QUARTERLY LETTER | JUNE 30, 2026

Baron Real Estate Strategy

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Portfolio Manager

Dear Investor,

Performance

Baron Real Estate Strategy (the Strategy) delivered strong results in the second quarter. The Strategy increased 11.90%, outperforming the MSCI USA IMI Extended Real Estate Index (the MSCI Real Estate Index), which rose 9.88%, and in line with the MSCI US REIT Index (the REIT Index), which increased 11.84%.

We will address the following topics in this letter:

- Our current top-of-mind thoughts
- Portfolio composition and key investment themes
- Top contributors and detractors to performance
- Recent activity
- Concluding thoughts on the prospects for real estate and the Strategy

Annualized performance (%) for period ended June 30, 2026 (figures in USD)[1]

	Strategy (net)[2]	Strategy (gross)[2]	MSCI USA IMI Extended Real Estate Index[2]	MSCI US REIT Index[2]	S&P 500 Index[2]
QTD[3]	11.90	12.18	9.88	11.84	15.20
YTD[3]	5.88	6.40	8.82	16.89	10.21
1 Year	15.23	16.38	11.00	19.70	22.32
3 Years	10.89	12.00	12.20	11.03	20.61
5 Years	3.75	4.79	6.53	4.58	13.41
10 Years	11.84	12.96	8.97	4.80	15.51
15 Years	12.27	13.32	10.22	6.89	14.36
Since Inception (1/31/2010)[4]	13.54	14.52	11.35	8.81	14.68

Calendar year performance (%) (figures in USD)

	Strategy (net)[2]	Strategy (gross)[2]	MSCI USA IMI Extended Real Estate Index[2]	MSCI US REIT Index[2]	S&P 500 Index[2]
2021	24.49	25.73	36.55	41.71	28.71
2022	(28.39)	(27.67)	(23.84)	(25.37)	(18.11)
2023	25.08	26.34	23.09	12.27	26.29
2024	12.52	13.65	12.70	7.49	25.02
2025	5.24	6.30	4.88	1.68	17.88

Our Current Top-of-Mind Thoughts

The first half of 2026 offered early evidence that a multi-year recovery in real estate — a long out-of-favor asset class — is beginning to take shape. Several REITs and travel- and residential-related companies performed well over the period, though we believe the broader recovery remains in its early innings.

We are clear-eyed about the headwinds: elevated interest rates, housing affordability pressures, and AI-driven disruption are real considerations. Yet our optimism about public real estate's

For Strategy reporting purposes, the Firm is defined as all accounts managed by Baron Capital Management, Inc. ("BCM") and BAMCO, Inc. ("BAMCO"), registered investment advisers wholly owned by Baron Capital Group, Inc. As of 6/30/2026, total Firm assets under management were approximately $69.7 billion. The Strategy is a time-weighted, total return composite of all real estate accounts on a fully discretionary basis using our standard investment process. Accounts in the Strategy are market-value weighted and are included on the first day of the month following one full month under management. Gross performance figures do not reflect the deduction of investment advisory fees and any other expenses incurred in the management of the investment advisory account. Actual client returns will be reduced by the advisory fees and any other expenses incurred in the management of the investment advisory account. A full description of investment advisory fees is supplied in the Firm's Form ADV Part 2A. Valuations and returns are computed and stated in U.S. dollars. Performance figures reflect the reinvestment of dividends and other earnings. Baron Real Estate Strategy is currently composed of one mutual fund and one UCIT managed by BAMCO and separately managed accounts managed by BCM. * Includes client and proprietary accounts. BAMCO and BCM claim compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of the Firm's strategies or a GIPS Report please contact us at 1-800-99-BARON. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse, promote or warrant the accuracy or quality of the report.*

The performance data quoted represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted.

prospects remains firm, grounded in several themes we have explored in recent investor letters:

1. **Real Estate Has Lagged**
   - Despite a solid start to 2026, many real estate stocks — both REITs and non-REIT companies — have underperformed the broader market for several years. For example, over the five years ending June 30, 2026, the S&P 500 Index has returned 13.41% annually versus just 4.58% for the REIT Index.
2. **Real Estate Continues to Offer Relative Value**
   - A large portion of public real estate remains attractively valued. We highlight various examples later in the letter.
3. **Privatizations of Discounted Public Real Estate Are Accelerating**
   - As we have noted in prior letters, many publicly traded real estate companies trade at meaningful discounts to private market values. During the second quarter of 2026, three Strategy holdings received acquisition announcements at significant premiums:
     - **Caesars Entertainment, Inc.** – Caesars, the largest gaming company in the U.S., according to management, announced an agreement to be acquired by Fertitta Entertainment at a 49% premium to its unaffected share price as of February 25, 2026.
     - **Taylor Morrison Home Corporation** — Berkshire Hathaway announced an agreement to acquire Taylor Morrison, a leading national homebuilder, at a 24% premium to its May 29, 2026, closing price.
     - **MGM Resorts International** — Barry Diller's media conglomerate, People Inc. (formerly IAC), offered to acquire MGM Resorts' outstanding shares at a 32% premium to its December 31, 2025, closing price.
   - M&A activity has also accelerated across multi-family, self-storage, shopping centers, industrial, retail, health care, homebuilders, and other real estate sectors — further underscoring the disconnect between public market valuations and underlying private asset values. We believe this valuation gap creates the potential for additional public company acquisitions.
4. **Supply-Demand Dynamics Favor Real Estate**
   - Across much of the sector, demand continues to outpace supply — a dynamic that supports occupancy gains, rent growth, increased home sales, cash flow expansion, and improving valuations.
   - Importantly, construction activity across many real estate segments has fallen to decade lows (Source: Green Street Advisors, LLC), which should set the stage for a faster growth rebound than in prior cycles as demand continues to strengthen.
5. **Balance Sheets Are Healthy and the Debt Environment Is Improving**
   - Real estate balance sheets are in strong shape, characterized by prudent leverage, well-laddered debt maturities, and a balanced mix of fixed- and floating-rate obligations.
   - Should long-term interest rates decline — driven by the deflationary effects of AI, moderating shelter inflation, or a more accommodative Federal Reserve over time — borrowing costs could fall. Lower rates would likely support higher real estate valuations, stimulate housing market activity, and accelerate M&A, further underscoring the relative attractiveness of public real estate.
6. **Real Estate Is Increasingly an AI Beneficiary**
   - The market has increasingly rewarded owners with tangible, hard-to-replicate assets - what we describe as HALO (Heavy Assets, Low Obsolescence) businesses - including REITs, homebuilders, and other real estate-related companies. These businesses tend to offer greater near-term earnings visibility and lower risk of AI-driven disruption compared to many segments of the digital economy.
7. **Many Investors Remain Underweight Real Estate**
   - If investors rebalance toward the sector, increased capital flows could provide a meaningful lift to valuations and share prices.
8. **We See a Path to Double-Digit Annual Returns**
   - We believe the Baron Real Estate Strategy is well-positioned to deliver double-digit annual returns over the next several years, supported by improving growth prospects, rising dividends, and what we view as compelling valuations across the portfolio.

The Baron Real Estate Strategy offers a compelling way to access the long-term return potential of the Real Estate sector

We believe the advantages of the Strategy's comprehensive, flexible, and actively managed approach – enabling investment across a broad spectrum of real estate companies, including both REITs and non-REIT real estate-related businesses – will become increasingly evident in the years ahead. In our view, a rapidly evolving real estate landscape requires more selective and discerning analysis.

We believe our highly differentiated real estate strategy enjoys several attractive attributes compared to:

- Actively managed REIT funds: The Strategy benefits from a broader investment universe and reduced reliance on the debt markets.
- Passive/ETF real estate funds: The Strategy has the flexibility to be selective, emphasizing companies with attractive long-term prospects rather than broadly replicating an index and owning both higher- and lower-quality real estate businesses.
- Non-traded REITs and private real estate: The Strategy provides enhanced liquidity, diversification, valuation transparency, lower fees, and strong performance over the long term.

Portfolio Composition and Key Investment Themes

We currently invest in REITs as well as seven additional non-REIT real estate-related categories. Allocations across these areas are dynamic and reflect our bottom-up research and assessment of relative opportunities, as outlined below.

Strategy investments in real estate-related categories

	Percent of Net Assets (%)	
Non-REITs		**66.9**
Building Products/Services	20.8	
Homebuilders & Land Developers	12.9	
Casinos & Gaming Operators	10.2	
Hotels & Leisure	9.0	
Real Estate Service Companies	7.1	
Real Estate Operating Companies	5.9	
Data Centers	1.0	
REITs		**29.0**
Cash and Cash Equivalents		**4.0**
Total		**100.0***

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

Investment Themes

REITs

We believe the outlook for REITs remains favorable for several key reasons:

- **REITS have lagged**
  - In the last five years through June 30, 2026, the REIT Index trailed the S&P 500 Index by 62% cumulatively.
- **Several REITs offer compelling value**
  - We have identified several REITs trading at meaningful discounts to both historical norms and private market valuations.
  - Across a broad range of property types - including multi-family, single-family rentals, hotels, strip centers, office, life sciences, cold storage, self-storage, and timber – public market prices sit 10% to 50% below replacement cost or recent private market transaction values. We believe this dislocation may attract private equity or other buyers in taking public REITs private.
- **Favorable demand versus supply set up**
  - Demand remains generally strong or is improving: Robust in segments such as health care, industrial, and retail, and showing signs of improvement in residential, office, and storage categories.
  - Supply constraints are underappreciated: According to our research, new construction activity across many REIT categories has fallen 50% to 70% from peak levels in 2022 and remains well below historical levels, as higher land, labor, and materials costs make development prohibitively expensive.
  - The combination of strengthening demand, a favorable supply environment, and occupancy levels above 90% for many properties creates a compelling setup for rent growth acceleration.
- **REITs benefit from both cyclical and secular tailwinds**
  - Cyclical tailwinds: Strong early-cycle demand prospects, supportive supply conditions for real estate, and the historical pattern of real estate cycles typically lasting 7 to 10 years.
  - Secular tailwinds across property types: Growth in AI and cloud computing driving demand for data centers, an aging population boosting healthcare real estate, housing affordability pressures increasing rental demand, suburbanization benefiting retail, 5G network upgrades supporting towers, and the rise of remote work fueling storage needs.
- **AI haven**
  - Several REITs are relatively insulated from potential AI-related disruption, benefiting from tangible assets, well-covered dividends, contracted cash flows, annual rent escalators, and other structural advantages.
- **Solid balance sheets + rising dividends + built-in inflation protection**
- **Return prospects for REITs are attractive**
  - We believe several REITs have the potential to deliver double-digit returns through a mix of earnings growth, dividend income, and multiple expansion.

As of June 30, 2026, we had investments in eight REIT categories representing 29.0% of the Strategy's net assets.

REITs

	Percent of Net Assets (%)
Health Care REITs	7.0
Data Center REITs	6.5†
Mall REITs	5.4
Industrial REITs	3.1
Triple Net REITs	2.9
Self-Storage REITs	2.7
Other REITs	1.4
Mortgage REITs	0.1
Total	**29.0***

† *Exposure to Data Center REITs would be 7.5% if non-REIT data center company GDS Holdings Limited was included in the category.*

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

SECTOR

Residential-related real estate

We recognize that the housing market is currently facing a logjam.

On one hand, a buyers' strike has emerged, as many potential homeowners find properties unaffordable following a roughly 50% rise in home prices over the past five years and a jump in mortgage rates from 3% to between 6% and 7%, based on data from the National Association of Realtors.

On the other hand, a sellers' strike is also in place, as many current homeowners are hesitant to sell while their existing mortgages carry rates well below today's levels.

Navigating near-term headwinds while staying bullish long-term: Affordability pressures and persistent buyer-seller standoffs have kept us cautious about housing. That said, we added exposure in the second quarter where valuations became sufficiently compelling. Looking ahead, we remain firmly bullish on residential real estate for the following reasons:

- **Housing is an early cycle beneficiary, and we believe we are early in the cycle**
  - <u>Economic growth could accelerate</u> potential stimulus such as tax refunds and other pre-midterm measures, deregulation, and the possibility of easing inflation and interest rate cuts.
  - <u>Housing tends to benefit early in the economic cycle</u> due to its sensitivity to interest rates, pent-up consumer demand, and its powerful multiplier effect – creating more jobs, boosting consumer spending, supporting higher prices, and accelerating overall economic growth.
- **Housing is also supported by long-term secular tailwinds**
  - Millennial household formation remains significantly below its long-term stabilized level.
  - Buyers are increasingly favoring new homes over existing ones, as they offer better layouts, lower maintenance, and greater energy efficiency at comparable price points.
  - Existing homes are aging – averaging over 40 years – while homeowners sit on record levels of equity and are staying in their homes longer. Together, these factors should support strong home repair and remodeling activity in the years ahead.
- **Bipartisan support to address the housing crisis**
  - Housing affordability appears to be a key issue heading into the mid-term elections, and we expect certain initiatives may emerge.
- **Housing is an AI beneficiary**
  - Housing and select residential building product companies may benefit from AI trends, as their asset-heavy structures provide relative insulation from disruption – what we describe as HALO.
- **Several housing companies are attractively valued**
  - Select homebuilders are trading near 1 times book value, well below their historical norm of 1.3 to 1.5 times book value, implying roughly 30% to 50% upside to more typical valuations. The market's mispricing appears increasingly hard to ignore: three public homebuilders have already received acquisition offers at significant premiums in 2026.
  - Other residential-related real estate companies are currently valued at or near trough valuation levels.
- **New Federal Reserve Chief may become more dovish should inflation move towards its targeted rate of 2%**
  - The housing market would be a major beneficiary from lower mortgage rates.
- **Big picture: There is a compelling long-term investment case for housing**
  - The U.S. faces a structural housing shortage of more than 4 million homes relative to demographic needs. Today, the country builds roughly 1.4 million homes annually – the same number as in the 1960s – despite the population nearly doubling from 180 million to 340 million, according to data from the Census Bureau.

As of June 30, 2026, residential-related real estate companies represented 33.7% of the Strategy's net assets.

Residential-related real estate companies

	Percent of Net Assets (%)
Building Products/Services	16.8
Homebuilders	12.9
Home Centers	4.1
Total	**33.7***

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

Travel-related real estate

We continue to believe several travel-related real estate companies are well positioned to benefit from a favorable "*trifecta*" of cyclical, secular, and 2026-specific tailwinds, which should support strong fundamentals and share price performance in the years ahead.

- **Cyclical tailwinds – economic growth may accelerate**
  - Key inflation components may moderate over time, while the regulatory environment remains business - and investment-friendly. Favorable tax policies enacted in 2025 – such as bonus depreciation to encourage investment – combined with a massive investment cycle in AI and other technologies, major initiatives like the CHIPS Act, and a busy 2026 event calendar, together create a supportive backdrop for economic and corporate growth.
  - Broad-based economic growth and middle-class wage growth.
  - Limited supply growth: Projected to increase by less than 1% over the next few years, well below the long-term average of 2% to 2.5%, according to Green Street Advisors, LLC.

- **Secular tailwinds**
  - Many investors view travel spending as cyclical – our view is that travel spending is also secular.
  - Consumers are allocating more discretionary spending to travel rather than durable goods. Factors supporting this trend include delayed household formation, which leaves more disposable income for travel, flexible work arrangements that combine business and leisure or enable extended stays, and cyclically muted business activity.
- **2026 tailwinds**
  - World Cup (in 11 major metro markets) + America's 250th anniversary + Super Bowl + Major League Baseball all-star game.
  - Increasing spending on onshoring initiatives.
- **Examples of several travel-related companies that are attractively valued**
  - **Hyatt Hotels Corporation**
    - A luxury-focused hotel company that has transitioned to a 90% asset-light model, currently trades at a 3 to 4 times multiple discount to its hotel C-Corp peers and below private market valuations.
  - **Wynn Resorts, Limited**
    - A leading hotel and gaming company, currently valued at just 8.4 times 2027 estimated cash flow compared with its historical range of 13 to 15 times.
    - The company could become one of the most compelling travel-related growth stories with the opening of its UAE resort in 2027, which could be worth $40/share versus its recent market value of only $97 per share.
  - **Red Rock Resorts, Inc.**
    - A leading gaming growth company positioned in the highly attractive Las Vegas Locals market. Red Rock Resorts has the real estate capacity to potentially double its portfolio in the coming years, and we find its current valuation – approximately 11 times 2027 estimated cash flow – compelling.
  - **Airbnb, Inc.**
    - A global asset-light travel company, with over 9 million active listings, generating more than $4 billion in annual free cash flow. The company faces limited AI disruption risk due to 90% direct traffic and the uniqueness of most of its inventory. Shares are currently trading at just 14 times 2027 estimated cash flow.
  - **Dry powder / private equity**
    - With private equity sitting on substantial dry powder, we believe public travel companies — still deeply discounted relative to private market values — present an increasingly attractive acquisition target. This thesis is already playing out: in the first half of 2026, two of the Strategy's travel holdings, **Caesars Entertainment, Inc.** and **MGM Resorts International**, received takeover bids. Should valuations remain depressed, we expect further take-private activity to follow.

As of June 30, 2026, travel-related real estate companies represented 19.1% of the Strategy's net assets.

Travel-related real estate companies

	Percent of Net Assets (%)
Casinos & Gaming Operators	10.2
Hotels & Leisure	9.0
Total	**19.1***

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Commercial real estate services companies

In the first six months of 2026, shares of leading commercial real estate services firms **CBRE Group, Inc.**, **Jones Lang LaSalle Incorporated** (JLL), and **Cushman & Wakefield Ltd.** declined despite strong earnings and positive business outlooks. The sell-off largely reflected investor concerns that AI could disrupt parts of their operations.

While certain business lines – such as office leasing, valuation services, and property management – may face AI-related challenges over time, we believe current multi-year concerns are overstated and already reflected in share prices. We continue to research and monitor potential AI-related headwinds.

Despite near-term uncertainties, we remain long-term optimistic about these leading commercial real estate services companies. They are positioned to potentially benefit from structural and secular tailwinds, including the outsourcing and institutionalization of commercial real estate, as well as opportunities to gain market share in a highly fragmented industry. We also see the early stages of a rebound in commercial real estate sales and leasing activity. Based on these factors, we believe CBRE, JLL, and Cushman & Wakefield could achieve earnings-per-share growth of 12% to 15% over the next several years.

Further, we believe valuations are attractive. CBRE is valued at a discount to the S&P 500 multiple despite superior earnings growth, a pristine balance sheet, and a resilient business model. JLL is valued at only 12 times 2027 estimated earnings, compared with the high-teens multiple justified by its historical trading and its improvement in its business mix. Cushman & Wakefield is valued at only 8 times 2027 estimated earnings, a highly discounted valuation multiple, in our opinion.

Real estate-focused alternative asset managers

Shares of alternative asset managers declined in the first six months of 2026, as several companies faced a mix of headwinds, including: exposure to software investments that could be affected by AI-related risks; credit concerns tied to private loans; limitations on investor redemptions for semi-liquid products (2% per month or 5% per quarter); delayed monetizations; and the potential for slower earnings growth due to these factors, along with the risk that growth in the retail channel may underperform expectations.

While these challenges may persist in the near term, we do not view them as existential, and we believe current valuations largely reflect these concerns.

Over the long term, we remain optimistic about leading real estate-focused asset managers, including **Brookfield Corporation**, **Brookfield Asset Management Ltd.**, and **Blackstone Inc.** Each has the potential to gain market share in a growing industry, supported by strong investment track records and global scale. These companies are well positioned to potentially benefit from secular growth in alternative assets, leveraging their ability to deliver attractive relative and absolute returns – often with lower perceived volatility compared with other investment options.

Valuations, in our opinion, are compelling. Brookfield Corporation, a global owner and operator of real assets, trades at $43 per share, well below management's estimated liquidation value of $67 per share – approximately 55% higher than the current share price. Blackstone's shares are currently valued at the low-end of its valuation multiple over the last 5 years.

Property technology companies

The convergence of real estate and technology has given rise to a new category – real estate technology, or proptech. The growth of proptech and the digitization of real estate represent an exciting and promising development. We believe we are in the early stages of a technology-driven investment cycle focused on data and digitization, enabling real estate-related businesses to generate incremental revenue streams and reduce costs.

We recently began acquiring shares in **Procore Technologies, Inc.**, a provider of software solutions to the construction industry, and will elaborate on this company in future investor letters.

As of June 30, 2026, other real estate-related companies, which include the three investment themes mentioned directly above, plus an investment in Chinese data center operator **GDS Holdings Limited**, represented 14.1% of the Strategy's net assets.

Other real estate-related real estate companies

	Percent of Net Assets (%)
Commercial Real Estate Services Companies	7.0
Real Estate-Focused Alternative Asset Managers	5.9
Data Center Operators	1.0
Property Technology Companies	0.1
Total	**14.1***

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

SECTOR

Top Contributors and Detractors

Top contributors to performance for the quarter

	Contribution to Return (%)
The Macerich Company	1.13
Hyatt Hotels Corporation	1.03
AAON, Inc.	0.93
Meritage Homes Corporation	0.92
Toll Brothers, Inc.	0.91

The Macerich Company, a high-quality retail mall REIT, contributed positively to performance in the second quarter, driven by management's continued strong execution. Key highlights included nearing full achievement of the leasing targets outlined in its Path Forward Plan, a growing pipeline of accretive acquisitions, and an opportunistic equity raise that further strengthened balance sheet flexibility.

As previously outlined, we remain optimistic about Macerich's prospects over the next several years. The fundamental backdrop for high-quality mall real estate remains favorable: tenant demand is robust, desirable retail space is scarce (occupancy is high with little new mall development), and the resulting demand/supply imbalance is giving landlords meaningful pricing power. We continue to engage with CEO Jackson Hsieh, a well-regarded outsider who is bringing a fresh, analytical lens to the company's real estate portfolio. We believe he will continue to unlock significant value by divesting non-core properties and reducing debt. Our conviction has grown that the company can generate over $2.00 in FFO over the next couple of years, which we believe would be a meaningful catalyst for share price appreciation from current levels.

Shares of **Hyatt Hotels Corporation** appreciated materially following strong first quarter results and an Investor Day in May that outlined strong long-term growth targets. Hyatt franchises and manages a portfolio of luxury hotel brands across over 1,500 properties in 83 countries. The company is in the final stages of transforming its earnings mix primarily to an asset-light fee stream while growing its development pipeline to record levels, enabling sector-leading unit growth, double-digit fee revenues, and mid-teens EBITDA and free cash flow growth. This translates to over 50% cumulative cash flow growth over the next three years with an increasing portion returned to investors via buybacks.

Shares of **AAON, Inc.** rose during the quarter following an exceptionally strong earnings report which saw the company see drastically faster growth in its data center business, BasX, than expected. Up 26% sequentially and 72% over the past year, BasX has positioned itself as a true best-in-class cooling solutions provider with a focus on customized offerings vs. peers' off-the-shelf products. With the new Memphis facility ramping production, the company can now satisfy elevated levels of demand with over $2 billion of BasX revenue capacity. The HVAC business performed well, as the company accelerated market share gains following strong heat pump and national accounts driven growth. We believe AAON is well positioned to continue to compound well above peers for the foreseeable future.

Top detractors from performance for the quarter

	Contribution to Return (%)
GDS Holdings Limited	(0.67)
SiteOne Landscape Supply, Inc.	(0.46)
Blackstone Inc.	(0.18)
Builders FirstSource, Inc.	(0.13)
Lowe's Companies, Inc.	(0.11)

Despite solid operating results and after strong share price performance to start the year, shares of **GDS Holdings Limited** declined in the second quarter. Several items weighed on performance including management communication about full-year guidance components, a material step-up in capital expenditure over the next few years and a slight delay in timing when the company is expected to see a growth inflection in its underlying results. While we continue to see evidence of the building of the AI wave in China through significant bookings growth and see material under-appreciated value in GDS' stake in its spun-out international subsidiary (DayOne), we trimmed our position and reallocated capital to companies where we have a higher degree of visibility and lower exogenous risks such as the current geopolitical environment.

SiteOne Landscape Supply, Inc. is the largest distributor of wholesale landscape supplies in North America. SiteOne sells irrigation, hardscapes, agronomics, and nursery products to professional contractors through its branch network for maintenance, upgrade/repair, and new construction applications. Shares fell during the quarter as investors worried about the impacts of the Iran War and a potential reduction in demand given rising commodity prices. Despite this, we believe the company remains well positioned to continue outgrowing its markets and expand margins as it harvests benefits from its ongoing initiatives and investments in improving underperforming branches, operational efficiency, technology, and product category management to continue differentiating itself from the fragmented wholesale landscape supplies distribution industry. Our belief was reinforced by a positive Analyst Day held by SiteOne at the end of the quarter highlighting the progress the company has made on each of these fronts. The event highlighted the depth of SiteOne's talent and a clear pathway toward above-market organic growth, EBITDA margin expansion (toward 13%-plus target by 2030), and continued consolidation of the market driving an expected high-teens EBITDA growth rate out to 2030. As the underlying market begins to recover and SiteOne continues to execute on what is can control, we believe the multiple should re-rate which combined with rapidly growing earnings can deliver strong stock upside over time.

Shares of **Blackstone Inc.** continued to be volatile and were a drag on performance in the second quarter as mounting redemption pressures at Blackstone's Private Credit vehicle (BCRED) and sector-wide liquidity fears overwhelmed an otherwise constructive fundamental backdrop. The first quarter saw elevated redemption requests at approximately 8% of NAV followed by 10% in the second quarter, requiring Blackstone to cap withdrawals at the standard 5% limit for the first time. Broader sector sentiment was further pressured when other alternative asset managers announced withdrawal restrictions, reigniting broad private market liquidity fears and dragging the entire sector lower. Please see our "Top purchases" section for additional detail.

Recent Activity

Top net purchases for the quarter

	Net Amount Purchased ($M)
Meritage Homes Corporation	76.8
Blackstone Inc.	63.5
Blackstone Digital Infrastructure Trust Inc.	60.2
The Home Depot, Inc.	45.9
PulteGroup, Inc.	40.8

During the quarter, we initiated a position in **Meritage Homes Corporation**, the fifth-largest homebuilder in the U.S., with operations across the West, Central, and East regions. In 2025, the company delivered approximately 15,000 single-family homes to entry-level and first move-up buyers at an average selling price of $390,000.

We are optimistic about our investment in Meritage Homes for several reasons:

1. We are optimistic about the medium-term outlook for U.S. single-family housing. New home construction remains depressed relative to population growth, the housing shortage is acute — estimated at over 2 million units according to Freddie Mac — and secular demand is accelerating, driven by rising millennial household formation and a growing preference for new homes over existing ones.
2. Fundamentals appear to be bottoming, with a return to growth on the horizon. Depressed construction activity and a potential peak in builder concessions may set the stage for improving sales and margins beginning in 2027.
3. Meritage Homes has a credible path to substantial long-term growth. Management targets 20,000 annual deliveries over time — a roughly 40% increase from current levels — driven by double-digit growth in community count. As volumes scale and elevated incentives normalize, operating margins could expand by 600 basis points or more. Together, these drivers could support earnings per share growth of 250% or more over time.
4. The homebuilding industry has seen a rising wave of consolidation, with several U.S. builders taken private in recent years. Further M&A activity would not be surprising, and Meritage Homes' scale and operational track record could make it an attractive candidate.
5. Valuation is attractive. The stock currently trades at a discount to book value; despite the premium it has historically commanded at times. Recent take-private transactions in the sector have been completed at 1.2 to 1.3 times book value, underscoring the potential upside from current levels.

While near-term uncertainty may continue to weigh on the shares, we are excited about Meritage Homes' long-term growth prospects and compelling valuation. We see meaningful potential for share price appreciation over the coming years, driven by earnings growth and multiple expansion.

Blackstone Inc. is the world's largest alternative asset manager with over $1.3 trillion in assets under management and the largest real estate manager in the world according to management. As we noted in our first quarter letter, while we consolidated our positions in the alternative asset manager space, Blackstone remained high on our list to revisit. Given severe multiple compression across the sector with all alternative managers being painted with a broad brush and extreme investor negativity, we took advantage of the volatility to reinitiate a position in the company at what we deemed to be highly compelling valuation levels. While the liquidity narrative dominates headlines, underlying fundamentals continue to be strong. We retain long-term conviction in Blackstone due to its premier brand, global franchise, loyal customers, exceptional balance sheet, and an excellent management team. At current share price levels, we believe the company is well positioned to benefit as the liquidity narrative fades and realization activity accelerates.

We participated in the IPO of **Blackstone Digital Infrastructure Trust Inc.**, a newly listed Blackstone-sponsored vehicle focused on acquiring stabilized, fully leased data centers underpinned by long-term non-cancellable leases to the world's largest hyperscalers in primary data center markets. The opportunity is compelling given the absence of large-scale capital dedicated to acquiring stabilized data center assets – leaving a significant volume of institutional-quality assets available at attractive prices with limited competition. Blackstone's sponsorship brings an unparalleled sourcing advantage, having invested $200 billion into digital infrastructure since 2018 and sourcing over 85% of deals off market, alongside a near-term actionable pipeline of $25 billion. We believe the long-term leases with annual escalators and limited exposure to operating risks support a highly visible, attractive return profile and risk/reward opportunity. We also spent considerable time with management prior to the IPO and came away highly impressed with the depth of the team, the quality of the identified pipeline, and the clarity of the long-term vision.

SECTOR

Top net sales for the quarter

	Net Amount Sold ($M)
Wynn Resorts, Limited	51.6
Equinix, Inc.	42.7
Taylor Morrison Home Corporation	38.7
Ventas, Inc.	35.4
Prologis, Inc.	34.9

We recently trimmed the Strategy's investment in **Wynn Resorts, Limited**, a global luxury owner and operator of integrated resorts (hotels and casino resorts), in part due to the delay in the opening of its new UAE resort. We may increase the Strategy's ownership of Wynn at a later date.

Following a 40% increase in the shares of **Equinix, Inc.**, a leading global operator of data centers, we trimmed the Strategy's large position in the company but remain bullish about the company's long-term business prospects.

Following the announcement of Berkshire Hathaway's agreement to acquire **Taylor Morrison Home Corporation**, a leading national homebuilder, we exited the Strategy's investment in the company.

Concluding Thoughts on the Prospects for Real Estate and the Strategy

As outlined in our first quarter letter, we remain mindful of the headwinds that could weigh on equity markets in the coming months. Periods of volatility and sharp dislocations have historically been our best opportunity to reposition the Strategy — and the first half of 2026 was no exception. We remain actively engaged and confident in our ability to continue doing so.

We maintain our constructive outlook for the broader equity market, public real estate, and the Strategy.

Stock Market Outlook

Our research points to broadly stable economic conditions ahead, supported by several potential tailwinds. On the policy front, reduced trade uncertainty, lower taxes, and enhanced depreciation incentives should encourage capital investment; deregulation and a more permissive M&A environment add further support. A Federal Reserve that eases gradually, combined with administration efforts to address housing supply constraints, provides an additional constructive backdrop. Beyond policy, we see AI-driven productivity gains as a meaningful catalyst — one with the potential to moderate inflation, compress long-term interest rates, and expand profit margins.

For these reasons, **we remain positive about the outlook for the stock market.**

Real Estate Market Outlook

We believe the conditions are in place for real estate to perform well in the next few years. Demand across most property sectors remains steady, with growth expected to improve over the next several years. At the same time, new supply has declined – often by more than 50% from peak 2002 levels – a dynamic we believe is underappreciated.

As a result, growth may rebound more quickly than in prior cycles, as the sector is not burdened by excess supply or elevated vacancies. Many public real estate shares have lagged, and valuations have reset to reflect a higher cost of capital, leaving many trading at attractive discounts relative to private market values. This disparity could catalyze ongoing real estate M&A activity.

Balance sheets remain strong, and credit markets are supportive. Additionally, moderating shelter inflation and productivity gains from AI could contribute to lower long-term interest rates – an important potential catalyst for the sector.

Taken together, we believe a favorable combination of cash flow growth, dividends, and the potential for multiple expansion in public real estate valuations could generate double-digit annual returns in the years ahead.

So, in our opinion, ***this is an attractive time to invest in real estate***.

Baron Real Estate Strategy Outlook

We continue to believe the benefits of the Strategy's broader and more flexible investment approach – encompassing a wide range of real estate companies, including both REITs and non-REIT real estate-related businesses – will become increasingly advantageous in the years ahead. In our view, a rapidly evolving real estate landscape demands more selective and discerning analysis.

While some companies are positioned to potentially benefit from accelerating tailwinds, others are likely to face persistent headwinds. We believe the portfolio is composed of competitively advantaged real estate companies that are generally well positioned to grow faster than their peers. The Strategy is structured to capitalize on compelling investment themes, and we believe current valuations and return prospects are attractive.

For these reasons, **we remain positive about the outlook for the Baron Real Estate Strategy.**

Top 10 holdings

	Percentage of Net Assets (%)
Welltower Inc.	5.9
Toll Brothers, Inc.	5.1
Equinix, Inc.	4.9
The Macerich Company	4.2
Meritage Homes Corporation	4.2
Hyatt Hotels Corporation	3.3
Brookfield Corporation	3.2
Prologis, Inc.	3.1
Hilton Worldwide Holdings Inc.	3.0
Blackstone Digital Infrastructure Trust Inc.	2.9

I would be remiss without acknowledging our core real estate team – David Kirshenbaum (assistant portfolio manager), George Taras (senior analyst), and David Berk (analyst). Their dedication, intellectual curiosity, and passion for the work remain impressive.

Our team and I remain fully committed and energized to delivering strong long-term results.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
Portfolio Manager

1 With the exception of the performance tables located on page 1, most of the data is based on a representative account. Such data may vary for each client in the Strategy due to asset size, market conditions, client guidelines, and diversity of portfolio holdings. The representative account is the account in the Strategy that we believe most closely reflects the current portfolio management style for the Strategy. Representative account data is supplemental information.

2 The **MSCI USA IMI Extended Real Estate Index Net (USD)** is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. The **MSCI US REIT Index Net (USD)** measures the performance of all equity REITs in the U.S. equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The MSCI Indexes and the Strategy include reinvestment of dividends, net of foreign withholding taxes, while the S&P 500 Index includes reinvestment of dividends before taxes. Reinvestment of dividends positively impacts performance results. The indexes are unmanaged. Index performance is not Strategy performance. Investors cannot invest directly in an index.

3 Not annualized.

4 The Strategy has a different inception date than its representative account, which is 12/31/2009.

The performance of accounts in the Strategy may be materially different at any given time. Differences that may affect investment performance include cash flows, inception dates, and historical prices. Positions may not be the same or may be traded at different times. In addition, accounts in the Strategy may be pursuing similar investment strategies, but may have different investment restrictions.

Risks: In addition to general market conditions, the value of the Strategy will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Strategy 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 Strategy may not achieve its objectives. **Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.**

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Diversification does not guarantee a profit or protect against a loss.

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. **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. **EPS Growth Rate (3-5-year forecast)** indicates the long term forecasted EPS growth of the companies in the portfolio, calculated using the weighted average of the available 3-to-5 year forecasted growth rates for each of the stocks in the portfolio provided by FactSet Estimates. The EPS Growth rate does not forecast the Fund's performance. **Funds From Operations (FFO)** measures the cash flow generated by a real estate investment trust (REIT), excluding depreciation and amortization, and is often used to assess its 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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Figures in USD

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Chile

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

1. Date of commencement of the offer: As of June 30, 2026. The offer of the securities is subject to Rule (Norma de Carácter General) No. 336, dated June 27, 2012, issued by the CMF;
2. The offered securities and this offering document are not registered with the Securities Registry (Registro de Valores) of the CMF, nor with the Foreign Securities Registry (Registro de Valores Extranjeros) of the CMF and as such are not subject to the oversight of the CMF;
3. Since the offered securities are not registered in Chile, there is no obligation by the issuer to make publicly available information about the offered shares in Chile; and
4. The offered securities shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the CMF.

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

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

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<u>Mexico</u>

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<u>Middle East</u>

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