BARON CAPITAL

QUARTERLY LETTER | JUNE 30, 2026

Baron International Growth Fund®

Retail Shares: BIGFX | Institutional Shares: BINIX | R6 Shares: BIGUX

Michael Kass
Portfolio Manager

Dear Baron International Growth Fund® Shareholder,

Performance

Baron International Growth Fund® (the Fund) gained 14.05% (Institutional Shares) during the second quarter of 2026, while its primary benchmark, the MSCI ACWI ex USA Index (the Benchmark), returned 14.49%. The MSCI ACWI ex USA IMI Growth Index (the Proxy Benchmark) appreciated 16.27% for the quarter. The Fund modestly trailed the Benchmark and underperformed the Proxy Benchmark during a strong quarter dominated by returns in semiconductor and AI-related shares. While never comfortable underperforming our Benchmark, we are not discouraged as the entire delta can be attributed to our emphasis on innovative/leading-edge technology companies and a lack of legacy/commodity semiconductor and IT hardware exposure which does not generally fit with our quality growth investment style.

The second quarter of 2026 proved another solid quarter of both absolute and relative performance by international equities, while, in our view, the prevailing catalysts giving direction to markets were the cease-fire and memorandum of understanding (MOU) among the U.S. and Iran to end the war and reopen the Strait of Hormuz, and the rapid adoption of Anthropic's Claude Cowork and OpenAI's introduction of GPT 5.5/Codex, thereby making possible the leap from the chatbot/reasoning phase to fully agentic AI. We remain quite encouraged by the solid absolute performance of the Fund over the past 18 months, which now exceeds 35% cumulatively, as well as the sustained outperformance of international and emerging markets (EM) equities in general. As always, we remain optimistic that our fundamental, theme-driven and bottom-up approach can continue to deliver solid results against a backdrop of dynamic change and opportunity.

Annualized performance (%) for periods ended June 30, 2026

	Fund Retail Shares[1,2]	Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
QTD[4]	14.03	14.05	14.49	16.27
YTD[4]	12.77	12.88	13.68	12.50
1 Year	15.87	16.17	27.66	21.86
3 Years	12.41	12.68	18.82	15.31
5 Years	1.76	2.02	8.79	5.07
10 Years	8.75	9.02	9.93	9.14
15 Years	6.87	7.14	6.55	6.59
Since Inception (12/31/2008)	9.56	9.83	8.58	8.81

In the second quarter of 2026, we slightly underperformed the Benchmark, while also trailing our all-cap international growth Proxy Benchmark. From a sector or theme perspective, poor stock selection effect in the Information Technology (IT) sector, owing to select investments in our advanced semiconductors/AI (**ISC Co., Ltd.**) and China value-added (**GDS Holdings Limited**, **Kingdee International Software Group Company Limited**, and **Pony AI Inc.**) themes, was the largest detractor to relative performance during the quarter. In addition, our overweight positioning together with adverse stock selection in the Materials sector, primarily attributable to a few holdings in our sustainability/ESG (**Lundin Mining Corporation** and **AMG Critical Materials N.V.**)

NON-U.S./GLOBAL

Performance listed in the above table is net of annual operating expenses. The gross annual expense ratio for the Retail Shares and Institutional Shares as of April 30, 2026 was 1.26% and 0.99%, but the net annual expense ratio was 1.21% and 0.96% (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 waives and/or reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2036, 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 BaronCapitalGroup.com or call 1-800-99-BARON.

and global security (**Agnico Eagle Mines Limited** and **Lynas Rare Earths Limited**) themes, was also a drag on relative results. Lastly, stock selection effect in the Industrials sector, largely driven by a couple of positions in our global security (**BAE Systems plc** and **The Japan Steel Works, Ltd.**) theme, also weighed on relative performance. Mostly offsetting the above, positive stock selection in Consumer Staples (**Ajinomoto Co., Inc.**) and Health Care (**argenx SE**) was a positive contributor to relative performance during the quarter. Finally, our underweight positioning in the Energy sector, which declined by double digits during the quarter, also bolstered relative results.

From a country perspective, adverse stock selection effect in Korea, the Netherlands, and Taiwan detracted the most from relative performance during the quarter. In addition, our overweight positioning together with weak stock selection in France also weighed on performance. Mostly offsetting the above was solid stock selection in Japan and India, while strong stock selection in Japan has also been the dominant driver of positive relative performance for the year-to-date period. We are encouraged by the recent performance of our India holdings, which in our view, is entering an earnings upgrade cycle as the worst of the West Asia conflict is likely behind and as recently implemented government fiscal reforms and monetary stimulus measures begin to return the world's fastest growing major economy to trend.

Top contributors to performance for the quarter

	Contribution to Return (%)
Taiwan Semiconductor Manufacturing Company Limited	1.91
Tokyo Electron Limited	1.65
SK hynix Inc.	1.49
Samsung Electronics Co., Ltd.	1.36
Montage Technology Co., Ltd.	0.92

Taiwan Semiconductor Manufacturing Company Limited (TSMC) is the world's largest contract chipmaker and the leading manufacturer of advanced logic semiconductors used in modern AI accelerators. Shares rose during the quarter as investors increasingly recognized that TSMC, rather than any individual chip designer, sits at the center of the AI supply chain. High-performance computing now represents the majority of TSMC's business. AI demand is consuming so much leading-edge capacity that smartphone and PC production is increasingly shifting to older technology nodes, reversing a dynamic that defined the foundry industry for much of the past decade. Management also raised its full-year outlook and increased capital spending to support demand that remains well above available supply. We retain long-term conviction in TSMC and view its leading-edge manufacturing monopoly, pricing power, and 2-nanometer technology roadmap as durable advantages that support multi-year earnings power.

Tokyo Electron Limited is a Japanese semiconductor equipment manufacturer with leading positions in deposition, etch, and cleaning tools. Shares rose during the quarter as the company emerged as one of the most direct picks-and-shovels beneficiaries of the memory supercycle. High-bandwidth memory (HBM) manufacturing involves many more process steps per wafer than standard memory, so the AI-driven boom in HBM is directly increasing demand for the tools Tokyo Electron makes. Management expects the wafer-fab equipment market to reach a record this year and noted that memory demand may mark the beginning of a multi-year supercycle, with the company's own shipments outpacing the broader market. We retain conviction in Tokyo Electron as a core long-term holding, viewing its exposure to HBM and advanced logic process intensity, together with its elevated research investment, as durable advantages that support a long-term growth trajectory.

South Korean semiconductor company **SK hynix Inc.** is the current leader in high-bandwidth memory (HBM), the specialized memory used alongside AI processors, and a leading producer of dynamic random-access memory (DRAM) and NAND flash memory. Shares rose during the quarter as the company provided perhaps the clearest evidence yet of the supply-constrained nature of the AI memory market. Customers have pre-booked more than three years of HBM supply, exceeding what SK hynix can currently produce, and are increasingly focused on securing supply rather than negotiating price. That pricing power drove record profitability in what is typically a seasonally weaker quarter, and management characterized the current cycle as structurally different from the boom-bust patterns of the memory industry's past. We retain conviction in SK hynix as a core long-term holding, viewing its leadership in the HBM market, its position as a key supplier to the leading AI chip maker, and favorable industry supply-demand dynamics as durable advantages that support multi-year earnings power.

Top detractors from performance for the quarter

	Contribution to Return (%)
TotalEnergies SE	(0.37)
ISC Co., Ltd.	(0.31)
Alibaba Group Holding Limited	(0.30)
BAE Systems plc	(0.25)
GDS Holdings Limited	(0.24)

TotalEnergies SE is an integrated oil company with operations spanning exploration and production, liquefied natural gas (LNG), refining and chemicals, power, and marketing. Shares fell during the quarter as prices for the company's primary commodities rolled over. After spiking earlier in the year amid conflict in the Middle East and disruption to the Strait of Hormuz, crude reversed in the second quarter as a ceasefire took hold and shipping flows resumed, bringing additional supply back to the market. We remain constructive on TotalEnergies' outlook, underpinned by strong production growth and peer-leading reserve lives. We find this combination particularly attractive against a backdrop of plateauing U.S. shale production and a supply-risk premium re-emerging in energy commodities.

ISC Co., Ltd. is a South Korean manufacturer of semiconductor testing equipment and the dominant global supplier of elastomer test sockets. These sockets continue to gain share from traditional pogo-pin solutions, which are approaching their electromechanical limits as semiconductor complexity increases. The stock detracted from performance during the second quarter even as earnings comfortably exceeded expectations. We believe the shares are consolidating gains following ISC's strong first-quarter performance. More recently, trading activity may reflect a broader market rotation away from leading-edge semiconductor technologies and key AI enablers toward more legacy and commodity-oriented segments of the semiconductor supply chain in the wake of the rapid adoption of agentic AI. We see no deterioration in the company's fundamentals and retain long-term conviction.

Alibaba Group Holding Limited is China's largest e-commerce and cloud computing company. Shares fell after Alibaba reported quarterly results that showed lower group profitability and negative free cash flow as the company ramped investment in AI infrastructure and the buildout of its Qwen model ecosystem. Total spending is now expected to exceed Alibaba's prior three-year capital budget. Persistent weakness in Chinese consumption and intensifying e-commerce competition weighed on the core retail franchise, while losses in its instant-commerce initiative and other new ventures widened. Despite this near-term earnings reset, our conviction in Alibaba remains intact. Cloud revenue growth accelerated, and management for the first time disclosed the scale of its AI business, with model-as-a-service run-rate revenue expected to exceed RMB 30 billion by fiscal year end. We believe this validates the company's differentiated full-stack positioning across proprietary chips, cloud infrastructure, and leading models. We view Alibaba as one of the best-positioned proxies for China's AI supply chain and remain invested.

Portfolio Structure

Top 10 holdings in developed countries

	Percent of Net Assets (%)
argenx SE	3.5
BNP Paribas S.A.	3.2
Tokyo Electron Limited	2.7
Ajinomoto Co., Inc.	2.5
Keyence Corporation	2.4
Lundin Mining Corporation	2.2
TotalEnergies SE	2.1
Sumitomo Mitsui Financial Group, Inc.	2.1
Mitsubishi UFJ Financial Group, Inc.	2.1
Arch Capital Group Ltd.	2.0

Top five holdings in emerging countries

	Percent of Net Assets (%)
Taiwan Semiconductor Manufacturing Company Limited	6.3
Samsung Electronics Co., Ltd.	2.8
SK hynix Inc.	2.4
Montage Technology Co., Ltd.	1.3
Piraeus Bank S.A.	1.3

Fund investments in developed markets

	Percent of Net Assets (%)
Japan	17.6
France	11.0
United States	7.2
Netherlands	6.9
United Kingdom	4.7
Canada	3.3
Sweden	2.4
Germany	2.4
Switzerland	2.2
Spain	2.1
Ireland	1.8
Australia	1.5
Italy	0.8
Israel	0.4
Total	**64.2***

** Individual weights may not sum to the displayed total due to rounding.*

Fund investments in emerging markets

	Percent of Net Assets (%)
India	8.8
Korea	7.4
Taiwan	6.9
China	6.0
Greece	1.3
Brazil	1.3
Peru	0.9
Chile	0.2
Total	**32.8***

The table above does not include the Fund's exposure to Russia (less than 0.1%) because the country falls outside of MSCI's developed/emerging/frontier framework.
** Individual weights may not sum to the displayed total due to rounding.*

Recent Activity

During the second quarter, we added a few new investments to existing themes and increased our weighting in certain positions established in prior periods. We endeavor to increase concentration in our highest conviction ideas.

We increased exposure to our biotechnology/diagnostics theme by initiating a position in **Sartorius Stedim Biotech S.A.**, a life sciences company that is a leader in bioprocessing, an industry that supplies equipment and reagents to biopharmaceutical companies to produce large biomolecule drugs. In particular, Sartorius is a leader in bioreactors, the upstream vats for cell-based biomolecule production. The company's bioreactor lineup enables easy scaling from drug development to commercial production and is anchored around one-time usage, reducing capital investment and contamination risk for customers. Bioprocessing is an attractive end market growing 8% to 10% annually, with Sartorius aiming to exceed industry growth by 1% to 2% while generating attractive EBITDA margins of approximately 30%. In our view, the current market dislocation, wherein life science industry multiples have significantly derated over the past few years, created an attractive entry point as improving earnings trajectory is likely to support a re-rating going forward. In addition, we believe there is shareholder upside optionality when the Sartorius heirs' trust, which has majority control, is unlocked in July 2028. This event would increase the probability of drawing strategic interest for an attractive asset trading at, in our view, a deep discount to intrinsic value.

Adding to our sustainability/ESG theme, we accumulated a position in **Ceres Power Holdings plc**, a U.K.-based developer of solid oxide fuel cell and electrolysis technology for power generation and green hydrogen production. Ceres operates an asset-light licensing model, earning fees and royalties from global manufacturing partners including Delta Electronics, Doosan, and Weichai Power, who fund production capacity, manufacturing, and distribution. In our view, the company's proprietary fuel cell technology offers compelling advantages in efficiency and water use against competing power generation solutions, creating a large addressable market that the company estimates will exceed 20 GW annually by 2030. Ceres is now transitioning from development to commercialization as its partners undertake significant capacity expansions, with Doosan's initial manufacturing operations recently coming online along with Delta Electronics and Weichai expected to ramp up manufacturing within 12 to 18 months. As partner capacity ramps, we expect Ceres' high-margin royalty revenue to compound rapidly against a largely fixed cost base. We expect the company to become significantly profitable over the next few years and view the stock as materially undervalued.

During the quarter, as part of our digitization theme, we initiated a position in **Spotify Technology S.A.**, the world's leading audio streaming platform with over 750 million monthly active users and nearly 300 million paying Premium subscribers. The company's global market share of paid subscribers is over two times the second closest competitor. In our view, Spotify's competitive advantages include unmatched global scale, the deepest personalization engine in audio - now powered by a proprietary Large Taste Model fueled by 3.4 trillion daily taste signals, product specialization, and a two-sided network connecting listeners with the world's artists and creators. Scale and profitable growth yield better personalization, which drives engagement and retention, further strengthening the platform's leverage with record labels and advertisers. We believe Spotify is still early in its monetization curve and margin-expansion story. The company has raised prices to U.S. based subscribers three times in four years with minimal churn, while broadening beyond music into higher-margin podcasting and audiobooks. The company remains firmly positioned as the scaled-innovation leader in audio media, with plans to layer in new offerings such as "Reserved" concert-ticket access, fitness content, and AI creation tools. At its May 2026 Investor Day, management laid out 2030 targets of mid-teens compounded revenue growth, a gross margin of 35% to 40%, and an operating margin above 20%, alongside longer-term ambitions of 1 billion subscribers and $100 billion in revenue. With mid-teens revenue growth compounding on top of expanding margins, we expect earnings and free cash flow to grow north of 20% annually over the foreseeable future.

We also added to our global security theme by building a position in **Divi's Laboratories Limited**, a leading global active pharmaceutical ingredients (APIs) and intermediates manufacturer. The company specializes in generic API production, custom synthesis, and nutraceuticals. By leveraging its deep capabilities in process chemistry, scale manufacturing, and strong execution in complex molecules, Divi's has built strong relationships with global innovators and leading pharmaceutical companies and plays a key role in the global pharmaceutical value chain. In our view, the company is a key beneficiary of global supply chain realignment, as innovator and generic customers diversify their API sourcing away from China. We are encouraged that Divi's has been onboarded by large global innovators and pharmaceutical companies into the oral GLP-1 and GLP-1 injectables value chain as a supplier of complex intermediates and custom manufactured peptides. This opportunity underscores Divi's strengths in large scale, late stage commercial manufacturing and provides multi-year revenue visibility as GLP-1 demand continues to expand worldwide. We are also excited by the company's commitment to capacity expansion and its sustained focus on R&D. We expect the company to deliver mid-teens compounded revenue growth and 20% earnings growth over the next three to five years.

Lastly, we increased our exposure to several existing positions during the quarter, including **Industria de Diseno Textil, S.A.**, **Alibaba Group Holding Limited**, **Symrise AG**, **SK hynix Inc.**, **JSW Energy Limited**, **On Holding AG**, and **SMS Co., Ltd.** We exited a few positions during the quarter consistent with our efforts to seek greater concentration in our higher conviction investments. Disposals included **InPost S.A.**, **Bharti Airtel Limited**, **HD Korea Shipbuilding & Offshore Engineering Co., Ltd.**, **Park Systems Corporation**, **Reliance Industries Limited**, **Kaynes Technology India Limited**, and **Kuaishou Technology**.

Outlook

The second quarter of 2026 proved another solid quarter of both absolute and relative performance by international equities, with semiconductor and AI-related shares dominating global returns and, within the international arena, financial-related shares also a material factor. In our view, the prevailing catalysts giving direction to markets were the cease-fire and MOU among the U.S. and Iran to end the war and reopen the Strait of Hormuz, and the rapid adoption of Anthropic's Claude Cowork and OpenAI's introduction of GPT 5.5, thereby making possible the leap from the chatbot/reasoning phase to fully agentic AI. While these catalysts drove international, and in particular, EM equities to strong returns during the quarter, we also note that the global market exhibited deteriorating breadth, concentrated returns, and a wide disparity of results by sector and individual stock, presenting a particular challenge for many active growth investors; the IT sector alone contributed roughly two-thirds of the impressive second quarter return.

Regarding the Iran war, we suggested in our first quarter letter that a de-escalation was probable in the relatively near term given the considerable economic, financial, and political pressure that applied to all parties. While we are certainly encouraged with the progress on this front, we now believe that the readouts of the MOU by both parties suggest a wide gap in expectations, and we caution that risk premium and oil prices may not fall as far or as fast as we previously anticipated as Iran's negotiating leverage appears formidable in the context of U.S. political expediency (in fact, as of this writing, President Trump has declared the cease-fire as no longer in effect – though negotiations are ongoing). It appears for now that markets may need to learn to live with an Iran that maintains both some measure of control over the Strait and also the financial resources to support regional proxies and rebuild military assets – factors which would likely leave a variety of tail risk scenarios in place.

As mentioned, returns were largely driven during the quarter by positive fundamental developments in agentic AI, though we note that some near-term risks to the outlook began to emerge late in the quarter, leading to enhanced volatility in AI-related shares. The success of Anthropic, and to a lesser extent, OpenAI has revealed the first truly "killer app" in the agentic AI era – software coding and task management at a scale and level of productivity unimaginable as 2026 began. Enterprises are rapidly shifting and in many cases achieving material headcount reduction, with the majority of monetization flowing to Anthropic; we estimate that Anthropic now manages 10% of AI queries, 25% of inferencing workloads and captures over 60% of total AI revenue. This remarkable growth initially was a major catalyst for technology shares of all stripes, but particularly for the more mature and presumed slower-growing legacy supply chain. As it turns out, the complexity of agentic AI tasks and workflow requires much more CPU/compute and memory than previously anticipated. More recently however, Anthropic's success is causing the market to question whether other LLMs such as OpenAI's consumer facing models or those operated by Meta or Grok are being commoditized or relegated to a second tier. These hyperscaler/LLMs are making massive capex commitments without clear near-term killer apps or monetization opportunity and appear to be at least losing mindshare if not longer-term total addressable market share. While we are confident that AI innovation will ultimately lead to many large-scale applications, ensuring that all capacity additions will be absorbed into ever-expanding demand, in the very near term, there is at least some risk that the capital markets pause in allocating to the more speculative or less competitive players in the AI ecosystem. Enterprise spending curbs are also an evolving near-term concern, at least until compute cost and token pricing begin to deflate as is typical for the IT sector. For this reason, we engaged in modest profit taking late in the quarter, while maintaining roughly market weight exposure to the IT sector and the semiconductors subsector, though as always, we remain attuned to opportunities in this dynamic space as they arise.

As we manage a diversified portfolio of quality growth stocks, we would welcome and find healthy a pause in the unbridled enthusiasm over AI-related investments. As measured by the market's deteriorating breadth, AI fever has "crowded out" many other attractive industries and stocks, and entire countries have been abandoned in favor of perceived AI champions. As we have mentioned in previous communications, beneficiaries of digitization such as e-commerce, fintech, and software-based businesses have been sold down to valuations that belie years if not decades of entrenched distribution, integration, productivity, security, and customer trust. While we remain cautious of companies that could be more easily disintermediated by AI, we have opportunistically added new investments and increased others that, in our view, have become mispriced as the market turned increasingly one-dimensional.

We look forward to our next communication and thank you for investing in the *Baron International Growth Fund®*.

Sincerely,

Michael Kass
Portfolio Manager

[1] The **MSCI ACWI ex USA Index Net (USD)** is designed to measure the equity market performance of large and mid cap securities across 22 of 23 Developed Markets (DM) countries (excluding the U.S.) and 24 Emerging Markets (EM) countries. The **MSCI ACWI ex USA IMI Growth Index Net (USD)** is designed to measure the performance of large, mid and small cap growth securities exhibiting overall growth style characteristics across 22 of 23 DM countries (excluding the U.S.) and 24 EM 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. Investors cannot invest directly in 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] 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.

[4] Not annualized.

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The Fund may not achieve its objectives. **Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.**

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EBITDA, short for earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income. It's used to assess a company's profitability and financial performance. **Free Cash Flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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