Dear Baron Discovery Fund Shareholder:

Performance

Baron Discovery Fund® (the Fund) appreciated 3.58% (Institutional Shares) in the second quarter, trailing the Russell 2000 Growth Index (the Benchmark) by 3.47%. For the year-to-date period, we continue to be pleased with the Fund's relative performance (the Fund is up 15.19% which is 1.64% better than the Benchmark). The macroeconomic environment remains complex, and the general bias of the market is in the fear rather than greed camp. Nevertheless, as we have been writing about for the last three quarters, we continue to be optimistic that the market has bottomed, and that an economic recovery is underway.

Table I.
Performance†
Annualized for periods ended June 30, 2023

	Baron Discovery Fund Retail Shares[1,2]	Baron Discovery Fund Institutional Shares[1,2]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[3]	3.47%	3.58%	7.05%	8.74%
Six Months[3]	15.02%	15.19%	13.55%	16.89%
One Year	15.17%	15.44%	18.53%	19.59%
Three Years	5.07%	5.35%	6.10%	14.60%
Five Years	7.30%	7.58%	4.22%	12.31%
Since Inception (September 30, 2013) (Annualized)	12.09%	12.38%	7.73%	12.62%
Since Inception (September 30, 2013) (Cumulative)[3]	204.37%	211.99%	106.68%	218.64%

RANDY GWIRTZMAN
PORTFOLIO MANAGER

LAIRD BIEGER
PORTFOLIO MANAGER

Retail Shares: BDFFX
Institutional Shares: BDFIX
R6 Shares: BDFUX

We are sticking to our thesis that inflation is easing and has become a tailwind for profit growth. We believe that broad-based inflation was largely a byproduct of excessive post-COVID federal policy, combined with COVID-related supply-chain issues and easy monetary policy, all of which have reversed dramatically in the past nine months. Recently, nearly all reported statistics have borne our thesis out. Despite this fact, investors remain skittish given a hawkish Federal Reserve that (appropriately) wants to ensure inflation is truly dead. At the same time, investors also worry that the Fed could overshoot, placing the economy into a hard landing recession. As a result, every macroeconomic report has taken on magnified significance. At a micro level, this means that companies that have any type of stumble or even the perception thereof, will be severely punished from a market price perspective (see our writeups of **GitLab Inc.** and **Definitive Healthcare Corp.** below). It is our view that the macroeconomic data will continue to improve and, therefore, so will market sentiment.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2022 was 1.32% and 1.06%, 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 reimburse certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, 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 www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3- and 5-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

1 The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The Fund includes reinvestment of dividends, net of foreign withholding taxes, while the **Russell 2000® Growth Index** and **S&P 500 Index** include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into 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 redemption of Fund shares.

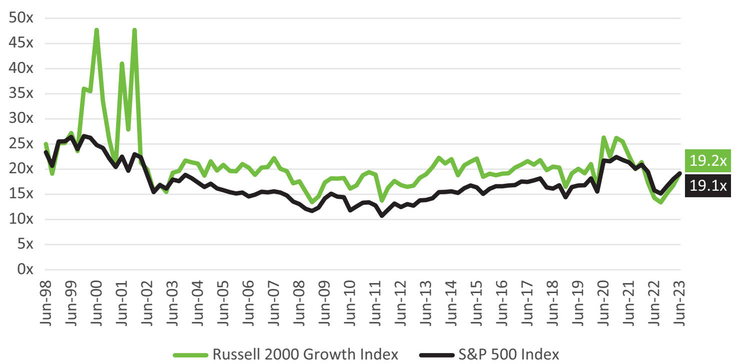
3 Not annualized.

Baron Discovery Fund

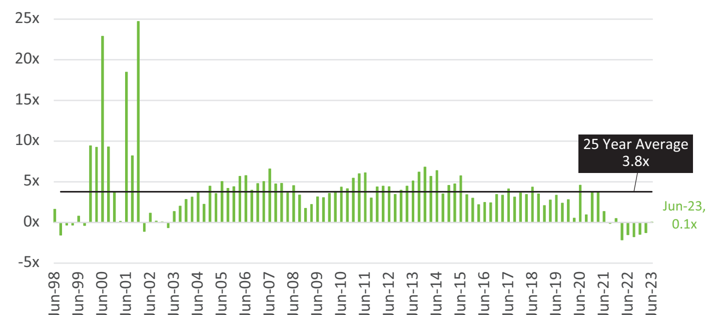
This backdrop is conducive to higher small-cap valuation multiples, and therefore stock appreciation especially given that small-cap stock valuations are at historically low levels relative to large-cap stocks as can be seen in the chart below. Over a 25-year period, small-cap stocks (as measured by the Russell 2000 Growth Index) have typically traded at a forward price/earnings multiple (P/E) that is 3.8 times more than their large-cap peers (as measured by the S&P 500 Index). Right now, small caps are right on top of large caps after going through an extended period of trading at lower multiples than the large-caps (which almost never occurs as can be seen in the chart).

Russell 2000 Growth Index vs. S&P 500 Index

Historical Valuation Comparison using Forward P/E Estimates



Difference in Forward P/E Estimates



Sources: The Bank of New York Mellon Corporation using I/B/E/S 1 Year Forward EPS and FactSet Market Aggregates.

Accordingly, we have biased the Fund a bit more toward higher revenue growth names (about 45% of the Fund) and are overweight small-cap technology stocks, which sold off dramatically in the market downturn and are trading at what we believe are attractive multiples. These smaller technology companies have not yet seen the dramatic price appreciation experienced by their larger-cap brethren, but we believe that will change as these small-cap technology companies still benefit from many of same growth drivers including artificial intelligence (AI), which is driving a lot of the share appreciation in the large-capitalization space. Examples of how our small-cap companies use AI include GitLab, which is rolling out an AI product to help deliver automated software code production; **Certara, Inc.**, which provides software and services for the simulation of the effects of new drugs on humans and uses AI to enhance its biosimulation models; and **Dynatrace, Inc.**, a network performance management software company that uses AI to predict network and application problems so they can be remediated before they become major issues. We believe it is a matter of when, not if, small-cap valuations return to historical levels.

Table II.
Top contributors to performance for the quarter ended June 30, 2023

	Percent Impact
GitLab Inc.	1.25%
Kinsale Capital Group, Inc.	1.17
Navitas Semiconductor Corporation	0.75
DraftKings Inc.	0.63
Chart Industries, Inc.	0.58

GitLab Inc. is an end-to-end software development and IT operations platform that enterprises use to create, test, secure, and deploy code. Shares rebounded this quarter after GitLab reported solid financial results, with revenue growth of 44% and operating margins that exceeded consensus. Growth was driven by a healthy combination of new customer wins, stabilizing seat expansions at existing customers, and higher average revenue per user due to price increases in GitLab's Premium Tier and upsells to its Ultimate Tier, as customers upgrade to advanced developer security and compliance features. GitLab also continued to deliver rapid product innovation thanks to its strong engineering team and the large community of external developers that contribute to its open-source platform. The company announced 10 new AI applications that will help developers write code automatically, generate more accurate quality tests, and detect security vulnerabilities earlier. We remain bullish on GitLab's long-term prospects as it continues to deliver value to development teams, gain share from point solutions, and improve its unit economics.

Specialty insurer **Kinsale Capital Group, Inc.** contributed to performance after reporting consensus-beating quarterly results. Gross written premiums grew 46% and EPS grew 49%. Market conditions remained favorable with rising premium rates and more business shifting from the standard lines market to the excess and surplus lines market where Kinsale operates. The company is also capitalizing on disruption in the property market where rates are rising rapidly after years of industry losses and a reduction in reinsurance capacity. We continue to own the stock because we believe Kinsale is well managed and has a long runway for growth in an attractive segment of the insurance market.

Navitas Semiconductor Corporation is a leader in gallium nitride (GaN) power semiconductors and a smaller player in silicon carbide (SiC) power semiconductors. Shares rose as management reiterated its outlook to double revenues in 2023, reported strong design win momentum, and introduced a new opportunity pipeline metric by end market that indicated a healthy forward-looking pipeline. Navitas sells monolithically integrated (all-in-one) GaN power integrated circuit chips, which provide greater reliability and performance compared to competitors that supply discrete power devices that have a lot of separate components. It recently purchased a silicon control company to drive even further integration and performance, and its SiC products offer high performance and robustness across many different applications. The company's high-power GaN product launches remain on track for data center, solar, and electric vehicle (EV) applications, and its SiC product portfolio continues to grow in industrial, renewable energy, and EV charging infrastructure applications. We expect Navitas to gain share in the rapidly growing GaN and SiC power semiconductor markets over time, driven by its superior technology.

Table III.
Top detractors from performance for the quarter ended June 30, 2023

	Percent Impact
ViewRay, Inc.	–0.61%
Revance Therapeutics, Inc.	–0.48
The Beauty Health Company	–0.44
Mercury Systems, Inc.	–0.43
Axon Enterprise, Inc.	–0.43

ViewRay, Inc. sells equipment for MRI-guided cancer radiation treatment that provides real-time imaging of the tumor and accurate radiation delivery as the tumor moves during treatment. Adoption of the technology has been accelerating as awareness and evidence grow. However, shares declined in the second quarter of 2023 as ViewRay faced a credit crunch due to the culmination of: 1) several macro-related system install timeline delays; 2) a working capital squeeze due to delayed payments from international distributors; and 3) continued outlays to forward-purchase raw materials. As a result, management suspended guidance and announced a strategic process to sell or recapitalize the company. Although we still believe in its technology, there is uncertainty about ViewRay's long-term future. We see the company offering strategic value to certain large health care equipment companies, but it is unclear what valuation ViewRay can garner in this situation. We exited our position.

Shares of **Revance Therapeutics, Inc.**, an aesthetics-forward biotechnology company, declined in the quarter. Revance sells facial injectables and in December 2022 started a soft launch preview program for Daxxify, the company's longer-acting competitor to Botox. Daxxify lasts for six months on average compared to Botox's three to four months. Shares rose sharply in the prior quarter on strong early orders of Daxxify, and shares gave back some gains likely due to profit-taking. Revance is now expanding the launch and training additional injectors. Early feedback has been positive regarding Daxxify's longer duration, faster onset-of-action, and natural aesthetic result. Shares are in a news vacuum as investors parse this qualitative feedback and await a better understanding of practice ordering patterns and more concrete revenue growth. We think Daxxify's longer-lasting injectable is a key selling point, and we expect to see meaningful uptake in the back half of 2023 and beyond. Ultimately, we see Daxxify and the already-launched RHA fillers capturing significant share in the fast-growing $4 billion-plus facial injectables market and supporting a double of the current valuation.

The Beauty Health Company, owner of HydraFacial, is an innovative skin care and beauty health company providing consumers with the benefits of a professional medical treatment combined with the experience of a consumer brand. Shares fell after reporting weak top-line results due in part to the lingering impact of COVID-related lockdowns in China at the start of the year. In addition, some providers held back orders in advance of an upcoming product launch. Despite these temporary headwinds, the company raised its revenue guidance for the year, a testament to the strong demand for the brand as the quarter progressed. We believe the company has a long growth runway ahead as it expands the number of delivery systems globally. We also believe it can increase its consumables-related revenue as it introduces new boosters and builds brand awareness.

Portfolio Structure

Table IV.
Top 10 holdings as of June 30, 2023

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Kinsale Capital Group, Inc.	2016	$67.4	5.0%
Boyd Gaming Corporation	2021	51.0	3.8
Advanced Energy Industries, Inc.	2019	47.4	3.5
GitLab Inc.	2022	45.6	3.4
Floor & Decor Holdings, Inc.	2019	39.0	2.9
SiteOne Landscape Supply, Inc.	2016	38.5	2.9
Chart Industries, Inc.	2022	36.0	2.7
Rexford Industrial Realty, Inc.	2019	33.9	2.5
Montrose Environmental Group, Inc.	2020	32.6	2.4
Axon Enterprise, Inc.	2022	32.4	2.4

The top 10 holdings in the Fund represented 31.5% of net assets, within our typical range. We had 59 holdings at the end of the quarter, also within our historically typical range.

Recent Activity

Table V.
Top net purchases for the quarter ended June 30, 2023

	Year Acquired	Quarter End Market Cap (billions)	Net Amount Purchased (millions)
Repligen Corporation	2023	$7.9	$14.7
Stevanato Group S.p.A	2023	8.6	8.9
Definitive Healthcare Corp.	2021	1.7	8.6
Trex Company, Inc.	2019	7.1	7.9
GitLab Inc.	2022	7.8	7.0

We initiated a position in **Repligen Corporation**, a life sciences tools supplier to the bioprocessing industry. The company offers a broad portfolio of tools involved in the production of biologic drugs, including upstream cell culture, downstream chromatography and filtration, and process analytics. Repligen operates in attractive end-markets, historically targeting monoclonal antibodies (10% to 12% market growth) and is moving into cell and gene therapies (over 25% market growth). Repligen has a strong track record of smart acquisitions and innovation, including the introduction of differentiated filters and development of in-line process analytics (real-time monitoring of the drug production process). Because this is a highly regulated industry, suppliers to bioproduction are embedded into drug manufacturing workflows, so revenue can be locked in for long periods of time. Repligen did not have a mature portfolio when the original versions of biologics (like Enbrel and Humira) came to market, so those original biologics tended to be on legacy competitor platforms – now, with generic versions (biosimilars) coming to market, Repligen has a unique opportunity to become embedded into new drug manufacturing processes with their differentiated systems. We believe the company is well positioned to benefit from the biosimilar wave that is expected after key biologic patents expire starting in 2023; once embedded into new manufacturing workflows, we see the opportunity for Repligen to drive an attractive, recurring consumables stream in an increasing number of commercial processes. Repligen has laid out a long-term goal of approximately 20% revenue growth out to

2027/2028. With EBITDA margins of roughly 30%, we see Repligen as a high-quality compounder with a best-in-class mix of growth and margins.

Another new investment is **Stevanato Group S.p.A.**, a leading global provider of glass pharmaceutical packaging. Stevanato converts glass tubing to high-quality finished vials, cartridges, and syringes for use as primary packaging for injectable drugs (roughly 70% of revenues). It also sells engineering equipment to the supply chain (20% of revenues) and glass and plastic devices for drug delivery systems and diagnostic solutions (10% of revenues). Stevanato has a stable growth business that will benefit from a product mix shift towards higher-value, higher-priced, higher-margin products such as EZ-Fill (ready-to-fill products that have been washed, sterilized, and depyrogenated), Alba (a technology that reduces silicone oil particle leaks and delamination for high-value drugs), and Nexa (a technology that provides high-mechanical resistance and a narrow specification range). These high-value solutions command significantly higher price points – we estimate that high-value solutions currently account for a third of the company's revenues but only a mid-single-digit percentage of the company's volumes. Pharmaceutical companies have increasingly invested in pipeline drugs and manufacturing supply chains more suited to these high-value solutions, and we expect adoption to accelerate in the coming years. We think Stevanato can grow high single digits to low double digits on the top-line with EBITDA margin expansion to the high 20% to low 30% range over time.

We added to our position in **Definitive Healthcare Corp.**, a commercial intelligence software provider for health care companies. Shares of the company traded down meaningfully in the fourth quarter of 2022 after management highlighted intensifying macro headwinds and lowered expected 2023 growth from the mid-20% range to the mid-teens. As we continued our due diligence and moved further through the macro environment, we became more comfortable with the valuation of the company (shares are trading at a free-cash-flow multiple that implies far lower growth) and with the conservatism of guidance. Plus the company has a cash-rich balance sheet and free cash-flow margins of 28%. As we thought that the sell-off was overdone, we added to our position. Also, during this period the company has enhanced its overall competitive position with new database purchases and increased usage of analytics and AI to improve the usability and applicability of its data to health care industry customers.

We increased our position in long time holding **Trex Company, Inc.**, a leading manufacturer of composite decking, due to the large pullback in the stock, a stabilization in the fundamental backdrop, and what we perceive to be an attractive valuation.

After **GitLab Inc.** traded down nearly 25% in the first quarter, we increased our investment. GitLab is one of two major companies (including GitHub, which is owned by Microsoft) that provide a wide variety of software development and operations tools that allow organizations to rapidly create secure software on a collaborative basis. Shares sold off last quarter after management issued calendar year 2023 guidance that was below consensus (at about 25% growth versus the 40% that was expected). Like the guidance given by Definitive Healthcare, management wanted to be conservative in an uncertain macro environment and accounted for slower sales cycles at its customers. Despite the lower guidance, our longer-term view of the company's strategic opportunities remains unchanged. Our purchases after the initial guidance disappointment now look timely as shares have rallied after the company reported better-than-expected March 2023 earnings and raised full-year guidance.

Table VI.
Top net sales for the quarter ended June 30, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Net Amount Sold (millions)
BRP Group, Inc.	2019	$1.0	$2.5	$11.2
ViewRay, Inc.	2018	0.8	0.2	8.8
Kinsale Capital Group, Inc.	2016	0.4	8.7	7.1
Couchbase, Inc.	2021	1.3	0.7	5.3
The Cheesecake Factory, Inc.	2020	1.1	1.8	5.1

We exited our positions in **BRP Group, Inc.** and **ViewRay, Inc.** and reduced our position in **The Cheesecake Factory, Inc.** in order to re-allocate that capital into higher conviction ideas. We trimmed our position in **Kinsale Capital Group, Inc.** in order to risk manage the position size.

Couchbase, Inc. provides a modern database that collects and stores data and powers enterprise applications, for which there is no tolerance for disruption, inaccuracy, or downtime. We continue to like the company but trimmed our investment to balance its position size and to allocate the proceeds to other investments.

Outlook

We continue to feel optimistic about the Fund given current small-cap market valuations and the majority of economic data we have seen over the past two months. For long-term investors like us, we think that it is the right time in the cycle to be overweight higher-growth companies such as our technology investments, even if there are macro-economic uncertainties in the short term. That being said, we continue to apply our risk management process in all respects, including a wide diversity of investments, conservative position sizing, significant due diligence, and a strict adherence to long-term valuations. As always, we want to thank you for being investors in Baron Discovery Fund.

Randy Gwirtzman
Portfolio Manager

Laird Bieger
Portfolio Manager

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

Risks: Specific risks associated with investing in smaller companies include that the securities may be thinly traded and more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. 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 managers' 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 Discovery Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. **Price/Earnings Ratio (next 12-months)**: is a valuation ratio of a company's current share price compared to its mean forecasted 4 quarter sum earnings per share over the next twelve months. If a company's EPS estimate is negative, it is excluded from the portfolio-level calculation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).