DEAR BARON INTERNATIONAL GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron International Growth Fund® (the Fund) declined 6.98% (Institutional Shares) during the third quarter of 2023, while the MSCI ACWI ex USA Index (the Benchmark) fell 3.77%. The MSCI ACWI ex USA IMI Growth Index (the Proxy Benchmark) declined 6.82% for the quarter. The Fund underperformed the Benchmark while performing largely in line with the Proxy Benchmark in a period of rising interest rates and weakness in global equities. The dominant macro development during the quarter was a sharp rise in global bond yields in response to stronger-than-expected U.S. economic and employment conditions. Consequently, global equities broadly retreated with growth stocks notably underperforming value stocks. Notwithstanding the stubbornly strong U.S. economic and employment picture, which are in contrast to many other jurisdictions and, in our view, is the direct result of significant fiscal spending commitments in recent years, we remain of the view that we are passing through *peak hawkishness*, and on the other side lies a sustainable phase of international and emerging markets (EM) relative outperformance. Interestingly, while employment surprised positively and oil prices rose throughout the quarter, forward inflation expectations did not move higher, and therefore real bond yields approached levels not seen since 2006 to 2007 (barring the 2008 financial crisis when inflation expectations plummeted). To us, this is akin to the 2007 to 2008 rally in oil on strong demand, which ultimately and paradoxically choked off economic growth. We believe rising real rates will likely trigger demand destruction in the U.S., ushering in a phase of earnings vulnerability and provide a more favorable backdrop for non-U.S. central banks to begin an easing cycle that will improve perceived relative earnings prospects there. We remain confident that our diversified portfolio of well-positioned and well-managed companies will capitalize on their attractive growth potential over the coming years.

MICHAEL KASS

PORTFOLIO MANAGER

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

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

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[4]	(7.02)%	(6.98)%	(3.77)%	(6.82)%
Nine Months[4]	(0.34)%	(0.16)%	5.34%	2.75%
One Year	14.42%	14.66%	20.39%	15.83%
Three Years	(2.07)%	(1.84)%	3.74%	(1.64)%
Five Years	2.45%	2.70%	2.58%	2.48%
Ten Years	4.47%	4.73%	3.35%	3.99%
Since Inception (December 31, 2008)	8.28%	8.55%	6.19%	6.86%

Performance listed in the above table is net of annual operating expenses. The gross annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.26% and 0.99%, but the net annual expense ratio was 1.20% and 0.95% (net of the Adviser's fee waivers), respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2034, 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 baronfunds.com or call 1-800-99-BARON.

† The Fund's year-to-date as well as 5- and 10-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 **MSCI ACWI ex USA Index Net (USD)** is designed to measure the equity market performance of large and mid cap securities across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. The **MSCI ACWI ex USA IMI Growth Index Net (USD)** is designed to measure the performance of large, mid and small cap growth securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets (DM) countries (excluding the United States) and 24 Emerging Markets (EM) countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

2 The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

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For the third quarter of 2023, we underperformed our Benchmark while performing broadly in line with our Proxy Benchmark. From a sector or theme perspective, adverse stock selection effect in the Information Technology sector across multiple themes (**Meyer Burger Technology AG, Keyence Corporation, Renesas Electronics Corporation,** and **Glodon Company Limited**), was the largest detractor to relative performance this quarter. Poor stock selection in the Materials sector, primarily driven by a significant correction in **AMG Critical Materials N.V.,** owing to a decline in lithium and vanadium prices, also weighed on relative results. In addition, weak stock selection effect combined with our underweight positioning in Energy hampered relative performance. Partially offsetting the above was positive stock selection effect in the Health Care sector, largely attributable to our investment in **argenx SE,** which is part of our biotechnology/diagnostics theme. Favorable stock selection in the Financials sector (**Mitsubishi UFJ Financial Group**, **Inc., Arch Capital Group Ltd.,** and **Sumitomo Mitsui Financial Group, Inc**.) and our lack of exposure to the Utilities sector also bolstered relative results.

From a country perspective, poor stock selection in Switzerland, the U.K, France, and China, owing to some of the above-mentioned holdings as well as our general growth bias, drove the vast majority of relative underperformance this quarter. We believe several of our European investments were impacted by the combination of rising concerns of a potential recession there and higher interest rates, a symptom of U.S. economic strength. Partly offsetting the above was our overweight position in India together with our active exposure to the U.S. Favorable stock selection effect in the Netherlands and Brazil also contributed to relative performance this quarter.

Table II.

Top contributors to performance for the quarter ended September 30, 2023

	Percent Impact
argenx SE	0.47%
Mitsubishi UFJ Financial Group, Inc.	0.20
Suzano S.A.	0.16
Sumitomo Mitsui Financial Group, Inc.	0.15
Universal Music Group N.V.	0.15

Argenx SE is a biotechnology company focused on autoimmune disorders. Shares increased in the quarter given a positive chronic immune demyelinating polyneuropathy (CIDP) Phase 3 trial result. CIDP is an important commercial market representing billions of dollars in potential sales, and investors viewed this dataset as a high-profile catalyst. Overall, the market expects the strong Vyvgart launch, with early sales tripling consensus expectations and global approvals coming earlier than guided, to continue to grow revenue. We expect 2023/2024 to have many catalysts, including readouts in pemphigus vulgaris, immune thrombocytic purpura, bullous pemphigoid, myositis, and argenx's subcutaneous formulation launch. We remain optimistic regarding the company's long-term growth potential.

Mitsubishi UFJ Financial Group, Inc. is a Japan-based financial holding company offering diversified financial services in Japan and other markets globally. Shares increased during the quarter on the prospect of higher revenue growth, driven partly by rising yields in Japan. We believe the improved revenue outlook along with capital optimization initiatives will drive a higher return on equity and a rerating of its valuation.

Suzano S.A. is the world's largest and lowest-cost producer of pulp, which is primarily used in paper, tissue, and packaging. Shares increased due to rising pulp prices as a result of higher demand in China. We retain conviction. Suzano is expanding into new, higher-margin markets for pulp with fossil-to-fiber substitution for textile, plastics, fuels, and chemicals. Suzano's pulp production removes more greenhouse gas emissions from the atmosphere than it emits. Its goal is to remove 40 million tons of CO_2 over the next five years, and we see an opportunity for the company to monetize these carbon credits. In addition to our positive view on pulp prices, we expect sustainability/ESG factors to drive a positive re-rating for Suzano.

Table III.

Top detractors from performance for the quarter ended September 30, 2023

	Percent Impact
Meyer Burger Technology AG	–0.94%
AMG Critical Materials N.V.	–0.85
S4 Capital plc	–0.46
Pernod Ricard SA	–0.42
Dino Polska S.A.	–0.37

Meyer Burger Technology AG is a Switzerland-based supplier of solar modules. Shares were down on weak revenue and bottom-line results due to challenging market conditions in Europe and delays in regulatory support, which prompted the company to halt the expansion of its German solar cell factory and move production equipment to the U.S. instead. We retain conviction in Meyer Burger as a long-term beneficiary of greater localization of energy supply chains and reduced global reliance on China. Meyer Burger's next-generation heterojunction solar modules are more efficient, resulting in premium prices and much higher margins. The company is also seeing strong order momentum as it ramps up capacity at its U.S facilities, supported by long-term off-take agreements with key customers. The Inflation Reduction Act, which provides incentives to manufacture solar modules and cells in the U.S., should also help drive growth over the long term.

AMG Critical Materials N.V. is a European specialty metals and minerals company. Shares fell due to a decline in lithium and vanadium prices principally as result of weaker demand in China. We retain conviction. The company has a captive customer base with long-term contracts in the energy, transportation, infrastructure, specialty metals, and chemicals industries. Demand for its services is driven by environmental regulations to reduce hazardous waste. In addition, we like the company's growth opportunity in lithium, an essential metal used in electric vehicle (EV) batteries and energy storage. AMG is currently building its own lithium hydroxide refining plant in Europe to produce higher value chemicals for the EV battery supply chain, which we think should lead to a better margin profile for this business.

S4 Capital plc is a global marketing services business founded by Sir Martin Sorrell, the founder and former CEO of WPP, the largest ad agency in the world. S4 encompasses creative production firm MediaMonks and data-driven media consultancy MightyHive. Shares of S4 fell during the quarter after the company lowered full-year guidance due to continued macro weakness. Some investors also remain concerned that generative AI (GenAI) will disintermediate the ad agency business over the long term. We believe S4 will see improvement when agency spend recovers. Our research, industry calls, and lengthy discussions with management have led us to believe that S4 has a deep understanding of the opportunities and risks presented by GenAI and can serve a key role in helping clients incorporate GenAI in their marketing. On the bottom line, we believe management has concrete levers to manage costs in the next year and beyond. At its recent low price, we think S4 has material upside if it executes over the long term.

Portfolio Structure

Table IV.

Top 10 holdings as of September 30, 2023 – Developed Countries

	Percent of Net Assets
argenx SE	3.2%
Linde plc	2.7
Arch Capital Group Ltd.	2.4
eDreams ODIGEO SA	2.3
AstraZeneca PLC	2.2
Constellation Software Inc.	2.2
Industria de Diseno Textil, S.A.	1.9
BNP Paribas S.A.	1.9
Mitsubishi UFJ Financial Group, Inc.	1.7
Sumitomo Mitsui Financial Group, Inc.	1.6

Table V.

Top five holdings as of September 30, 2023 – Emerging Countries

	Percent of Net Assets
InPost S.A.	1.7%
Taiwan Semiconductor Manufacturing Company Limited	1.7
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	1.6
Alibaba Group Holding Limited	1.4
Suzano S.A.	1.4

Table VI.

Percentage of securities in Developed Markets as of September 30, 2023

	Percent of Net Assets
Japan	12.2%
United Kingdom	10.5
Netherlands	7.4
France	6.9
Switzerland	4.6
Spain	4.6
United States	3.6
Canada	3.1
Germany	2.1
Israel	1.4
Sweden	1.4
Italy	1.1
Ireland	1.1
Denmark	1.0
Norway	0.4
Hong Kong	0.4

Table VII.

Percentage of securities in Emerging Markets as of September 30, 2023

	Percent of Net Assets
India	8.1%
China	7.9
Korea	4.4
Brazil	3.9
Poland	2.6
Taiwan	1.7
Mexico	0.9
Peru	0.8

The table above does not include the Fund's exposure to Russia (less than 0.1%) because the country falls outside of MSCI's developed/emerging/frontier framework.

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. At the end of the third quarter of 2023, the Fund's median market cap was $12.9 billion. We were invested 62.1% in large- and giant-cap companies, 19.1% in mid-cap companies, and 10.8% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the third quarter, we added a couple of new investments to our existing themes, while also increasing exposure to several positions that were established in earlier periods. We continue our endeavor to add to our highest conviction ideas.

We initiated a position in **Japan Exchange Group, Inc** (JPX), which operates Japan's primary exchanges for equities (Tokyo Stock Exchange), derivatives (Osaka Exchange) and commodities (Tokyo Commodity Exchange). The company also provides clearing and settlement services for equities, futures, options, and Japanese government bonds through its subsidiary, Japan Securities Clearing Corporation. In our view, JPX's vertically integrated business model is a competitive advantage as it creates high barriers to entry for potential new entrants. We are excited about this investment for several reasons. First, we see a significant opportunity for equity volumes to increase in Japan as domestic households' allocation to equities, at approximately 13%, is still low compared to other developed markets. In our view, current negative real rates in Japan should provide an incentive for investors to shift away from traditional deposits and into riskier/higher return assets such as equities. Second, the Tokyo Stock Exchange is urging listed companies to improve governance practices and lay out plans to bring corporate valuations closer to book value. These initiatives are already boosting the total capitalization of the equity market, which in turn drives higher volumes for JPX. Lastly, the government is incentivizing higher retail ownership of equities by reducing the capital gains tax thresholds starting in 2024. We believe these structural factors will accelerate JPX's earnings momentum over the next few years.

During the quarter, we also increased exposure to our digitization theme by initiating a position in **Prosus N.V.**, which is a Dutch holding company whose primary asset is shares in Tencent Holdings Limited. Due to a complex cross-holding structure with its South Africa domiciled parent company, Naspers Ltd., the company has historically traded at a wide discount to NAV. A series of recent announcements and actions by Naspers and Prosus, specifically a major simplification of that cross-holding structure and a commitment to repurchasing both Prosus' and Naspers' stock at discounts to NAV with proceeds from Tencent share sales, indicate a substantive positive development in corporate governance, which should drive a narrowing in NAV discounts and equity value creation. We view Prosus as an attractive vehicle through which to invest in the underlying Tencent business.

We added to several of our existing positions during the quarter, including **Sumitomo Mitsui Financial Group, Inc.**, **Z Holdings Corporation**, **Befesa S.A.**, **Mitsubishi UFJ Financial Group, Inc.**, **S4 Capital plc**, **Endava plc**, **BNP Paribas S.A.**, **B3 S.A. – Brasil, Bolsa, Balcao**, **InPost S.A.**, and **argenx SE.**

During the quarter, we also exited several positions, the largest being **Vivendi SE**, **Estun Automation Co., Ltd.**, and **Wuliangye Yibin Co., Ltd**. In our endeavor to increase our weightings in holdings for which we have the highest conviction in quality and return potential and eliminate lower conviction or smaller positions over time, we also exited **MonotaRO Co.,**

Ltd., **AIA Group Limited**, **Lloyds Banking Group plc**, **Shenzhen Mindray Bio-Medical Electronics Co., Ltd.**, **JD.com, Inc.**, **Tenaris S.A.,** and **Glodon Company Limited.**

Outlook

In our second quarter letter, we suggested that rising real bond yields, and a likely return to Fed rate hikes after a brief pause, were not consistent with rising multiples on U.S. and global growth stocks, and thus we anticipated that tightening U.S. liquidity and higher yields could trigger a consolidation of recent gains. This is largely what played out in the past quarter, as bond yields rose sharply on stronger-than-expected U.S. economic and employment conditions, while global equities broadly retreated with growth stocks notably underperforming value stocks. While we believe, as stated in our prior letter, that a correction in U.S. equities is a likely precondition to a lasting inflection point in international and EM equity relative performance, in our view the necessary catalyst would be *deteriorating* U.S. economic and earnings visibility and *a peak* in bond yields, which we still view as a likely coming development. The increase in yields in the recent quarter, largely on stronger U.S. employment data, triggered a reversal of fortunes for some of the second quarter leaders that had rallied on the anticipation that Fed rate cuts would begin before year end. Only three months later, markets have pushed out the timing for Fed easing into the back half of 2024. Interestingly, while employment surprised positively and oil prices rose, two-year and five-year forward inflation expectations remained steady at just above 2%, and therefore real bond yields approached levels not seen since 2006 to 2007 (barring the 2008 financial crisis when inflation expectations plummeted). To us, this is akin to the 2007 to 2008 rally in oil on strong demand, which ultimately, and paradoxically, choked off economic growth and demand. In the current scenario, we believe rising real rates will likely trigger demand destruction in the U.S., ushering in a phase of earnings vulnerability, and providing a more favorable backdrop for non-U.S. central banks to begin an easing cycle well before the Fed, and thus trigger a long-awaited reversal in market leadership.

For international and EM investors, we think the most notable events during the quarter were the relative strength in Japan and India-related equities in the face of rising global yields and tightening liquidity, and volatility in China's markets, economic outlook, and expectations for stimulus measures. We have increased our investments and weighting in Japan and India this year based on our view of improving long-term fundamentals, and we are encouraged that both markets have uncharacteristically outperformed in the recent quarter amid strong headwinds for global equities.

While we have spent considerable time discussing the attractive outlook for India, Japan has some similar parallels. Japan, even if largely driven by a decade of currency depreciation, has achieved material gains in labor productivity and is now capturing significant foreign direct investment as global corporations seek to diversify supply chains and manufacturing footprints. In addition, Japan is emerging from a 20-year battle on the edge of price deflation, which had a suffocating effect on domestic economic growth and consumer demand. As such, Japan's domestic economy is one of the few obvious beneficiaries of higher inflation, and the bulk of our incremental investments have been in domestically driven businesses, where we have been significantly underexposed since the inception of the Fund. Coincidentally, a multi-year movement towards improved capital efficiency and corporate governance has only gained momentum, adding to the long-term appeal of Japan, and we are actively researching additional investment candidates given what we deem as a vector change in opportunity.

India's equity market uncharacteristically outperformed global indexes by a wide margin when interest rates, oil prices, and the U.S. dollar were rising. This is a departure from historical trends, and in our view offers confirmation that something has changed. India has reached escape velocity after years of implementing a series of productivity-enhancing reforms and now stands out as a material beneficiary in the evolving global geopolitical environment. We remain enthusiastic regarding the growth and investment potential of India and our investments there.

China-related equities rallied impressively early in the quarter on speculation that policymakers were preparing fresh support measures for the property and financial sectors, as well as targeted infrastructure and demand-side stimulus. This rally reversed sharply when the government announced stimulus appeared insufficient and supply-side biased, and coincident economic indicators fell short of expectations. We would characterize the sell-off in China-related equities as a third capitulation since early 2022, with the first two being triggered by Russia's invasion of Ukraine and last October's Party Congress meeting and ensuing frustration over China's zero-COVID measures. In what to us is becoming a pattern, China's authorities appear fairly sensitive to market signals, and we are now seeing enhanced expectations and cues regarding more substantial support forthcoming, which is again supporting the equity market. Importantly, we see no evidence in China's currency, bond market, or credit spreads that suggest policymakers are losing control of the narrative, and we continue to believe they are more likely than not to ultimately provoke the economic recovery they committed to in late 2022. We see a favorable risk/reward proposition from current levels, and we remain confident that we own well-positioned companies from a fundamental and competitive position that are poised to benefit from China's economic pivot in an era of deglobalization.

We continue to believe that international and EM equities are nearing the end of a long cycle of relative underperformance, and we look forward to our next communication.

Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass
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 1-800-99-BARON or visiting baronfunds.com. Please read them carefully before investing.

Risks: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. 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.

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.

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