a fleet of over 350 aircraft and provides low-cost connections to 86 domestic and 32 international destinations. Leveraging its scale of operation and financial strength, IndiGo has strong negotiating power with commercial airplane manufacturers and consequently enjoys a lower cost of ownership and a younger fleet versus its peers. We are excited about the growing demand for air travel in India, the improving pricing discipline in the market, and IndiGo's vision to expand its international destination network, which is accretive to operating margins. We expect the company to deliver 15% to 20% compounded EBITDA growth over the next three to five years.

We added to several of our existing positions during the quarter, including **Shenzhen Mindray Bio-Medical Electronics Co., Ltd.**, **XP Inc.**, **China Mengniu Dairy Co. Ltd.**, **Kaynes Technology India Limited**, **Samsung SDI Co., Ltd.**, **Shenzhou International Group Holdings Ltd.**, **Galaxy Entertainment Group Limited**, and **Coupang, Inc.**

During the quarter, we also exited several positions including **Jubilant FoodWorks Limited**, **Muthoot Finance Limited**, **Glodon Company Limited**, **Network International Holdings Plc**, **Yunnan Baiyao Group Co., Ltd.**, **StoneCo Ltd.**, and **AIA Group Limited**, as we continue our endeavor to allocate capital to our highest convictions ideas.

Outlook

In recent letters, we have suggested that weaker global growth and a peak in bond yields would be a likely precursor to global central bank easing and an inflection point in EM and international equity performance relative to the U.S. As we discussed in our year end 2023 letter, November's Fed pivot suggested such conditions had likely been triggered, and investors fairly quickly discounted a soft landing towards the end of 2023. Illustrating the inherent reflexivity of liquidity and credit and economic expectations, year to date we have witnessed a notable uptick in growth and inflation expectations, as well as an anticipated delay in the Fed's easing. Global equities surprised many during the quarter, given the abrupt rise in bond yields, in continuing to follow through on last quarter's strength.

In our view, equities have remained strong even in the face of rising bond yields and inflation expectations as a consequence of the Fed's continued messaging that while it may modestly delay or moderate the magnitude, it principally remains on course for multiple rate cuts during the current year. To us, the Fed seems to be suggesting that it is willing to err on the side of stronger growth and inflation pressure *in an election year*, which would favor equities over bonds, and we believe this nearly guarantees that real interest rates peaked last October and are set to moderate going forward. This appears to be the primary cue for equities as well as gold in recent weeks. Indeed, 10-Year U.S. Treasury real yields ranged from 1.65% to 2.00% for much of the first quarter, after spending the majority of the fourth quarter of 2023 well above 2.00%. We believe this yield is likely to ultimately decline towards 1.00%, which represented the upper bound for much of the period between 2011 and 2022, as Fed rate cuts kick in.

We suggested in our last letter that financial markets may have moved too far, too fast in the aftermath of the Fed pivot, though we noted the improved relative performance of EM and international equities as a likely foreshadowing of a sustained period of mean reversion. While global equities continued to appreciate in early 2024, the strength was concentrated in the U.S., Japan, mega caps, and semiconductor and other AI proxies, while EM and small-cap equities lagged as global central bank easing expectations moderated and the U.S. dollar firmed. In our view, the shifting conditions referenced above present an interesting setup for non-U.S. equities. We have consistently remarked that the global response to COVID-19 was disproportionate, with U.S. fiscal expansion and monetary support orders of magnitude larger than that of most foreign jurisdictions. This, in turn, led to a stronger recovery and greater inflation pressure in the U.S., which largely remains today. Whether non-U.S. central banks calibrate monetary policy based on their own domestic conditions, or in response to the Fed and U.S. conditions, is likely to influence forward-looking relative performance, as conditions in most foreign jurisdictions warrant substantially more easing than the U.S., in our view. While the Fed is poised to remain *higher for a bit longer*, many international central banks *already appear too tight today*. Such an easing cycle is but one of the several relative earnings catalysts we have laid out in previous letters, but, in our view, would likely trigger a more urgent re-evaluation of improving non-U.S. earnings prospects by global investors and allocators. We reiterate that interest rate sensitive markets such as Latin America (particularly Brazil), India, and Southeast Asia would likely be disproportionate beneficiaries, and we believe our portfolios are well positioned, given our overweight positions in India and Brazil, and our structural and thematic bias towards rate-sensitive domestic consumer, financial, and industrial leaders.

Specific to EM, we are encouraged that many companies, including **Taiwan Semiconductor Manufacturing Company Limited**, **Samsung Electronics Co., Ltd.**, and **SK hynix Inc.**, are increasingly recognized as key beneficiaries of the AI phenomenon. These three stocks, all of which are prominent positions in the Fund, alone comprise about 14% of the Benchmark, and we are researching several additional candidates. India, our largest overweight country exposure, continues to deliver world-leading economic and earnings growth while offering a longer-term geopolitical dividend. In our view, it has a multitude of exciting and high-return investment opportunities notwithstanding high relative valuations. Korea has embarked on an early-stage and shareholder-focused initiative resembling the highly successful campaign in Japan, and we believe this could offer new investment candidates in this statistically cheap jurisdiction. Finally, after a weak start to the year given ongoing questions regarding growth momentum, China's economy and equity markets are exhibiting signs of stabilization and improvement, largely in response to policymakers' stepped-up efforts to restore consumer, business, and investor confidence. As we maintain cautious optimism, we note that any ongoing signs of improving growth would likely trigger significant equity appreciation given widespread skepticism and depressed valuations.

We continue to believe that EM and international equities are likely emerging from a long cycle of relative underperformance, and we look forward to our next communication.

Thank you for investing in the Baron Emerging Markets Fund.

Sincerely,

Michael Kass
Portfolio Manager

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

Risks: In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. The Fund may not achieve its objectives.

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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The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

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