QUARTERLY LETTER | JUNE 30, 2026

Baron Financials ETF™

Ticker: BCFN

Josh Saltman
Portfolio Manager

Dear Baron Financials ETF™ Shareholder,

Performance

In the quarter ended June 30, 2026, Baron Financials ETF™ (the Fund) rose 1.82% (NAV) compared with an 8.93% gain for the MSCI USA Financials Index (the Financials Index) and a 6.14% gain for the FactSet Global FinTech Index (the FinTech Index).

U.S equities rallied to new highs during the second quarter. The AI infrastructure buildout was the principal driver of market returns, overshadowing uncertainty from the U.S.-Iran war, shifting Federal Reserve rate expectations, and depressed consumer sentiment from high living expenses, persistent inflation, and elevated borrowing rates. Most of the gains came in April and May following a sharp sell-off in March from the Middle East conflict and disruptions in the Strait of Hormuz. Market leadership was extremely narrow during the quarter, with only a dozen securities accounting for most of the S&P 500 Index's rise. The largest gains came from companies perceived to benefit from AI capital spending and electrification, what the market has come to call "AI winners."

Sector performance reflected this one-sided market dynamic, with most of the quarter's gains coming from AI winners in Information Technology (IT) and Industrials. IT was the only sector to outperform the broader market, rising 31.8% in the quarter and contributing over two-thirds of the S&P 500 Index's gains. IT performance was bolstered by AI infrastructure beneficiaries in the semiconductor and hardware storage areas. Industrials was the only other sector to finish up double digits (up 14.9%), powered higher by construction, electrical equipment, and machinery stocks that are benefiting from the data center buildout.

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

	ETF Market Price[1,2]	ETF NAV[1,2]	MSCI USA Financials Index[1]	S&P 500 Index[1]	MSCI ACWI Index[1]	FactSet Global FinTech Index[1]
QTD[3]	1.77	1.82	8.93	15.20	14.93	6.14
YTD[3]	(14.75)	(14.44)	(1.84)	10.21	11.25	(15.25)
1 Year	(20.10)	(19.93)	3.40	22.32	23.67	(22.84)
3 Years	6.95	7.03	19.03	20.61	19.70	—
5 Years	(2.33)	(2.01)	9.66	13.41	10.98	(7.55)
Since Inception (12/31/2019)	6.53	6.79	10.68	15.56	12.88	(0.22)

From a style perspective, growth outperformed value by a wide margin across all market cap segments during the quarter, but value remains ahead for the year. Small caps meaningfully outperformed in the quarter to extend their lead over large caps this year. Emerging market (EM) equities continued their exceptional run of performance (up 24.1%), beating U.S. and other developed market equities for a sixth straight quarter. Like the U.S., a handful of AI infrastructure companies in Korea and Taiwan accounted for about three-quarters of the MSCI Emerging Markets Index's gains. Excluding Korea and Taiwan, the EM index would have declined modestly for the quarter. Developed market (excluding U.S.) equities failed to keep pace with their EM and U.S. counterparts, principally due to relative weakness in Europe given its limited exposure to the AI growth theme.

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Performance listed in the above table is net of annual operating expenses. The total annual fund operating expense ratio as of April 30, 2026 was 0.80%. 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. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. 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.

NAV and Market Price returns include returns of the Institutional Shares of the predecessor mutual fund prior to the ETF's commencement of operations. Prior to the ETFs listing on 12/15/2025 the NAV returns of the Institutional Shares of the predecessor mutual fund are used as proxy market price returns. If the predecessor mutual fund had been structured as an ETF, its performance may have differed.

In the second quarter, the Fund trailed the Financials Index and the FinTech Index. The shortfall versus the Financials Index was primarily driven by lower exposure to Banks and higher exposure to software and data companies that were pressured by AI-driven disruption fears. Banks represent over 40% of the index and performed well during the quarter (up 15.1%), so the Fund's smaller weighting in Banks detracted from relative performance. The Fund's large-cap holdings performed well (up 13.4%), but this was outweighed by weaker returns from our smaller-cap holdings. Our holdings in the Leaders and Challengers categories performed similarly, gaining 2.2% and 2.7%, respectively.

Financial Software and Information Services holdings were responsible for much of the underperformance versus the Financials Index. These two industries represented nearly a quarter of the Fund's average assets, well above their 4% combined weighting in the Financial Index, so their blended decline of 4.5% contributed to nearly half of the relative shortfall in the quarter. Performance in Financial Software was hindered by declines from accounting and tax preparation software provider **Intuit Inc.** and insurance software vendor **Guidewire Software, Inc.** Intuit reported above-consensus quarterly earnings, but the stock sold off due to investor concerns over market share losses in TurboTax and potential AI-driven software disruption. We trimmed the stock and offer additional thoughts on the company later in the letter. Guidewire's stock declined after a handful of deals slipped from the fiscal third quarter into the fiscal fourth quarter. We believe this is purely a timing issue, with these deals having since closed in the current period. Guidewire serves as the core system of record for insurance carriers, and we expect AI will meaningfully expand the company's growth potential by enabling automation and intelligence on top of its data platform.

Our Capital Markets holdings also weighed on relative performance. The principal detractors were exchange operators **Tradeweb Markets Inc.** and **CME Group, Inc.**, which faced headwinds from slower trading activity in a period of lower market volatility and concerns about competition from new crypto-related trading products. We remain investors and offer more detail on both companies below. Independent broker-dealer **LPL Financial Holdings Inc.** was another detractor in Capital Markets, largely due to concerns that AI-driven cash management could erode the client sweep balances that earn significant interest income for LPL. This narrative weighed on the stock even as the underlying business continued to perform well. We see little risk to LPL's cash balances, and management is exploring options to reduce the company's reliance on sweep cash revenue. Consequently, we believe the share price weakness reflects a temporary sentiment overhang rather than a deterioration in the company's growth outlook.

Somewhat offsetting the above was underexposure to the lagging Insurance industry, which was held back by poor performance from index heavyweight Berkshire Hathaway Inc. and others amid a cyclical slowdown in insurance pricing. The Fund's unique exposure to small caps **TWFG, Inc.** and **Neptune Insurance Holdings Inc.** also aided performance.

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Top contributors to performance for the quarter

	Contribution to Return (%)
Interactive Brokers Group, Inc.	1.04
Morgan Stanley	0.90
Visa Inc.	0.74
Bank of America Corporation	0.65
Robinhood Markets, Inc.	0.51

Global electronic brokerage firm **Interactive Brokers Group, Inc.** contributed to performance due to continued strong growth and profitability. Client accounts increased 34% to 5.2 million, customer equity grew 40%, and margin loan balances rose 67%. Trading activity remained robust, with June daily average revenue trades increasing 53%. Given its highly automated, low-cost platform, Interactive Brokers benefits from substantial operating leverage as volume grows, supporting industry-leading margins. New opportunities, including an expanded prediction markets offering and the favorable modernization of day-trading margin rules, further extend the company's growth runway. We view Interactive Brokers as a structural share gainer in a large global market with sustainable competitive advantages from tech-enabled automation and economies of scale.

Morgan Stanley, a leading global investment bank and wealth manager, contributed to performance on strong execution across the franchise. First quarter results exceeded expectations by a wide margin, with record fee-based flows in Wealth Management and record revenues in Institutional Securities, which includes trading and investment banking. Together, these results drove a 27% return on tangible equity. Management underscored its confidence by raising the dividend by 15% and authorizing a new share repurchase program of up to $20 billion. Morgan Stanley is also benefiting from a favorable macroeconomic environment as capital markets activity improves across corporate deal-making and trading. Among financial companies, the firm is viewed as relatively well insulated from AI-related threats and stands to benefit from the capital-raising required to fund the multi-year AI infrastructure buildout. Rather than reflecting a single strong quarter, these results demonstrate the earnings power of Morgan Stanley's integrated, fee-based business model. We retain long-term conviction in the stock.

Global payment network **Visa Inc.** contributed to performance in the second quarter as strong financial results helped the shares recover from weakness in the prior quarter. Revenue grew 17% and earnings per share (EPS) grew 20%, both exceeding Street expectations. Payment volume growth improved modestly and remained resilient into April despite military conflict in the Middle East. Management also raised its fiscal year guidance, which now calls for low teens revenue growth and mid-teens EPS growth. Regulatory concerns that weighed on the stock earlier in the year faded as a proposed 10% interest rate cap on credit cards and an adverse payment routing bill stalled in the legislative process. We continue to own Visa given its long runway for growth and significant competitive advantages.

Top detractors from performance for the quarter

	Contribution to Return (%)
Intuit Inc.	(0.85)
CME Group, Inc.	(0.82)
Tradeweb Markets Inc.	(0.49)
Guidewire Software, Inc.	(0.47)
Jack Henry & Associates, Inc.	(0.21)

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares fell due to modest underperformance in the TurboTax segment, where revenue grew 7%, falling short of expectations for 8% growth. Management acknowledged volume losses among lower income filers who traded down to cheaper alternatives, fueling investor anxiety about competition and potential AI-driven disruption. Negative sentiment was further compounded by a 17% workforce reduction, which some investors interpreted as a defensive move to protect margins and a signal of demand challenges. Despite headwinds in some parts of the business, overall growth remains robust, with management expecting earnings growth of 18% this year and mid-teens growth over the coming years.

CME Group, Inc. operates the world's largest and most diversified derivatives marketplace. Shares fell due to a slowdown in trading activity, reflecting tough comparisons against last year's tariff-driven uncertainty as well as easing market volatility following the deescalation of the U.S.-Iran conflict. This cyclical softening was exacerbated by concerns about emerging competition from crypto-native perpetual futures markets, as well as uncertainty following the announcement that long-time CEO Terry Duffy will step down next year. We believe the sell-off is overdone and see minimal risk to CME's dominant institutional franchise. We continue to own the stock because we believe CME enjoys significant competitive advantages and should benefit from the growing adoption of exchange-traded derivatives and periodic spikes in market volatility.

Tradeweb Markets Inc. operates electronic marketplaces for trading fixed income securities. Shares gave back some of their prior quarter gains as trading activity slowed amid moderating market volatility and a pause in Middle East hostilities. Performance was further pressured by a slowdown in April, reflecting difficult comparisons against last year's elevated market activity around the "Liberation Day" tariffs. The share price decline also reflected a broad pullback across the financial exchange sector due to concerns over competition from new blockchain-based derivatives known as perpetual futures. We continue to own the stock given Tradeweb's strong network effects, long track record of innovation, and significant growth opportunities tied to the ongoing electronification of capital markets.

Portfolio Structure

We seek to invest in competitively advantaged, growing financial and financial-related companies for the long term. We invest in companies across all market capitalizations and geographies. As of June 30, 2026, the Fund held 42 positions (34 excluding those smaller than 1%). The Fund's 10 largest holdings represented 44.4% of net assets, and the 20 largest holdings represented 73.1% of net assets. International stocks represented 11.1% of net assets. The market capitalization range of our holdings was $1 billion to $877 billion with a median of $55.1 billion and a weighted average of $189.3 billion.

We segment the Fund's holdings into seven Baron-defined industries. As of June 30, 2026, Capital Markets represented 31.1% of net assets, Banks represented 20.3%, Payments represented 17.1%, Information Services represented 16.7%, Insurance represented 7.5%, Other Financials represented 3.7%, and Financial Software represented 3.2%, with the remainder in cash. Relative to the Financials Index, the Fund has significant overweight positions in Capital Markets and Information Services and meaningful underweight positions in Banks and Insurance.

We also segment the Fund's holdings between Leaders and Challengers. Leaders are generally larger, more established companies with stable growth rates, higher margins, and moderate valuation multiples. Challengers are generally smaller, earlier-stage companies with higher growth rates, lower margins, and higher valuation multiples. As of June 30, 2026, Leaders represented 83.8% of net assets and Challengers represented 15.9%, with the remainder in cash.

Top 10 holdings

	Year Acquired	Market Cap When Acquired ($B)	Quarter End Market Cap ($B)	Quarter End Investment Value ($M)	Percent of Net Assets (%)
Visa Inc.	2020	376.2	662.3	2.7	6.0
Mastercard Incorporated	2020	306.1	453.9	2.6	5.6
Bank of America Corporation	2026	397.6	404.4	2.2	4.9
Interactive Brokers Group, Inc.	2023	33.8	148.0	2.1	4.5
Morgan Stanley	2025	284.2	329.7	2.0	4.3
The Charles Schwab Corporation	2022	130.9	165.2	1.9	4.1
S&P Global Inc.	2020	67.9	123.5	1.9	4.0
JPMorgan Chase & Co.	2026	843.8	877.1	1.7	3.8
Moody's Corporation	2020	45.6	79.1	1.7	3.7
MSCI Inc.	2025	41.4	41.0	1.7	3.6

Fund investments in Baron industries

	Percent of Net Assets (%)
Capital Markets	31.1
Banks	20.3
Payments	17.1
Information Services	16.7
Insurance	7.5
Other Financials	3.7
Financial Software	3.2
Cash and Cash Equivalents	0.3
Total	**100.0***

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

Recent Activity

Top net purchases for the quarter

	Quarter End Market Cap ($B)	Net Amount Purchased ($M)
JPMorgan Chase & Co.	877.1	1.7
American Express Company	230.8	0.9
AerCap Holdings N.V.	23.6	0.9
Bank of America Corporation	404.4	0.6
Lincoln International, Inc.	2.4	0.3

We initiated a position in **AerCap Holdings N.V.**, the largest aircraft leasing company in the world. The company owns and manages over 3,100 aircraft, jet engines, and helicopters, which it leases to 300 customers worldwide. The lessor model enables airlines to avoid heavy upfront capital investment while providing the lessor predictable cash flows through long-term leases. We believe AerCap is an AI-proof business with steady growth, a skilled management team, and a cheap valuation.

AerCap benefits from the secular growth of global air travel. Passenger traffic has grown 5% annually since 1990 and is expected to grow 4% annually over the next 20 years, according to Boeing. Aircraft pricing is supported by favorable supply-demand dynamics: original equipment manufacturer (OEM) production constraints and global engine shortages have tightened supply, driving strong demand for leased aircraft and spare engines. Utilization rates exceed 99% and lease extension rates are 87%. Given decade-long backlogs at Boeing and Airbus, aircraft shortages should persist into the 2030s.

AerCap is the leader in a consolidating industry. It holds 9% market share of the global lessor fleet and is roughly 30% larger than its nearest competitor. The top ten firms control 60% of leased fleets globally. Lessors' share of the global aircraft market has risen sharply over the past 40 years, from 33% in 1990 to 55% in 2025. AerCap's scale as the industry leader enables it to purchase large aircraft portfolios from distressed airlines. For example, the company recently assumed Spirit Airlines' order book from Airbus at a discount during Spirit's bankruptcy process. AerCap is one of the few lessors that has the capacity to absorb a large portfolio from a distressed airline given its excess capital of over $3 billion, smaller committed order book with OEMs relative to peers, and modest leverage.

Valuation looks cheap at 9 times earnings and 1.3 times book value. AerCap's business model resembles a bank's — a large asset base earning a spread between lease rents and financing costs — and therefore should be valued like one. Adjusted return on equity (ROE) in the first quarter was 19%, which is elevated compared to the 14% to 15% range in recent years. Without giving a specific target, management noted that ROE has averaged 950 basis points above the 5-year Treasury yield over the last two decades, implying roughly 14% at today's rates. Book value per share was $117 as of March 31, up 20% year over year, and likely understated given that AerCap has been selling assets above carrying value (1.9 times book value in Q1). The company has been aggressively repurchasing stock, with the share count down 11% over the prior year. Selling assets at 1.9 times book value while buying back stock at 1.3 times is highly accretive to per-share value. More broadly, in an environment where many businesses face disruption from AI, AerCap seems AI-proof due to its hard assets with low obsolescence risk. We expect AerCap to keep compounding earnings and book value per share at double-digit rates for the foreseeable future, driving a similar rate of share price appreciation over time.

We also initiated positions in **JPMorgan Chase & Co.** and **American Express Company**. Both are industry leaders gaining share in large global markets with trusted brands and leading returns on equity. Both companies serve affluent consumers and businesses and are benefiting from solid economic growth and benign credit conditions. Share price pullbacks during the quarter enabled us to purchase these dominant franchises at attractive valuations.

Top net sales for the quarter

	Quarter End Market Cap ($B)	Net Amount Sold ($M)
Intuit Inc.	71.4	1.0
S&P Global Inc.	123.5	0.6
Fair Isaac Corporation	27.7	0.5
Guidewire Software, Inc.	10.2	0.4
Alkami Technology Inc.	1.8	0.2

We trimmed **Intuit Inc.** due to concerns about market share loss in the consumer tax market. We trimmed **S&P Global Inc.** to manage the position size and fund purchases elsewhere. We trimmed **Fair Isaac Corporation** due to regulatory and competitive risks. We also exited smaller positions in financial software companies due to slower growth outlooks and to fund investments in other higher conviction ideas.

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Outlook

We continue to believe that our holdings are oversold and the Fund's performance outlook is bright. The market's singular focus on AI infrastructure stocks has caused many high-quality growth companies to be ignored and left behind. On a blended basis, the Fund's holdings are valued at less than 18 times forward earnings, the lowest valuation multiple since the Fund's inception in 2019. Yet the Fund continues to own a portfolio of high-quality growth companies averaging a 36% operating margin, a 32% free cash flow margin, a 20% ROE, and 13% estimated EPS growth over the next several years (our EPS projections are higher). Since the start of the year, consensus 2027 EPS estimates for the Fund's holdings have risen 2% on average, so the Fund's 14% decline was driven entirely by valuation multiple compression rather than a deteriorating earnings outlook. The Fund's forward earnings multiple is now 22% lower than it began the year despite stable growth prospects, providing a better baseline for expected price appreciation.

Economic conditions remain broadly favorable. Consumers and businesses are healthy and continue to spend, supported by positive job growth, low unemployment, and rising wages. In the U.S., real GDP is growing around 2% and the unemployment rate is steady at just over 4%. Consumer spending accelerated in the second quarter, reflecting higher tax refunds, higher fuel prices, and World Cup-related spending. Credit quality remains stable at the large banks. According to the Federal Reserve, commercial and industrial lending by U.S. banks has accelerated to 8% growth on a year-over-year basis, likely powered by data center investment. This steady economic backdrop should support continued earnings growth for our holdings and favorable returns for the Fund.

Thank you for investing in Baron Financials ETF™. We remain significant shareholders alongside you.

Sincerely,

Josh Saltman
Portfolio Manager

† Historical performance was impacted by gains from IPOs. There is no guarantee that these results can be repeated or the level of IPO participation will be the same in the future.

[1] The **MSCI USA Financials Index** is designed to measure the performance of the large and mid cap segments of the U.S. equity universe. All securities in the index are classified in the Financials sector as per the Global Industry Classification Standard (GICS). The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **MSCI ACWI Index Net (USD)** is designed to measure the equity market performance of large and midcap securities across 23 Developed Markets and 24 Emerging Markets countries. The **FactSet Global FinTech Index™** is an unmanaged and equal-weighted index that measures the equity market performance of companies engaged in Financial Technologies, primarily in the areas of software and consulting, data and analytics, digital payment processing, money transfer, and payment transaction-related hardware, across 30 developed and emerging markets. The Russell 1000® Growth Index measures the performance of large-sized U.S. companies that are classified as growth. The Russell 1000® Value Index measures the performance of large-sized U.S. companies that are classified as value. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The MSCI Indexes and the Fund include reinvestment of dividends, net of withholding taxes, while the FactSet Global Fintech Index™, Russell and S&P 500 Indexes include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

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

[3] Not annualized.

On December 12, 2025, Baron FinTech Fund® was converted from a mutual fund into an exchange-traded fund, Baron Financials ETF™. The ETF has an identical investment goal and substantially similar investment strategy as its predecessor mutual fund. For additional information please refer to the prospectus.

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

Risks: In addition to general market conditions, FinTech Companies may be adversely impacted by government regulations, economic conditions and deterioration in credit markets. Companies in the information technology sector are subject to rapid changes in technology product cycles; rapid product obsolescence; government regulation; and increased competition, both domestically and internationally, including competition from foreign competitors with lower production costs. The IT services industry can be significantly affected by competitive pressures, such as technological developments, fixed-rate pricing, and the ability to attract and retain skilled employees, and the success of companies in the industry is subject to continued demand for IT services. 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.

Investors generally incur the cost of the spread between the prices at which shares are bought and sold. Buying and selling shares may result in brokerage commissions which will reduce returns.

Prior to trading in the secondary market, shares of the fund are "created" at NAV by market makers, large investors and institutions only in block-size Creation Units. Each "creator" or "Authorized Participant" enters into an authorized participant agreement with Baron Capital, Inc. Only an Authorized Participant may create or redeem Creation Units directly with the fund.

Investors buy and sell shares of ETFs at market price (not NAV) in the secondary market throughout the trading day. These shares are not individually available for purchase or redemption directly from the ETF. Baron Capital, Inc. serves as the distributor of the Creation Units for the ETFs on an agency basis. Baron Capital does not maintain a secondary market in Fund's shares.

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

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

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Financial ETF by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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. **FCF Margin** is calculated as Free Cash Flow divided by Sales, multiplied by 100. FCF is calculated as Net Cash Flow From Operations minus the sum of the following if available: Capital Expenditures from the cash flow statement and Common & Preferred Cash Paid Dividends. If Capital Expenditures is not available, Property Plant & Equipment - Capital Expenditures will be substituted. If Common & Preferred Cash Paid Dividends is not available, the sum of Total Common Dividends by Ex-Date and Preferred Dividends is substituted. If Preferred Dividends is not available, zero will be substituted.

Investment Products: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED

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