



QUARTERLY LETTER | JUNE 30, 2026

Baron Emerging Markets Fund®

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

Dear Baron Emerging Markets Fund® Shareholder,

Performance

Baron Emerging Markets Fund® (the Fund) gained 19.61% (Institutional Shares) during the second quarter of 2026, while its primary benchmark, the MSCI Emerging Markets Index (the Benchmark), returned 24.05%. The MSCI Emerging Markets IMI Growth Index (the Proxy Benchmark) appreciated 24.80% for the quarter. The Fund underperformed both the Benchmark and the Proxy Benchmark during a strong quarter dominated by semiconductor and AI-related shares. While never comfortable underperforming our Benchmark, we are not discouraged as the delta can largely 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 emerging markets (EM) 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 strong absolute performance of the Fund over the past 18 months, where cumulative appreciation now exceeds 55%, as well as the solid outperformance of 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.



Michael Kass
Portfolio Manager

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

	Fund Retail Shares ^{1,2}	Fund Institutional Shares ^{1,2}	MSCI Emerging Markets Index ¹	MSCI Emerging Markets IMI Growth Index ¹
QTD ³	19.54	19.61	24.05	24.80
YTD ³	20.04	20.18	23.85	22.99
1 Year	31.31	31.59	43.51	41.22
3 Years	19.37	19.68	23.03	22.50
5 Years	3.73	4.00	7.20	5.34
10 Years	7.97	8.24	10.07	10.32
15 Years	6.18	6.45	5.25	6.01
Since Inception (12/31/2010)	5.92	6.19	5.13	5.83

For the second quarter of 2026, we underperformed the Benchmark, while also trailing our all-cap EM growth Proxy Benchmark. From a sector or theme perspective, poor stock selection effect in the Information Technology (IT) sector, primarily attributable to a few investments in our 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 this quarter. Weak stock selection in IT was exacerbated by not owning various lower-quality legacy/commodity semiconductor and IT hardware names, which were up sharply in the Benchmark. In addition, adverse stock selection in the Industrials sector, owing to select holdings across various themes (GPS Participacoes e

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of April 30, 2026 was 1.38% and 1.12%, 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, 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.

NON-U.S./GLOBAL

Empreendimentos S.A., Localiza Rent a Car S.A., HYUNDAI Glovis Co., Ltd., Hanwha Systems Co., Ltd., and Doosan Enerbility Co., Ltd.), also weighed on relative results. Partially offsetting the above was favorable allocation effect combined with solid stock selection in the Financials, Materials, Consumer Staples, and Consumer Discretionary sectors.

From a country perspective, weak stock selection in Korea, driven by some of the above-mentioned holdings, was the largest detractor to relative performance this quarter. In addition, negative allocation effect together with adverse stock selection in Taiwan and Brazil was also a notable drag on relative results. Partly offsetting the above was our underweight positioning combined with good stock selection in China, which added the most to relative performance during the period. Lastly, favorable allocation effect in Saudi Arabia and South Africa and solid stock selection in India also bolstered relative results. We are encouraged by the recent performance of our India holdings, which in our view, are entering early innings of 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 (%)
SK hynix Inc.	5.05
Taiwan Semiconductor Manufacturing Company Limited	4.75
Samsung Electronics Co., Ltd.	4.36
Montage Technology Co., Ltd.	1.80
Delta Electronics, Inc.	0.91

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.

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.

South Korean technology conglomerate **Samsung Electronics Co., Ltd.** is the world's largest memory chip maker and also operates major smartphone, display, and contract manufacturing businesses. Shares rose during the quarter as the company delivered a genuine turnaround in its most strategically important product. After years of trailing its closest rival in the HBM that AI systems depend on, Samsung became the first to ship next-generation HBM4 at volume for the leading AI accelerator's upcoming platform. The result was record memory profitability, driven by sharply higher pricing, even as those same rising memory costs pressured its own smartphone business, a striking illustration of how the company both benefits from and pays for the memory boom. We retain conviction in Samsung as a core long-term holding, viewing its HBM4 leadership, the breadth of its memory franchise, and its advanced foundry optionality as durable advantages that support multi-year earnings power.

Top detractors from performance for the quarter

	Contribution to Return (%)
Alibaba Group Holding Limited	(0.52)
ISC Co., Ltd.	(0.43)
BYD Company Limited	(0.42)
Tencent Holdings Limited	(0.37)
GDS Holdings Limited	(0.37)

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.

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.

BYD Company Limited, a leading Chinese manufacturer of electric vehicles and batteries, detracted from performance in the second quarter. China's domestic new energy vehicle market remained highly competitive as ongoing price competition and weak consumer demand pressured automotive manufacturers across the sector. A reduction in national purchase incentives, which had pulled demand forward into 2025, added to these near-term headwinds. Partially offsetting the softer domestic environment, BYD's international business remained a bright spot, with overseas deliveries increasing more than 80% year over year during the quarter and accounting for more than 40% of total vehicle volume. Looking ahead, BYD's premium model expansion and next-generation battery technology should drive a richer product mix over time. We continue to own the stock, as BYD's cost leadership, vertical integration, and growing export business support our long-term investment thesis, though we continue to monitor domestic pricing competition and the pace of consumer demand recovery.

Portfolio Structure

Top 10 holdings

	Percent of Net Assets (%)
Taiwan Semiconductor Manufacturing Company Limited	15.7
Samsung Electronics Co., Ltd.	7.7
SK hynix Inc.	7.1
Tencent Holdings Limited	2.7
Montage Technology Co., Ltd.	2.3
Delta Electronics, Inc.	2.2
Grupo Mexico, S.A.B. de C.V.	1.9
Bajaj Finance Limited	1.7
Alibaba Group Holding Limited	1.6
Contemporary Amperex Technology Co., Limited	1.5

Fund investments in countries

	Percent of Net Assets (%)
Korea	22.3
Taiwan	21.7
India	20.5
China	18.0
Brazil	5.4
Mexico	1.9
South Africa	1.7
Greece	1.2
Peru	1.0
Argentina	0.8
Saudi Arabia	0.7
Hungary	0.7
United States	0.6
Philippines	0.5
Spain	0.5
United Kingdom	0.4
Chile	0.4
Japan	0.2
Russia	0.0*

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

Recent Activity

During the second quarter, we added a few 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 increased exposure to our global security/supply chain diversification theme by initiating positions in **Divi's Laboratories Limited** and **Acutaas Chemicals Limited**. Divi's is 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 globally. 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 compound revenue growth and 20% earnings growth over the next three to five years.

Acutaas is a leading manufacturer of advanced pharmaceutical intermediates (intermediates) and specialty chemicals in India. The company plays a vital role in the global pharmaceutical value chain, with a 50% to 90% market share in several critical intermediates up to the N1 stage of the API synthesis chain. To drive sustainable long-term growth, Acutaas proactively invests in R&D to build a durable pipeline of intermediates with API patents that expire through 2040 and beyond. In addition to its core intermediates business, the company is actively ramping up its higher margin contract development and manufacturing organization (CDMO) segment in collaboration with global innovators. For example, Acutaas became the primary intermediates vendor for darolutamide, a fast-growing, patented prostate cancer drug marketed by Bayer with estimated peak sales of more than \$4 billion. This long-term contract under the CDMO model provides strong revenue visibility over the next few years. We are also excited about Acutaas' new ventures into electrolyte additives and semiconductor chemicals, which should support strong growth momentum. In our view, the company is well positioned to deliver compound revenue and earnings growth in excess of 20% over the next three to five years.

During the quarter, adding to our digitization theme, we accumulated a position in **Rasan Information Technology Company**, the leading digital insurance and financial services marketplace in Saudi Arabia. Through its integrated technology platform, Rasan connects consumers, insurers, leasing companies, and financial institutions, enabling customers to compare, purchase, and manage insurance and other financial products online. We believe the company has built a durable competitive advantage through deep integration with insurers, regulators, and financing partners, creating a data-rich ecosystem that lowers customer acquisition costs, improves pricing and underwriting efficiency, and raises switching costs for both consumers and enterprise clients. Rasan is also a direct beneficiary of Saudi Arabia's ongoing digital transformation and Vision 2030 initiatives, which are modernizing the insurance industry and accelerating the migration from offline to digital distribution. The company has established a dominant position in retail motor insurance and motor leasing insurance, where scale advantages reinforce its leadership and should support continued market share gains. Looking further ahead, we believe the addressable market remains significantly underpenetrated, as insurance premiums represent a much smaller share of GDP than in more developed markets, providing a long runway for structural growth as insurance adoption increases. Importantly, management is leveraging its platform beyond its core motor franchise into adjacent verticals, including health insurance, finance aggregation, home insurance, protection and savings products, and domestic help insurance. These newer businesses remain small today but benefit from the same technology infrastructure, distribution network and customer data, creating attractive opportunities to compound growth while maintaining high incremental returns on capital.

We also initiated a position in **OTP Bank Nyrt**, the leading banking franchise in Hungary and one of the premier financial institutions across Central and Eastern Europe, with operations

spanning 11 countries. Over several decades, OTP has built a highly profitable, low-cost banking platform supported by strong retail and commercial market positions, a conservative balance sheet, and a disciplined capital allocation framework. While we have long admired the quality of the franchise, we believe the investment case has strengthened following Hungary's recent political transition, which is likely to create a significantly more supportive operating environment. The new government's pro-European stance is expected to improve business confidence, reduce sovereign borrowing costs, facilitate the release of previously suspended EU funds, and create a more predictable policy framework for the private sector. At the same time, there is growing optimism that the extraordinary tax and regulatory burdens imposed on the banking sector in recent years will be gradually reduced as policymakers seek to encourage investment and economic growth. Together, these developments have the potential to accelerate credit demand, improve underwriting quality and increase profitability across the financial system while lowering the cost of equity applied to Hungarian assets. As the country's market leader, and with a diversified regional footprint that provides additional avenues for organic growth and acquisitions, we believe OTP is uniquely positioned to benefit from this improving backdrop. In our view, the combination of a high-quality franchise, favorable structural and cyclical tailwinds, and an attractive valuation creates a compelling opportunity for both earnings growth and long-term shareholder returns.

We added to several of our existing positions during the quarter, including **JSW Energy Limited**, **Grupo Mexico, S.A.B. de C.V.**, **SK hynix Inc.**, **Alibaba Group Holding Limited**, **Nu Holdings Ltd.**, **Power Grid Corporation of India Limited**, **Contemporary Amperex Technology Co., Limited**, **d'Alba Global Co., Ltd.**, and **Pony AI Inc.**

During the quarter, we also exited several positions including **InPost S.A.**, **HD Korea Shipbuilding & Offshore Engineering Co., Ltd.**, **Kuaishou Technology**, **Park Systems Corporation**, **Kaynes Technology India Limited**, **WuXi Biologics (Cayman) Inc.**, and **HDFC Bank Limited**, as we continue our endeavor to allocate capital to our highest convictions ideas.

Outlook

The second quarter of 2026 proved another solid quarter of both absolute and relative performance by EM equities, with semiconductor and AI-related shares dominating global returns. 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 global, and in particular, EM equities to strong returns during the quarter, we struggle to recall another quarter where the EM index returned over 20% with more than half of all GICS sectors registering losses. Such poor breadth, concentrated returns, and the wide disparity of results by sector and individual stock was especially challenging for active investors during both the quarter and year-

to-date periods; the IT sector alone, largely concentrated in a few mega-cap semiconductor stocks, contributed roughly 90% 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, EM returns were dominated 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 during the recent quarter, 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 a 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 EM 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. In particular, 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; similarly, our overweight position in India, invested across a range of attractive and competitively advantaged growth businesses, has suffered in recent quarters due to the country's lack of a developed semiconductor ecosystem and, in our view, general misperception regarding the recent pause in earnings momentum. While we remain cautious of companies that could be more easily disintermediated by AI, we have opportunistically added to investments 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 Emerging Markets Fund®*.

Sincerely,



Michael Kass
Portfolio Manager

¹ The MSCI 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 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. 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 Not annualized.

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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.**

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