Baron Funds®

Quarterly Report

March 31, 2023

"Don't believe anything you hear…and only half of what you see." Robert McKee, Wanamassa Grammar School Guidance Counselor. 8th Grade Graduation Ceremony. May 1957.

"I grew up in a small town…" Just like the town John Mellencamp sang about in his *Small Town* music video. In the 1950s, my small town of Wanamassa, New Jersey, was a 3,000-person community bordering Asbury Park, a larger, Jersey shore town with a population of 25,000. My Wanamassa grammar school class of 60 was virtually all white, middle class, and led sheltered lives. Our parents were doctors, lawyers, real estate brokers, small business owners, housewives, and U.S. Army engineers like my dad, who worked at nearby Fort Monmouth.

On an extremely warm day in May 1957, Guidance Counselor Robert McKee spoke to our graduating Wanamassa grammar school class. Mr. McKee told us that Asbury Park High School, where we would be freshmen that fall, had a highly diverse 2,000-person student body and would be a lot different than Wanamassa. *"Don't believe anything you hear…and only half of what you see,"* he advised. Mr. McKee's advice clearly resonated, since I still remember it…and so do my lifelong Wanamassa 8th grade friends!

Although I didn't understand then why Mr. McKee was giving that advice, *shockingly* I was paying attention. Mr. McKee was trying to tell us, just like Ben Franklin advised his students in 1776, that good decisions, enabling consistent above average results in whatever you attempt, are based upon your own diligence and hard work. You can't rely upon the judgment and work of others. "You can't *phone it in*." That is since learning information that is contrary to what most believe creates an advantage that often leads to exceptional results. Just like those we have achieved in my career as an analyst and investor.

Surprisingly, Mr. McKee's advice all those years ago is foundational in our investment process! In fact, *Question Everything* was the theme of the annual Baron Investment Conference in 2015! Baron Capital has earned a reputation as a long-term investor in businesses…and earned returns substantially in excess of broad equity markets and most competitors…in large part because we followed Bob McKee's advice to *question everything*! We question everything… and we mean *everything*…about *executives' character and talent*…businesses' *durable competitive advantages*… operations … and their growth prospects. *Growth + Values* was the theme of the Baron Investment Conference in 2018.

Baron's proprietary research enables us to make long-term commitments, with which few people at the time may agree. Primary research also lets us invest in businesses when it may take some time to prove whether we are right or wrong. This has led to strong performance. That is because our investment thesis is *Exceptional Takes Time*. We invest regardless of economic and market projections by Wall Street strategists. That is because we believe that most things economists forecast cannot be predicted!

Accordingly, we believe consensus earnings estimates and market forecasts that most depend upon will likely provide average investment performance…at best. Good enough to keep analysts and portfolio managers from being fired…but not good enough to provide their clients with exceptional returns. It's safe for geese to fly in formation and penguins to live in

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colonies. We think it's not safe for most analysts and market strategists to have the same opinions if their objective is to achieve outstanding results.

The late Los Angeles Dodgers' manager Tommy Lasorda won two World Series, four National League championships, and eight division titles in his 20-year career. He recognized that great leaders often make decisions with which many disagree. "Listen, if you start worrying about the people in the stands, before too long you're up in the stands with them." You've got to be "the man in the arena, whose face is marred by dust and sweat and blood" is how Teddy Roosevelt, America's 26th President, put it.

"When you had that third [rocket launch] failure in a row, did you think, 'I need to pack this in?'" CBS 60 Minutes journalist Scott Pelley asked Elon Musk eleven years ago. Without pausing, Elon answered, "Never." Pelley followed with "Why not?" Elon responded as quickly, "I don't ever give up." CBS 60 Minutes. March 18, 2012.

Since Scott Pelley's interview with Elon on *60 Minutes* 11 years ago, SpaceX, with its innovative, reusable Falcon 9 rockets, has disrupted the aerospace industry and has become the world's leading space company. More launches and more satellites in orbit than any other company…or country. Due to SpaceX's reusable rocket technology, this company could now provide access to space for governments…commercial enterprises…and consumers at a lower cost than any other company…or country. We believe this competitive advantage will last for a long time.

Before SpaceX, launch customers had no way to reach space except to contract with cost-plus aerospace businesses. Those companies use expensive 1960s Russian, single-use, rocket launch technology. SpaceX's technology enables much lower cost access to space with rocket boosters that, remarkably, are re-landed on Earth… and then reused over and over and over again. Single-use rockets that perform similar functions cost more than one hundred million dollars each!

We think SpaceX's 394-foot-tall Starship, the largest rocket ever built on this planet and the size of a New York City skyscraper, will become *the railroad to space*. This is after SpaceX's enormously successful, much smaller Falcon 9 reusable rockets blazed the way. We analogize SpaceX's launch business to railroads in the 1800s that opened America's Western states to settlement. SpaceX's ability to launch Starlink satellites economically

"When we look back in history, I believe this will be the day when we mark the technological breakthrough of building a vehicle that can actually go to Mars."
– Antonio Gracias, Director of SpaceX and Tesla, Boca Chica, Texas at the launch of Starship, the most powerful space rocket ever developed, on April 20, 2023.

will allow its Starlink to provide satellite broadband internet nearly everywhere on…and above… our planet…including Earth's mountains, deserts, seas…and airspace!

We believe Starlink will become the *backbone for satellite broadband internet* for the world. SpaceX can increase Starlink's innovative broadband capacities with software…not just by adding next generation satellites! Telco wired connections to remote homes cost approximately $16,000 per mile. This compares to $500 for a Starlink plug-and-play user interface antenna! Accordingly, Starlink could provide telcos, commercial customers, and government customers with the backbone for broadband everywhere.

On April 20, 2023, at 8:33 AM CDT SpaceX launched the Starship for the first time. The Starship is the size of a 40-story New York City skyscraper! When you visualize placing such a structure on a launching pad powered by 33 engines for its first test flight, you can easily understand why Elon promised "excitement guaranteed." The rocket flew four minutes, reaching altitude of 24 miles. When 5 of its 33 Raptor engines did not function as planned, SpaceX blew up the rocket to be certain it could not cause damage on land. Both Elon and NASA officials regarded this test as a success.

Among the reasons this awesome test was regarded as successful was that it cleared the launch pad without crashing and destroying the site…which could have cost a lot and taken months to rebuild. Bill Nelson, the head NASA administrator, congratulated SpaceX. "Every great achievement in history requires calculated risk because with great risk comes great reward," Nelson wrote. A former White House space advisor commented, "flying and reusing rockets has massive potential to change the game and transportation to orbit." Starship will ultimately carry massive telescopes, squadrons of robots to explore and build bases and manufacturing facilities on other planets, the moon, or in orbit; and entire space stations. It will also carry humans to Mars! Musk commented on Twitter, "Learned a lot for next test launch in a few months." Before all the results were analyzed, more than 1,000 elements have been changed! When I asked why the engines failed, the answer was the cause had not yet been determined. "Do you think a squirrel or seagull may have gotten into the engine?" I asked. "Maybe, Ron," the SpaceX engineer laughed.

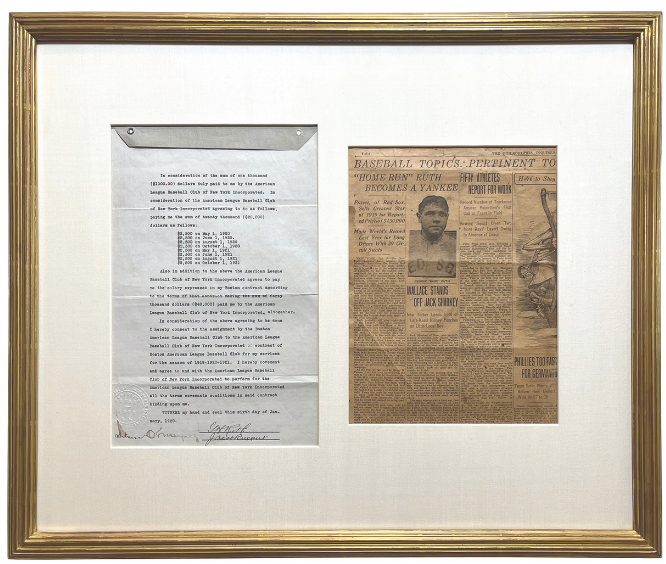
Baron has been purchasing privately owned SpaceX stock regularly since 2017. We presently own shares valued at approximately $1.4 billion. Those shares cost approximately $630 million.

"This weekend you can watch SpaceX launch 55 Starlink satellites in one of its reusable Falcon 9 rockets. Although the weather may not be favorable for viewing Sunday evening, don't worry. SpaceX is launching two Falcons a week this year!" Jennifer Collins, CBS Meteorologist, Palm Beach, Florida. March 2023.

Judy and I often visit our vacation home in Palm Beach on weekends in winter months. Nearly every Sunday morning during those visits, while I run on my treadmill…I watch CBS Meteorologist Jennifer Collins forecast the weekend weather.

It was initially startling when I watched Jennifer nonchalantly describe SpaceX launches in March. Startling since those launches…and the subsequent landings of SpaceX reusable Falcon rocket boosters…have become commonplace. So commonplace, in fact, they no longer warrant coverage in local newspapers…on the internet…or in most television news reports. In 2015, SpaceX was the first, and is still the only, aerospace business to launch flight-proven rockets. That remarkable achievement significantly reduced launch expenses because using rockets over and over costs a lot less than if rockets that cost more than $100 million each are used just once. For example, OIG projects the cost of a single SLS/Orion rocket to be $4.1 billion per launch! (SLS is a consortium of prime aerospace government contractors including Boeing, Lockhead, and Northrup.)

Being first means that Musk landed a Falcon 9 booster in 2015 before NASA, Russia, China, the U.S., Jeff Bezos' Blue Origin, or anyone else…although they've all been trying for longer than Elon! When Elon Musk's business accomplished what others thought impossible, *The Wall Street Journa*l published an op-ed by China's Communist Party leadership (CCP). The CCP congratulated Elon on his improbable success…and was critical of its own space engineering efforts to launch, land, and reuse rockets! "We were beaten not by a country…but by a man! Our scientists need to try harder."



Whether in the Bronx or at Baron Capital, there's no escaping inflation's awesome compounding power. Babe Ruth's first contract as a Yankee in 1919 for $40,000 annual salary compares to Aaron Judge's $40,000,000 annual contract today. That's a 6.8% compound annual rate of salary inflation for the past 104 years if you're keeping score at home.

John Sculley was Pepsico's President for six years. That was immediately before he became Apple's CEO from 1983-1993, that was after Steve Jobs had resigned and before he returned to lead that business. John oversaw the growth of Apple from $800 million to $8 billion in annual sales. John and his wife Diane recently invited my wife, Judy, and me to dinner in Palm Beach. Soon after we were seated at their club, John began to ask me about SpaceX. Unprompted, he then remarked that Elon and the exceptional engineering team he has assembled were doing a spectacular job eliminating complexity. "SpaceX will become the most valuable business on the planet," he opined. I agreed that was likely to happen in the 2030s…*after* Tesla becomes the most valuable business on the planet at the end of this decade.

"[T]he price level is probably 15 times what it was when I was a kid… [F]iscal policy scares me more than monetary policy." Buffett feels that Congress only cares about getting reelected. To do so, they give away things to their constituents. "Fed Chairman Powell has an extraordinarily difficult job. That is since everything he does could be negated by the Congress." Warren Buffett. CNBC. *Squawk Box*. April 12, 2023.

That comment by Warren Buffett was in response to a question posed by CNBC's *Squawk Box* Co-Anchor Becky Quick. Becky, whom I think asks the best questions, was attempting to get Warren to say whether or not he thought Fed Chairman Powell was doing a good job…and whether Warren thought Powell should pause raising rates. That is a question Warren was unwilling to answer directly…even when it was posed by Becky.

Warren is 92 years old. We thought his observation that prices increased about 15 times since his youth was super relevant! His remark meant *prices doubled about four times over the past 70 years.* That is annual inflation of 3.9% per year. Which means the buying power of your money fell in half about every 17 years…and that the *dollar you saved in 1950 is now worth only $.07 (seven cents)!!!!*…Accordingly, tuition…homes…salaries …cars…food…travel…real estate…consumer products and just about everything else are all about 15 times more expensive now than 70 years ago!

As I pointed out in the *Inflation According to Ron* table in the December 31, 2021 *Letter from Ron,* inflation has averaged 4% to 5% per year since the end of WWII in 1945…as well as for the entire 20th century! Which we believe is the economic model of the U.S.…nominal annual growth of about 7% including 4% to 5% annual inflation, 2% annual real increase in output. Warren then explained why property & casualty (P&C) insurance underwriting benefits from inflation. Since insurance policies are repriced annually, P&C insurers can avoid duration risk and participate in our economy's growth, about two-thirds of which can be attributed to inflation.

Buffett noted that GEICO auto policies 60 years ago had $50 annual premiums. Average premiums per car are now $2,000! Buffett believes, and we agree, that 30-year home mortgages at fixed rates provided by banks are "loss leaders" for those institutions. Banks make such loans in a social covenant with government to allow individuals to own their homes…and in return, banks, highly regulated businesses, are permitted to earn strong returns using their leveraged balance sheets elsewhere.

Our investment philosophy is similar to Warren Buffett's, except we are "growthier." We too regard equity investments as representing part ownership of publicly traded businesses. We do not think of them as "stocks," pieces of paper, whose share prices fluctuate daily and may or may not at any point reflect accurately the value of an underlying business. We consider the investments made by individuals and by ourselves in Baron Funds as ownership of diversified portfolios of fast-growing, competitively advantaged businesses managed by exceptionally talented individuals. And, as means to protect fellow Baron Funds' shareholders against the ravages of inflation. Such investments are also intended to enable middle class individuals and wealthy families as well to benefit from the growth of America's economy. We think it is always more attractive to invest in such businesses than to invest in money market funds. Equity investments are especially attractive at times like the present when "parts of America are on sale" in the stock market due to fear of recession.

Paul Volker is lionized as a warrior who slayed the inflation dragon. He became Chairman of the Federal Reserve in 1979. Inflation was then 11% and rising. High inflation in the 1970s was the result of poorly conceived and executed fiscal policies of four consecutive Presidents…Johnson…Nixon…Ford…and Carter.

When annualized inflation in the U.S. reached 16% in June 1980, Chairman Volker raised the Fed Funds rate to 19%! Amidst the ensuing painful recession, unemployment increased from 6% to 11% and inflation tumbled to 5%…and bottomed at 3% in 1983. Our economy and stock markets rebounded dramatically during the next five years as interest rates tumbled. When Volker left the Fed in 1987, inflation ranged between 4% and 5%, the norm for our country during my lifetime.

The harrowing inflation of the 1970s peaked in 1981 and ended soon after the Volker Fed's dramatic tightening. COVID supply-chain disruptions and the war in Ukraine were the proximate causes of current inflation, which peaked at 9.1% in June 2022 and in April 2023 fell to 4.5%. The Powell-led Fed's tightening playbook, which already caused several bank failures…is obviously similar to that of Volker's some 40 years ago.

"*Anything is Possible*." Topic: The benefits of investing amidst entropy, chaos, and disorder. Ron Baron. Baron Conference. Metropolitan Opera House. November 4, 2022.

The Dow Jones Industrial Average was 800 on March 15, 1982 when we founded Baron Capital. We had just $10 million assets under management and three employees, Susan Robbins, our senior health care analyst, Linda Martinson, our President and Chief Operating Officer, and me. My son David was born in 1980, my son Michael in 1981. Both have worked at Baron for 20 years. When I showed David the table with inflation at 16% in 1981…Fed Funds at 18%… unemployment at 10%…and our economy in deep recession, he glanced at it for a moment and turned to me. "Dad, how did you ever start a business in 1982 with two newborns?"

The Dow Jones Industrial Average is now 33,600. It has increased more than 42 times since 1982. This is although during the past 41 years, there has been only one year, 1989, when the news was good! That was when the wall separating East and West Germany was taken down and we believed there would be a "peace dividend."

Instead, market crashes; financial panics; the COVID pandemic; rapid inflation; supply-chain disruptions; negative interest rates; wars; terror; gun violence in our streets, houses of worship, and schools; and threats to our democracy have dominated news cycles.

Investing for the long term in competitively advantaged growth businesses managed by exceptional executives. That's our strategy. We choose these growing businesses by doing what algorithms…coding…and even ChatGPT can't do. At least not yet. We judge competitive advantage and the character, integrity, intellect, and awesomeness, of executives, all of whom we like and admire or we wouldn't choose to invest with them.

We like to say, "We invest in people." The executives who manage the businesses in which we have partial ownership interests are individuals we would hire if we owned those competitively advantaged businesses in their entirety. Of course, we also invest in awesome individuals who work at Baron Capital and study those businesses. Several examples follow.

Arch Capital Group Ltd.'s exceptionally strong balance sheet, underwriting expertise, and its culture of cycle management, meaning aggressively writing property policies only when rates are high, have enabled that company to become a leader in its industry.

The Charles Schwab Corp.'s revolutionary Mutual Fund Marketplace platform completely changed mutual fund distribution. Schwab's extraordinarily low overhead due to its culture of digitization has allowed it to offer its 34 million financial advisers and individual customers an ever-increasing menu of services at low cost…and be exceptionally profitable. Assets held at Schwab have increased to $7.5 trillion from $60 billion when we began to invest in that business in 1992 at $0.88 per share.

Red Rock Resorts, Inc., due to zoning changes, owns the 400 acres in Las Vegas' residential communities that include the only remaining eight gaming-entitled sites not on the Las Vegas Strip. Red Rock's casinos primarily serve *locals* who work at the mammoth strip hotel casinos that intensely compete with each other. The high returns earned by the properties of this family-owned business with little competition serve primarily the individuals who work on the Strip.

Figs Inc. disrupted the health care apparel industry by reimagining health care apparel and creating a digital connection with health care professionals. Prior to Figs, health care apparel consisted of commoditized scrubs sold by third-party medical supply stores. With Figs, health care professionals now have access to technical, comfortable, functional and stylish apparel. By selling directly, Figs has a structurally advantaged margin profile, deep relationships with an intensely loyal community, and a trove of customer data to drive its replenishment-driven business. The two young women who founded this business began selling uniforms from the trunks of their cars. Just like Nike's Phil Knight.

Gartner, Inc. is the leading provider of syndicated research for technology, HR, sales, and supply-chain management professionals. Its research helps customers make better decisions. Gartner has more than 10 times the number of analysts providing this critical information than its nearest competitor…and, as a result has more extensive subject matter expertise.

Hyatt Hotels Corporation is another family business with which we have had an exceptionally long relationship…dating to the beginning of my career in the 1970s. Hyatt's focus is on quality services for its high-end luxury hotels and is growing faster than any large hotel chain.

ANSYS, Inc. software allows customers to replace physical prototypes with computer-based simulation. ANSYS is the largest provider and developer of simulation capabilities. ANSYS' simulation leadership position provides it with significantly more data and experience than competitors establishing an important moat for its business.

MSCI Inc. is the defacto standard for measuring cross-border investment returns. It is the emerging standard for its fast-growing ESG and climate analysis businesses. MSCI is investing heavily to expand its private company data offerings, which we think also offer vast opportunity.

FactSet Research Systems, Inc. is a rapidly growing vendor of financial data and analytics. The company offers proprietary data, unique analytics, and open architecture that allow its clients to consolidate their technology spending with FactSet.

In the 1950s, streets in **Vail Resorts, Inc.**'s Vail Village were unpaved and children reached school on skis purchased from a local sawmill. Vail is the beneficiary of President Eisenhower's program to build the Interstate Highway system. The Eisenhower Tunnel allows guests using Interstate Route 70 to reach Vail from Denver in less than two hours. Before that tunnel was completed it took more than four hours. Talk about competitive advantage! More than 70% of skiers at Vail's 40 ski mountains purchase their season Epic lift ticket passes before a single snowflake hits the ground.

Few investment firms that manage "active" funds have achieved investment performance in excess of passive benchmark indices. Baron Capital is among the few. Since their respective inceptions as mutual funds, 16 of 19 Baron mutual funds representing **98.8%** of Baron Funds' AUM, have **outperformed** their benchmarks. 13 Baron Funds representing **96.3%** of Baron Funds' AUM rank in the **top 20%** of their respective Morningstar categories. 10 Funds, representing **67.9%** of Baron Funds' AUM, rank in the **top 10%** of their categories, and 5 Funds, representing **45.6%** of Baron Funds' AUM, rank in the **top 1%** of their categories. All five of these Funds are number one in their categories. Baron Partners Fund is the **number one** performing U.S. equity fund since its conversion to a mutual fund in 2003.* Its performance as a partnership from 1992 through 2003 was equally strong.

Just as we favor companies that invest in themselves, we are investing in Baron Capital by significantly expanding our New York City offices. We expect the result – superior products and services for our customers – to be true for our business as those in which we invest. We expect this expansion to enable our fellow workers to work more efficiently together… and benefit investors for whom we manage money.

Thank you for joining us as fellow shareholders in Baron Funds. It makes me feel especially good when people stop me on the street or seemingly wherever I am to say, "Thank you." Virtually every day. It also made me feel good when I recently opened a fortune cookie to find, "**People rely on your dependability"** as my fortune.

Thanks for trusting us to manage a portion of your family's hard-earned savings. We hope that the mediocre performance of several Baron Funds since October 2021 will prove a brief blip in our strong long-term results. Our goal is to earn back losses incurred during the past year and a half by the end of 2025. This is due to on average 15% annual growth of the businesses in which we have invested. We then hope to once again achieve double-digit annualized growth for our portfolios for the following decade.

Respectfully,

Ronald Baron
CEO
April 28, 2023

P.S. Almost forgot. Since Baron Capital's founding in 1982 with three individuals, our family business has *never had a layoff*…despite periods when our Firm's profitability was less than optimal. We currently have 196 employees, including 43 analysts and portfolio managers, who are also senior analysts. I think the most important reason we have performed as well as we have for as long as we have is due to the extraordinarily low turnover of our staff. Low turnover of businesses in which we invest and low turnover of the individuals who make those investments…all using the same investment process. Invest in people…invest in competitively advantaged growth businesses…invest for the long term. At a time when many firms are abandoning office space, we have added the 47th floor in New York City's General Motors Building to our 48th and 49th floor offices. 47 has been under construction for almost ten months by spectacular builders. We expect to fully occupy 47 by Monday, May 8, 2023. Fingers crossed.

* **This is a hypothetical ranking created by Baron Capital using Morningstar extended performance data and is as of 3/31/2023. There were 2,129 share classes in these nine Morningstar Categories for the period from 4/30/2003 to 3/31/2023.**

Note, the peer group used for this analysis includes all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for this analysis are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories.

The Morningstar Large Growth Category consisted of 1,250, 1,053, and 809 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Partners Fund (Institutional Shares) in the 97th, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund on 4/30/2003, and the category consisted of 780 share classes. On an absolute basis, Morningstar ranked Baron Partners Fund Retail Share Class as the 1,195th, 3rd, 2nd, and 1st best performing share class in its Category, for the 1-, 5-, 10-year, and since conversion periods, respectively.

Baron Funds (Institutional Shares) and Benchmark Performance 3/31/2023

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns 1-Year	3-Year	5-Year	10-Year	Annual Expense Ratio	Net Assets
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	12.99%	7.46%	12/31/1994	(3.40)%	19.87%	12.30%	11.77%	1.04%(3)	$7.50 billion
Baron Small Cap Fund	Russell 2000 Growth Index	9.84%	5.84%	9/30/1997	(10.51)%	17.05%	8.41%	9.89%	1.04%(3)	$4.27 billion
Baron Discovery Fund†	Russell 2000 Growth Index	12.31%	7.17%	9/30/2013	(13.81)%	16.24%	10.20%	N/A	1.06%(3)	$1.30 billion
SMALL/MID CAP										
Baron Focused Growth Fund(1)	Russell 2500 Growth Index	13.28%	7.83%	5/31/1996	(10.54)%	37.91%	23.99%	15.75%	1.06%(4)	$906.09 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.29%	9.99%(2)	6/12/1987	(8.65)%	12.57%	9.43%	11.49%	1.04%(3)	$4.53 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	7.99%	10.69%	4/30/2004	(24.99)%	3.16%	4.72%	10.85%	0.76%/0.75%(3)(6)	$403.44 million
Baron Durable Advantage Fund	S&P 500 Index	12.03%	10.47%	12/29/2017	(2.70)%	18.19%	12.38%	N/A	1.10%/0.70%(3)(7)	$61.25 million
ALL CAP										
Baron Partners Fund(1)	Russell Midcap Growth Index	15.00%	9.66%	1/31/1992	(24.52)%	43.29%	26.35%	19.95%	1.44%(4)(5)	$5.95 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	8.32%	5.99%	2/29/2000	(19.70)%	15.37%	14.87%	14.03%	1.05%(3)	$871.12 million
INTERNATIONAL										
Baron Emerging Markets Fund	MSCI EM Index	2.93%	1.19%	12/31/2010	(11.32)%	7.23%	(2.34)%	3.14%	1.12%(4)	$4.88 billion
Baron Global Advantage Fund†	MSCI ACWI Index	9.92%	8.46%	4/30/2012	(31.39)%	1.27%	4.70%	10.19%	0.93%/0.90%(4)(8)	$804.49 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	9.15%	6.52%	12/31/2008	(11.63)%	11.38%	2.51%	6.72%	0.99%/0.95%(4)(9)	$500.00 million
Baron New Asia Fund	MSCI AC Asia ex Japan Index	(14.91)%	(11.79)%	7/30/2021	(11.37)%	N/A	N/A	N/A	7.22%/1.20%(4)(10)	$4.11 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	13.26%	10.38%	12/31/2009	(14.15)%	19.71%	10.35%	9.66%	1.07%(4)	$1.43 billion
Baron Real Estate Income Fund	MSCI US REIT Index	7.51%	2.83%	12/29/2017	(21.78)%	12.63%	9.24%	N/A	0.96%/0.80%(4)(11)	$82.14 million
Baron Health Care Fund	Russell 3000 Health Care Index	12.29%	10.67%	4/30/2018	(11.13)%	14.72%	N/A	N/A	0.90%/0.85%(4)(12)	$199.55 million
Baron FinTech Fund†	FactSet Global FinTech Index	5.42%	(2.15)%	12/31/2019	(16.09)%	10.71%	N/A	N/A	1.20%/0.95%(4)(13)	$44.73 million
Baron Technology Fund	MSCI ACWI Information Technology Index	(26.37)%	(13.84)%	12/31/2021	(18.42)%	N/A	N/A	N/A	6.42%/0.95%(4)(14)	$4.20 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	11.94%	10.47%	12/29/2017	(14.08)%	20.17%	12.04%	N/A	1.14%/1.11%(4)(15)	$471.78 million

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.
(2) For the period June 30, 1987 to March 31, 2023.
(3) As of 9/30/2022.
(4) As of 12/31/2022.
(5) Comprised of operating expenses of 1.04% and interest expenses of 0.40%.
(6) Annual expense ratio was 0.76%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).
(7) Annual expense ratio was 1.10%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(8) Annual expense ratio was 0.93%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers and interest expense).
(9) Annual expense ratio was 0.99%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(10) Annual expense ratio was 7.22%, but the net annual expense ratio was 1.20% (net of Adviser's fee waivers).
(11) Annual expense ratio was 0.96%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
(12) Annual expense ratio was 0.90%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
(13) Annual expense ratio was 1.20%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(14) Annual expense ratio was 6.42%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(15) Annual expense ratio was 1.14%, but the net annual expense ratio was 1.11% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
† The Fund's historical performance was impacted by gains from IPOs. 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.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses 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.

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 or may reimburse certain Funds expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Funds' 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.

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.

Baron Discovery Fund's 3- and 5-year, **Baron Fifth Avenue Growth Fund's** 3-, 5- and 10-year, **Baron Fin Tech Fund's** 3-year**, Baron Global Advantage Fund's** 3-, 5- and 10-year, **Baron International Growth Fund's** 5-year and **Baron Opportunity Fund's** 3-, 5- and 10-year historical performance were impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Funds' level of participation in IPOs will be the same in the future.

Risks: All investments are subject to risk and may lose value. The **Baron Partners Fund** is non-diversified which means, in addition to increased volatility of the Fund's returns, it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the most recent quarter-end, about 36% of the Fund's long positions are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period.

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

Ranking information provided is calculated for the **Institutional Share Class** and is as of **3/31/2023**. The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct. **Morningstar calculates its category average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.** The **Morningstar Large Growth Category** consisted of 1,250, 1,053, and 809 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Opportunity Fund* in the 91st, 4th, 14th, and 6th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 2/29/2000, and the category consisted of 617 share classes. Morningstar ranked *Baron Partners Fund* in the 97th, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 780 share classes. The **Morningstar Mid-Cap Growth Category** consisted of 577, 498, and 387 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 29th, 28th, 24th and 10th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 73 share classes. Morningstar ranked *Baron Growth Fund* in the 7th, 5th, 17th, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 163 share classes. On an absolute basis, Morningstar ranked Baron Growth Fund Retail Share Class as the 42nd, 32nd, 93rd, and 1st best performing share class in its Category, for the 1-, 5-, 10-year, and since inception periods, respectively.

Morningstar ranked *Baron Focused Growth Fund* in the 48th, 1st, 1st, and 3rd percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 452 share classes. The **Morningstar Small Growth Category** consisted of 607, 534, and 401 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 41st, 30th, 40th, and 11th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 9/30/1997, and the category consisted of 254 share classes. Morningstar ranked *Baron Discovery Fund* in the 70th, 13th, and 4th percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 536 share classes. The **Morningstar Real Estate Category** consisted of 257, 209, and 153 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 6th, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 186 share classes. On an absolute basis, Morningstar ranked Baron Real Estate Fund Institutional Share Class as the 14th, 2nd, 1st, and 1st best performing share class in its Category, for the 1-, 5-, 10-year, and since inception periods, respectively. Morningstar ranked *Baron Real Estate Income Fund* in the 74th, 2nd and 2nd percentiles for the 1-, 5-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 269 share classes. The **Morningstar Foreign Large Growth Category** consisted of 449, 350, 231, and 189 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 92nd, 72nd, 24th, and 16th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 833, 654, 394, and 390 share classes for the 1-, 5-, 10-year, and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 73rd, 79th, 19th, and 12th percentiles, respectively. The **Morningstar Health Category** consisted of 176 and 137 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron*

Health Care Fund in the 68th and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron Health Care Fund Institutional Share Class as the 142nd, 14th, and 1st best performing share class in its Category, for the 1-, 3- year, and since inception periods, respectively. The **Morningstar Allocation – 85%+ Equity Category** consisted of 208, 185 and 201 share classes for the 1-, 5-year and since inception (12/29/2017) periods. Morningstar ranked *Baron WealthBuilder Fund* in the 91st, 1st and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron WealthBuilder Fund Institutional Share Class as the 191st, 1st, and 1st best performing share class in its Category, for the 1-, 5- year, and since inception periods, respectively.

Portfolio holdings as a percentage of net assets as of March 31, 2023 for securities mentioned are as follows: ANSYS, Inc. – Baron Asset Fund (4.1%), Baron Focused Growth Fund (3.3%), Baron Growth Fund (4.4%); **Arch Capital Group Ltd.** – Baron Asset Fund (3.3%), Baron Durable Advantage Fund (4.5%), Baron Focused Growth Fund (6.7%), Baron Growth Fund (8.2%), Baron International Growth Fund (2.3%), Baron Partners Fund (6.4%*); **FactSet Research Systems Inc.** – Baron Asset Fund (3.4%), Baron FinTech Fund (2.9%), Baron Focused Growth Fund (4.6%), Baron Growth Fund (6.6%), Baron Partners Fund (4.4%*); **Figs Inc.** – Baron Focused Growth Fund (2.8%), Baron Growth Fund (0.4%), Baron Partners Fund (0.7%*); **Gartner, Inc.** – Baron Asset Fund (9.1%), Baron Growth Fund (6.6%), Baron Opportunity Fund (3.1%), Baron Partners Fund (3.3%*), Baron Small Cap Fund (5.4%), Baron Technology Fund (1.9%); **Hyatt Hotels Corporation** – Baron Asset Fund (1.3%), Baron Focused Growth Fund (6.2%), Baron Partners Fund (5.4%*), Baron Real Estate Fund (0.5%); **MSCI Inc.** – Baron Asset Fund (0.4%), Baron Durable Advantage Fund (3.1%), Baron FinTech Fund (4.1%), Baron Focused Growth Fund (4.6%), Baron Growth Fund (11.3%), Baron Partners Fund (1.8%*); **Red Rock Resorts, Inc.** – Baron Discovery Fund (1.3%), Baron Focused Growth Fund (3.0%), Baron Growth Fund (1.0%), Baron Partners Fund (0.8%*), Baron Real Estate Fund (1.4%), Baron Small Cap Fund (2.9%); **Space Exploration Technologies Corporation** – Baron Asset Fund (1.9%), Baron Fifth Avenue Growth Fund (1.0%), Baron Focused Growth Fund (9.6%), Baron Global Advantage Fund (3.0%), Baron Opportunity Fund (2.8%), Baron Partners Fund (8.6%*); **The Charles Schwab Corp.** - Baron Asset Fund (2.0%), Baron FinTech Fund (1.5%), Baron Partners Fund (3.8%*); **Vail Resorts, Inc.** – Baron Asset Fund (3.1%), Baron Focused Growth Fund (4.8%), Baron Growth Fund (6.2%), Baron Partners Fund (3.7%*), Baron Real Estate Fund (0.9%).

* % of Long Positions

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

Non-mutual fund products are available to institutional investors only.

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).

The first three months of 2023 brought a fresh reversal in the equity market trends from last year. A positive shift in investor expectations drove the S&P 500 Index up 7% during the quarter, while the tech-heavy Nasdaq Composite Index soared even higher: 17%. Growth equities, which took a beating last year, outperformed value, and larger caps outperformed smaller caps, largely due to the rebound of the tech giants.

As the table below shows, the popular market indexes are well above their 2022 lows but remain significantly below their highest levels. In particular, the growth and smaller cap indexes, as well as emerging market equities, still have some distance to cover before reaching their previous highs.

Similarly, valuations have come down significantly from their highest levels of the past decade, and for small- and mid-cap equities they are even materially below their long-term averages. Growth is even more discounted.

LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

Equities Have Bounced Off Their Lows

Returns of Popular Equity Indexes

as of 3/31/2023

Index Name	All Time High to '22 Low - Total Return	2022 Low to 3/31/23 - Total Return	All Time High to 3/31/23 - Total Return	Return Needed to Recover*
S&P 500 Index	-24.5%	15.8%	-12.5%	16.7%
Russell 3000 Index	-25.1%	14.9%	-13.9%	18.5%
Russell 3000 Growth Index	-32.5%	18.3%	-20.2%	26.9%
Russell Midcap Index	-26.1%	13.7%	-16.0%	21.7%
Russell Midcap Growth Index	-38.7%	21.9%	-25.2%	35.1%
Russell 2000 Index	-31.9%	10.6%	-24.7%	35.5%
Russell 2000 Growth Index	-42.0%	17.8%	-31.6%	44.0%
Nasdaq Composite Index	-35.8%	20.0%	-23.0%	31.4%
MSCI ACWI ex. USA Index	-29.7%	23.4%	-13.2%	20.5%
MSCI EM Index	-39.0%	18.5%	-27.7%	45.9%

Sources: FactSet, FTSE Russell and MSCI, Inc.
**Represents the cumulative % increase needed from 3/31/23 for the price index to reach its highest level over the past decade.*
Past performance is not indicative of future results. The index is unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

Valuations Have Become More Attractive

Price-to-Earnings Ratios of Popular Equity Indexes

as of 3/31/2023

Index Name	Current / Long-Term Average NTM P/E Ratios	NTM P/E Ratio vs. Long-Term Average	Current P/E Ratio vs. Past 10-Yr. Max. P/E Ratio
S&P 500 Index	18.0x / 17.2x	105%	-21%
Russell 3000 Index	18.0x / 17.3x	104%	-24%
Russell 3000 Growth Index	23.5x / 21.6x	109%	-28%
Russell Midcap Index	16.3x / 17.0x	96%	-27%
Russell Midcap Growth Index	21.3x / 22.3x	96%	-39%
Russell 2000 Index	13.5x / 17.0x	80%	-33%
Russell 2000 Growth Index	16.8x / 20.5x	82%	-36%
Nasdaq Composite Index	27.1x / 22.0x	123%	-24%
MSCI ACWI ex. USA Index	12.7x / 13.1x	97%	-25%
MSCI EM Index	12.2x / 11.5x	107%	-21%

Sources: FactSet, The Bank of New York Mellon Corporation using I/B/E/S 1 Year Forecast EPS, FTSE Russell and MSCI, Inc.
NTM P/E is an abbreviation of Next-Twelve-Months Price-to-Earnings. Long-term average P/E ratios are calculated using the average of monthly NTM P/Es over the past 25 years, except for the Nasdaq Composite Index, the MSCI ACWI ex USA Index, and the MSCI EM Index, where the average is for the past 20 years due to shorter data availability.
Past performance is not indicative of future results. The index is unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

Despite the positive returns, the stock market's journey in the first quarter could hardly be described as smooth sailing. Inflation expectations and economic prospects dominated the narrative until early March, when attention rapidly shifted to the collapse of Silicon Valley Bank and Signature Bank, and the health of the banking system. For the first time in 15 years, investors questioned whether banks are a safe place to invest or even hold deposits. Many of our shareholders reached out with questions regarding Baron's direct and indirect exposure to banks and regional banks, in particular.

Baron's domestic Funds do not currently invest in U.S. regional banks, as they lack the fundamental characteristics we look for in our holdings. Historically, our domestic Funds have had insignificant allocation to banks, mostly prior to the Financial Crisis of 2008. Our international Funds have some exposure to non-U.S. banks but are underweight relative to their respective benchmarks.

Despite our limited investments in banks, Baron has significant interest and a long-term track record in investing in financial services. Given the recent shift in investor attention to the Financials sector, I thought it would be fitting to share how we think about investing in financial companies.

Why Invest in Financials

Financial services are the backbone of the U.S. and most global economies. They play a critical role in facilitating capital allocation; providing essential services to businesses, governments, and individuals; and maintaining stability in financial markets. In the U.S., finance and insurance businesses accounted for $2 trillion of GDP in 2022 (around 8% of total). According to data from the Bureau of Labor Statistics[1], the financial services industry employs nearly 6.7 million people in the U.S. across 565,688 private and 1,090 government establishments. Some estimates indicate that the finance industry comprises around 20% of the global economy. Although it is hard to provide the precise number, one could argue that such estimates are reasonable given that no business activity of any scale can function without some connection to a well-developed financial industry.

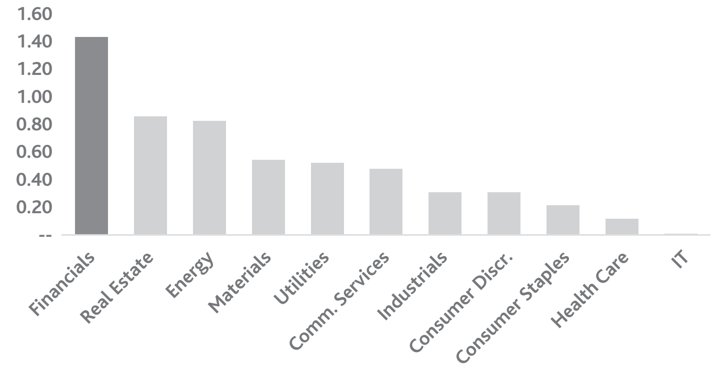
Being an integral part of business and economic activity is already a strong argument in favor of adding financial stocks to a portfolio. But more than this, Financials includes a broad variety of business models with diverse growth prospects, cyclicality, and secular trends, which can add balance and diversification to a portfolio.

Financial companies are commonly viewed by investors as bastions of stability, characterized by modest growth prospects and low risk. Typically, financial stocks in the U.S. and other developed markets are perceived as value investments. As the chart on the top right shows, Financials within the Russell 3000 Index had the highest median value score of all sectors. The value score of each stock is estimated by MSCI Barra's US Total Market Model, and 85% of the score is a company's book-to-price ratio[2]. Scores are measured in standard deviation units, and a score of 1.0 means that a company's value score is one standard deviation higher than the average publicly traded stock in the U.S.

Stocks in The Financials Sector Tend to Have High Value Scores

Median Value Scores of the Stocks in the Russell 3000 Index by GICS Sector

as of 3/31/2023



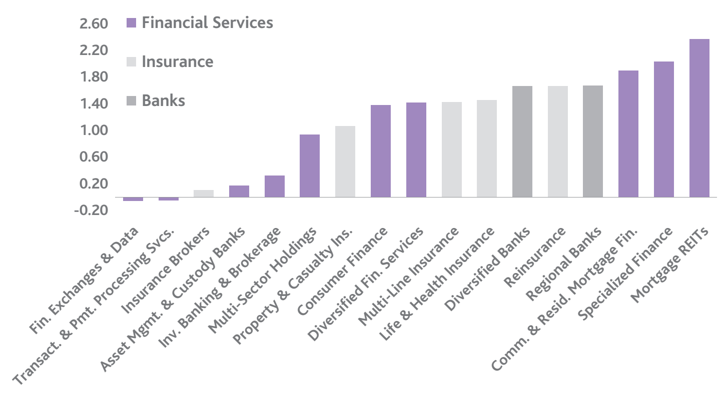
Source: MSCI Barra, US Total Market Model for Long-Term Investors.

A closer look within the sector, however, unveils a substantial difference in the median value scores from one sub-industry to another. The next chart shows that the more traditional financial businesses – banks, insurance, and real-estate related companies – have very high value scores, while the more service-oriented, tech-driven, capital-light segments have much lower and even negative median value scores.

Value Scores Vary Significantly Within Financials

Median Value Scores of the Stocks in the Russell 3000 Index by GICS Financials Sub-Industry

as of 3/31/2023



Source: MSCI Barra, US Total Market Model for Long-Term Investors.

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1 *https://www.bls.gov/iag/tgs/iag52.htm*

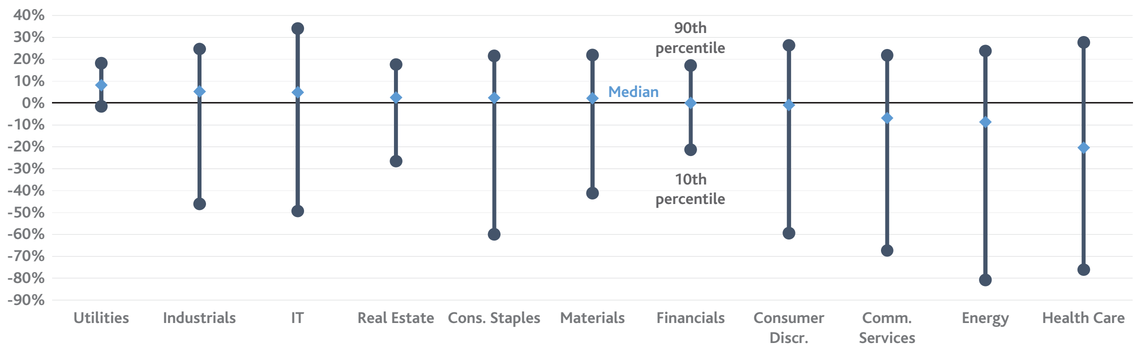
2 *Value factor descriptors and weights in MSCI Barra's US Total Market Model for Long-Term Investors: (i) Book-to-Price (85%), (ii) Sales-to-Price (5%), (iii) Cash Flow-to-Price (5%), and (iv) Structural valuation factor (5%).*

An analysis of historical stock returns may suggest on the surface that the Financials sector has not provided significant opportunities for stock pickers. However, when we dive deeper into the sector, we see there have been areas of significant opportunity. The chart below illustrates the range of returns (dispersion) of the stocks in the Russell 3000 Index by GICS sector over the past five years, as well as the median stock return by sector. In Financials, the stock(s) that ranked in the 90th percentile by performance returned around 17% annualized, while the stock(s) that ranked in the 10th percentile lost around 21% annualized[3]. The median return in Financials was approximately 0%.

Financial Stocks Have Generated Lower Dispersion of Returns

Dispersion of Returns in the Russell 3000 Index by GICS Sector

3/31/2018 - 3/31/2023, annualized



Sources: FactSet, Baron Capital, FTSE Russell, MSCI/S&P GICS.

Dispersion is measured as the difference between the returns at the 10th and 90th percentiles. Past performance is not indicative of future results. The index is unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

The next chart shows how different the return outcomes and dispersion have been from one Financials sub-industry to the next. For example, financial exchanges & data companies generated the highest median returns over the past five years, and the range of returns varied from -40% to over 20% annualized, which presented an attractive opportunity for active investors to exhibit their skills. Transaction & payment processing services companies experienced an even larger dispersion of returns and delivered the highest returns in the sector, which also made them an attractive investment area for stock pickers. Regional and diversified banks, on the other hand, offered the lowest median returns and very small dispersion, meaning the stock prices of the companies in these sub-industries moved more or less identically, presenting little to no opportunity for active investors.

Dispersion of Returns Has Varied Significantly Within the Financials Sector

Dispersion of Returns in the Russell 3000 Index by GICS Financials Sub-Industry

3/31/2018 – 3/31/2023, annualized

Sources: FactSet, Baron Capital, FTSE Russell, MSCI/S&P GICS.
Past performance is not indicative of future results. The index is unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

[3] *Our analysis is based on the 10th and 90th percentiles to mitigate the effects of outliers.*

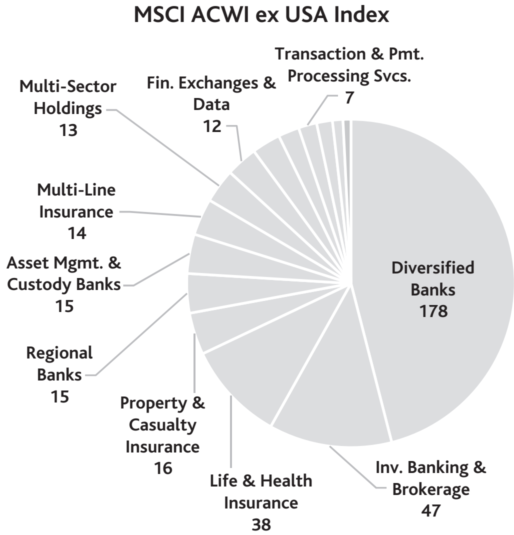
The numbers at the bottom of the last chart show how many stocks there were in each Financials sub-industry as of 3/31/23, an additional indicator of how broad the opportunity set is for stock pickers. Some areas, like reinsurance and multi-line insurance have only a handful of companies, offering little investment choice. Most of the other segments offer broad enough selection, and regional banks are an outlier with 225 companies.

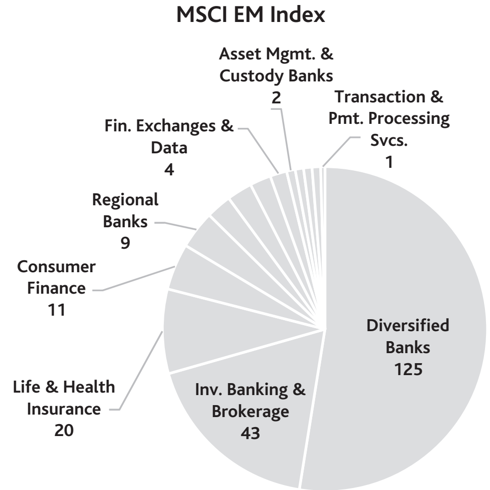
Outside of the U.S., the opportunity set in Financials is also dominated by bank stocks, but there are fewer choices for public equity investors in the service-oriented segments of the sector. As the chart on the left below shows, there are only 12 stocks in financial exchanges and data and just seven in transaction & payment processing services in the MSCI ACWI ex USA Index. The choice of service-oriented financials is even scarcer in emerging markets, as the chart on the right shows. However, in emerging economies the Financials sector is still developing, and many banks are considered growth stocks, presenting active growth managers with attractive opportunities.

There Are Fewer Financial Services Stocks Outside of The U.S.

Number of Stocks by GICS Financials Sub-Industry

as of 3/31/2023





Sources: FactSet, MSCI, MSCI/S&P GICS.
Labels not shown for the MSCI ACWI ex USA Index, from biggest to smallest segment: Consumer Finance (11 stocks), Diversified Financial Services (8), Diversified Capital Markets (6), Specialized Finance (4), Reinsurance (3). Labels not shown for the MSCI EM Index, from biggest to smallest segment: Property & Casualty Insurance (6 stocks), Diversified Financial Services (6), Multi-Line Insurance (5), Multi-Sector Holdings (2), Specialized Finance (2), Diversified Capital Markets (2).

It is astonishing how low the dispersion of U.S. diversified banks returns was over the past five years. The U.S. banking industry is mature, and there are rarely surprises that could lead to significant variation in returns. In our view, the main reason behind the very low dispersion is the lack of competitive edge these businesses have relative to each other.

At the same time, other financial businesses that are subject to little or no regulation and do not require onerous resources have managed to stand out and deliver better stock returns than competitors – or banks. For example, MSCI Inc. (MSCI), a leading index and analytics provider, has only a handful of competitors. Arguably, it is much easier to create an index than to start a bank, yet, there isn't much competition for MSCI's business. This is because MSCI has successfully built a hard-to-replicate business model and its products have become the industry standard, giving it a strong and lasting competitive advantage. So have FactSet Research Systems, Inc. and Bloomberg L.P., the leaders in financial data and analytics; so have Visa, Inc. and Mastercard, Inc., the world's leading payment technology companies; so have S&P Global, Inc. and Moody's Corp., the leaders in credit ratings.

We believe that competitive advantage is a highly important factor when investing in financial stocks. Big balance sheets and a lot of capital do not automatically result in significant competitive advantages. High product quality, innovation, reputation, market leadership, and superior customer relationships may. When strong competitive advantages are combined with long-term growth opportunities and exceptional leadership, a business becomes uniquely positioned to leverage these competitive advantages, which we believe sooner or later should result in outstanding stock returns.

At Baron, durable competitive advantage is one of the four key investment criteria when we look for investments. The other three are long-term growth opportunity, excellent management, and attractive valuation. When it comes to investing in financial companies, we put significant emphasis on competitive advantage. We believe that a financial company that does not have a strong edge over the competition is not worth investing in, and that equity investors need to be highly selective when investing in financial stocks.

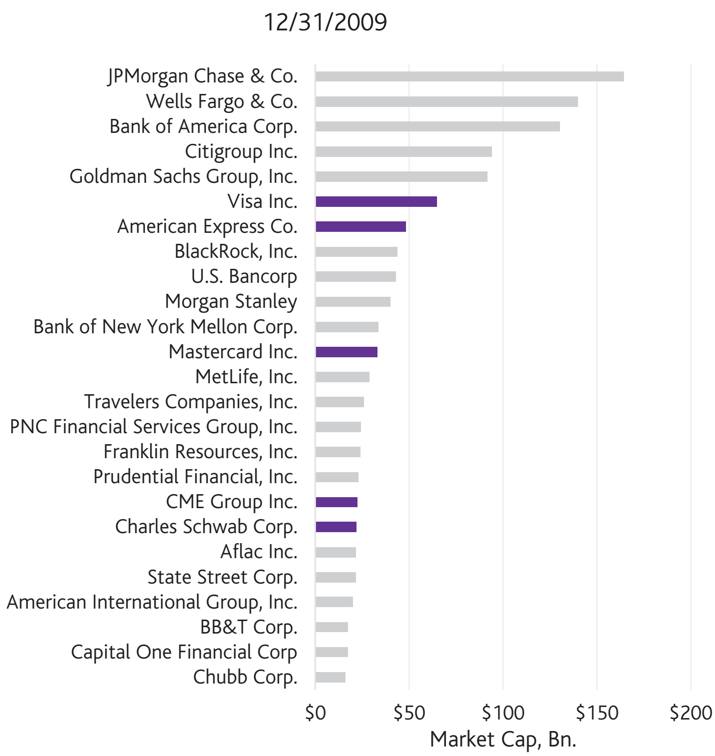
For decades, the landscape in Financials was dominated by traditional banks and insurers. The aftermath of the Financial Crisis, significant regulatory reforms, and low interest rates affected the prospects of many financial companies, forcing them to adapt to the new environment and prompting the emergence of new, innovative players. Without a doubt, however, the biggest catalyst of change in the financial industry in recent years has been technological advancement.

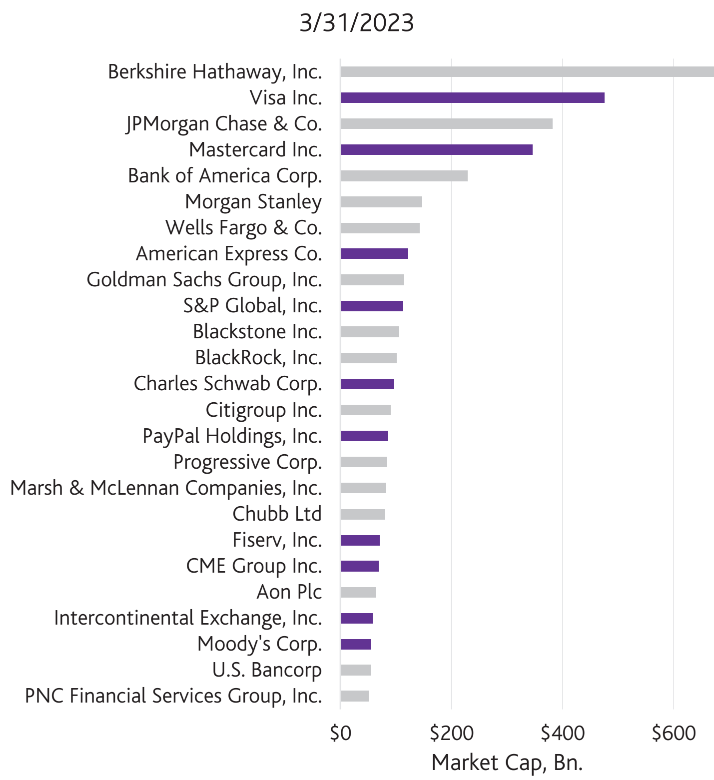
As with many sectors, digital transformation has become indispensable for financial enterprises. Enhanced hardware and software solutions, coupled with the rapid emergence of data analytics for business intelligence, have not only driven the modernization of the sector but also made possible the emergence of a broad range of capital-light, customer-centric financial businesses. This has given rise to significant new competition, enabling non-traditional players, such as tech giants, merchants, and innovative fintech companies to find new opportunities for growth and value creation, and to disrupt the dominance of traditional finance players. As the charts below show, at the end of the Financial Crisis, the largest financial businesses were banks and insurers. Only five of the largest 25 publicly traded financial businesses in the U.S. were capital-light and service-oriented. Today, this view is significantly different – 10 out of the top 25 financial businesses are capital-light and service-oriented companies, with Visa, Inc. and Mastercard, Inc. occupying the second and fourth spots after experiencing 7.3 times and 10.4 times increases in market capitalization, respectively.

The Financials Sector Has Been Disrupted

Top 25 Stocks in Financials by Market Capitalization

as of 3/31/2023





Source: FactSet.

Financial firms, mostly banks, insurers, and asset managers, rank among the world's top technology spenders. According to Gartner, Inc., a leading technology research and advisory firm, in 2022 financial institutions globally spent $623 billion on IT, or around 14% of worldwide IT spending. Just four major banks, Citigroup, Inc., JPMorgan Chase & Co., Bank of America, Corp., and Wells Fargo & Co. accounted for nearly $30 billion of the total. What is even more impressive is that Citigroup and JPMorgan Chase have over 30,000 and 50,000 technology-related employees, respectively – numbers high enough to rival technology giants. Yet, despite the enormous allocation of capital and resources to technology, the incumbents in the Financials sector have not been able to deliver significant growth and shareholder value. They have spent nearly a decade to digitally transform their business activities and improve customer experience, but their efforts have largely been focused on safeguarding and maintaining the existing business and customers. It is hard for large, mature, asset-intensive businesses to adapt quickly and competitively and deliver high growth, regardless of the size of their IT budgets.

In contrast, capital-light financial businesses and financial technology firms have concentrated their efforts on redesigning and reinventing existing systems and services and creating innovative new solutions. Multiple growth trends spurred by the technological revolution, such as the shift to electronic payments, the rise of e-commerce, the growing importance of cybersecurity, the widespread adoption of mobile banking, to name a few, have resulted in the emergence of the Fintech industry, which sits at the intersection of financial services and technology. In search of new revenue and earnings sources, big tech companies and online retailers have also started offering data-driven, customer-centric financial services.

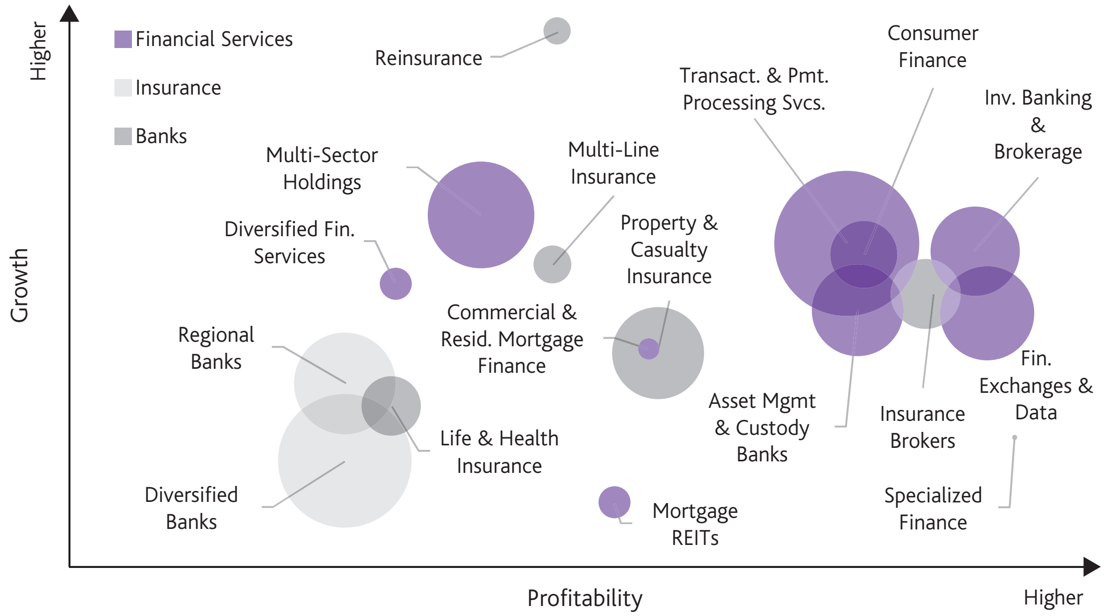
The agile, data-driven approach has enabled the emerging financial players to continuously refine their offerings, providing a more personalized and seamless user experience. As a result, many of them have been able to attract and retain customers at a much faster pace than their incumbent counterparts. This has not only fueled their rapid growth but also generated impressive returns for their investors.

As shown in the chart below, the companies in the capital-light, service-oriented financial industries tend to have higher growth prospects and higher profitability compared to the asset-heavy banks. The size of the bubbles on the chart reflects the weight of the sub-industries in the Russell 3000 Index. The median growth score of the companies in each sub-industry is measured on the vertical axis, and the median profitability score is reflected on the horizontal axis. These scores are estimated by MSCI Barra's US Total Market Model, and the fundamental metrics used in the score calculations are disclosed in a footnote below the chart.

Service-Oriented Financial Companies Tend to Have Higher Growth and Profitability Scores

Median Growth and Profitability Scores of the Stocks in the Russell 3000 Index by GICS Financials Sub-Industry

as of 3/31/2023



Sources: MSCI Barra, MSCI/S&P GICS, US Total Market Model for Long-Term Investors.
The Growth score of each stock is calculated using the following descriptors and relative weights: (i) long term analyst-predicted EPS growth (50% weight), (ii) historical EPS growth (20%), and (iii) historical sales per share growth (30%). The Profitability score of each stock is calculated using the following descriptors and relative weights: (i) gross margin (~30% weight), (ii) return on assets (~30%), (iii) return on equity (~30%), (iv) asset turnover (~4%), and (v) gross profitability (~4%).

We believe that the accelerated transformation of financial services will persist for years to come, propelling growth and presenting enticing investment prospects. Although it is impossible to predict the exact shape of the future industry landscape and identify the ultimate victors, one aspect remains clear – amid change and disruption, there invariably lies an opportunity for adept active managers.

Baron's Approach to Investing in Financial Companies

Financial companies have been a significant source of investment ideas at Baron. Just as with other sectors, we are focused on durable, long-term growth opportunities, strong competitive advantages, and exceptional management teams. For the most part, we invest in financial businesses that are capital- and asset-light, do not take significant balance sheet risks, are service-oriented, and are innovative and enabled by technology. We have been able to find durable competitive advantages in such businesses, and we believe such businesses are best positioned to benefit from the technology-driven shift in the sector and drive future growth. We also have a limited number of investments in unique insurance companies.

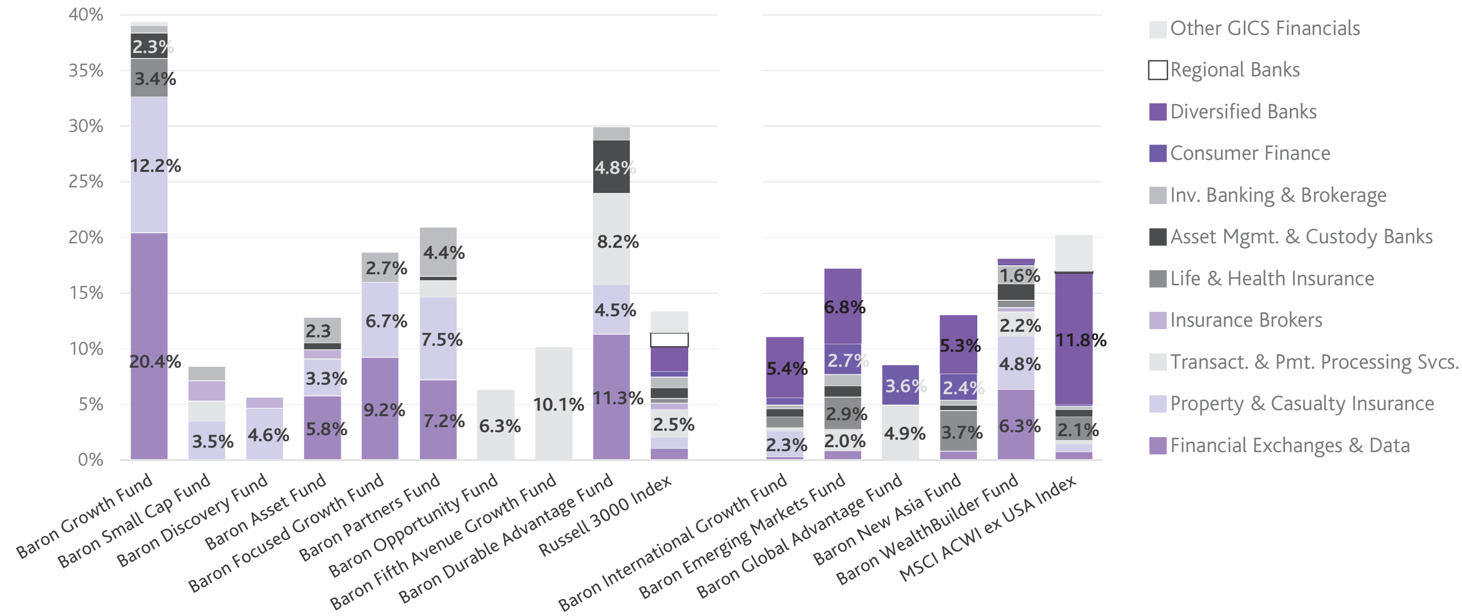
The financial services space is diverse and complex, so we have staffed significant expertise to be able to cover it in depth. At Baron, we have five research analysts with a deep understanding of financial businesses and industry developments. In addition, several of our portfolio managers, including Ron, Alex Umansky, and Michael Kass, have accumulated long investment track records – and expertise – investing in U.S. and international financial services companies. This effort is supplemented by our strong technology research team, which provides additional support and idea generation when it comes to technology-driven financial companies. One of our financial analysts, Josh Saltman, is also the portfolio manager of the Baron FinTech Fund, which was launched at the end of 2019.

The next chart shows that in the domestic Baron Funds we favor financial exchanges and data companies, certain insurance companies, and providers of transaction and payment processing. As it happens, these are the areas with higher dispersion and potential for active managers to add value. In our international Funds, where the opportunity set is markedly different, we have more significant exposure to diversified banks and consumer finance businesses.

Baron Has Significant Exposure to Financial Businesses

Baron Funds – Weights in Financial Stocks

as of 3/31/2023



Sources: Baron Capital, MSCI, MSCI/S&P GICS.

The exposures of the Baron Funds to different types of financial stocks vary widely based on the range and availability of opportunities in each Fund's investment universe, investment strategy objectives, and the risk appetites of the portfolio managers. Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron Global Advantage Fund, and Baron FinTech Fund (presented in more detail further below) typically have the highest exposures to technology-driven investments. Most of our Funds have significant allocations to financial services stocks and as of 3/31/23, none of the domestic Baron Funds had investments in banks, and our international Funds had some investments in banks but were underweight compared to their respective benchmarks.

The exposures in the chart above are a result of Baron's continuous research and risk management processes, and each portfolio manager's conviction in the quality, competitive strength, and growth prospects of the companies in the portfolio. Although our portfolio managers monitor the weights of financial stocks in the benchmarks, they do not invest in a way that intentionally results in an under or overexposure to the Financials sector and any of its sub-segments. Baron's investments in financial-related businesses are always selected around strong secular growth trends that we believe will continue regardless of economic cyclicality, interest rate movements, and other macroeconomic and political factors. Some examples of secular growth trends in financial services are:

- The global shift from cash to electronic payments - with the rapid growth of e-commerce, mobile technology, and digital wallets, electronic payments have become increasingly popular and convenient for consumers and businesses alike. Electronic payments offer higher convenience, cost savings, security, and higher financial inclusion for unbanked and underbanked populations, among other benefits. Some of Baron's investments related to this trend are: Visa, Inc., Mastercard, Inc., Adyen NV, Block, Inc., and Pine Labs Pvt., Ltd.

- The growing demand for data to inform decision-making - as the volume and variety of data continue to expand, organizations increasingly rely on data-driven insights to gain a competitive edge, manage risk, and improve customer experiences. Aggregating and processing big data, the development of advanced technologies, such as machine learning, artificial intelligence, and cloud computing, and the rising need for automation and efficiency have led to massive shifts in the financial industry and the emergence of businesses centered around them. Some of Baron's investments related to this trend are: MSCI Inc., FactSet Research Systems, Inc., Morningstar, Inc., and Moody's Corporation.

- The electronification of capital markets – the shift towards the adoption of electronic systems, digital technologies, and automated processes in various aspects of capital markets enables greater transparency, cost reduction, higher efficiency, advanced risk management, and enhanced liquidity and market accessibility, among other benefits. Some of Baron's investments related to this trend are: CME Group, Inc., MarketAxess Holdings, Inc., Tradeweb Markets, Inc., and Hong Kong Exchanges and Clearing Limited.

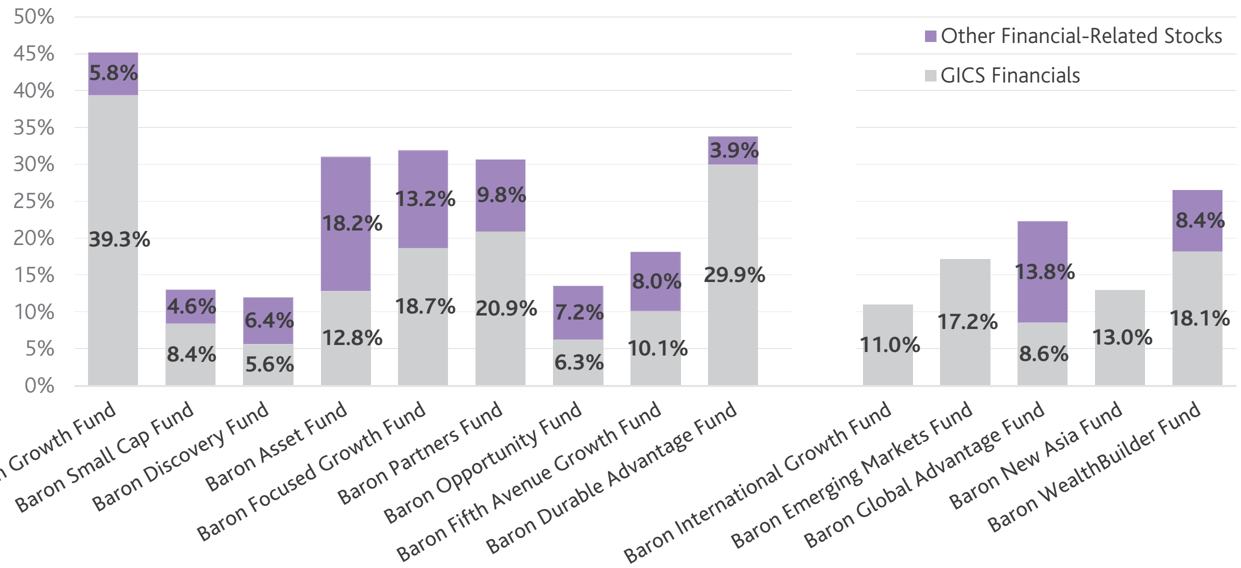
Our financial-related investments in emerging markets additionally focus on credit penetration and consumer financing opportunities. Since emerging economies do not have the widespread credit scoring that developed economies have, there is significant growth potential for consumer financing as income per capita rises and the middle class grows. In our view, the market leaders in banking and consumer financing in emerging economies are strongly positioned to benefit over the long term from this opportunity. In India, for example, we are finding particularly attractive investment opportunities in banks and consumer credit companies. We don't see the same growth opportunities in China.

The secular trends we focus on in financial services span across multiple industries, so not all financial-related businesses that we identify are classified by GICS in the Financials sector. On March 17, the Global Industry Classification Standard (GICS), which is the industry standard for security classification, was revised materially. One of the biggest changes reclassified 199 global securities from the Information Technology sector as data processing & outsourced services, to the Financials sector in the newly created sub-industry called transaction & payment processing services. Thirty of the reclassified securities were constituents of the Russell 3000 Index. Several Baron Funds, including Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron Global Advantage Fund, and Baron FinTech Fund saw their exposure to the Financials sector change meaningfully. The pre- and post-change exposures to Financials of the Baron Funds are shown in Appendix 1. Despite the changes in the GICS classification, most of our Funds have additional exposure to financial-related stocks classified outside of the Financials sector, which is shown in the chart below.

Baron's Exposure to Financial Stocks Extends Beyond the GICS Sector

Baron Funds – Weights in Financial and Financial-Related Stocks

as of 3/31/2023



Sources: Baron Capital, MSCI/S&P GICS.

Some examples of financial-related investments that are not classified in the GICS Financials sector are:

- Verisk Analytics, Inc., a leading provider of risk information to insurance companies that enables them to better understand and manage their risks and optimize their decision-making processes.

- Guidewire Software, Inc., a leading provider of core systems software to the global property and casualty insurance industry, and a small player in a vast addressable market that has been benefiting from the inevitable need for property and casualty insurers to upgrade 30-year-old systems.

- Fair Isaac Corporation, a data and analytics company focused on predicting consumer behavior through re-sellable algorithms (FICO Scores) and software (Applications and Decision Management Software).

As of 3/31/2023, the top 20 investments in financial companies across Baron's mutual funds had a combined value of $7.6 billion and represented 22.6% of all investments in the Baron Funds, as shown in the next table. Our aggregate cost for these investments was approximately $4.2 billion and over time they have generated $8.2 billion in realized and unrealized gains for our shareholders, including dividends. For more information about these companies, please see Appendix 2 to this letter for business descriptions and our investment premises.

Baron's Top Financial Holdings Have Generated Significant Gains and Returns

Baron Funds – 20 Largest Financial Positions (Combined, Currently Held)

as of 3/31/2023

Security Name	# of Years Held	Aggregate Baron Funds Purchases ($ millions)	Aggregate Baron Funds Realized and Unrealized Gains ($ millions)	Aggregate Baron Funds Investment Value as of 3/31/2023 ($ millions)	Aggregate Baron Funds % of Net Assets	Security Cumulative Total Return(%)*	Security Annualized Total Return(%)*	Security Cumulative Excess Return vs. Russell 3000 Index(%)*	Security Cumulative Excess Return vs. MSCI ACWI Index(%)*
Arch Capital Group Ltd.	21.0	234	1,420	1,284	3.8	2274.0	16.3	1820.0	1969.2
CoStar Group, Inc.	21.4	395	1,349	1,151	3.4	3868.3	18.8	3362.5	3532.6
MSCI Inc.	15.4	362	1,118	1,036	3.1	2359.7	23.2	2087.0	2244.2
FactSet Research Systems Inc.	16.4	334	1,044	998	3.0	871.9	14.9	563.1	715.1
Kinsale Capital Group, Inc.	6.7	146	415	511	1.5	1580.2	52.6	1472.8	1503.6
Guidewire Software, Inc.	10.9	375	210	444	1.3	254.6	12.3	(5.2)	102.5
The Charles Schwab Corp.	30.3	563	1,252	354	1.0	8136.0	15.7	6549.8	834.1
Primerica, Inc.	13.0	66	326	258	0.8	906.6	19.4	569.3	734.8
Ceridian HCM Holding Inc.	4.9	161	98	232	0.7	134.6	18.9	72.0	96.2
Verisk Analytics, Inc.	13.5	173	322	214	0.6	625.1	15.8	233.2	431.1
Morningstar, Inc.	17.9	72	246	188	0.6	1016.6	14.4	615.9	780.8
Cohen & Steers, Inc.	18.6	144	117	141	0.4	1051.9	14.0	590.7	765.5
Adyen N.V.	4.8	85	68	125	0.4	196.0	25.4	140.9	160.7
Bajaj Finance Limited	4.4	312	69	116	0.3	118.3	19.3	55.3	72.0
Fair Isaac Corporation	3.2	133	54	107	0.3	83.5	20.6	53.0	63.8
HDFC Bank Limited	4.3	218	6	103	0.3	31.6	6.5	(25.9)	(10.8)
Brookfield Corporation	13.2	164	1	97	0.3	415.1	13.2	60.8	240.8
Houlihan Lokey, Inc.	5.4	50	54	95	0.3	139.1	17.3	68.2	95.3
BRP Group, Inc.	3.4	87	30	92	0.3	55.5	13.7	13.8	26.5
TransUnion	5.9	99	18	90	0.3	63.6	8.7	(21.1)	5.8
Total:		**$4,171**	**$8,218**	**$7,636**	**22.6%**				

Sources: FactSet, Baron Capital.

** Reflects security performance from the date of Baron's first purchase until 3/31/2023. This performance may be lower or higher than the performance of the security in Baron's portfolios, depending on Baron's purchases and sales over the period.*

Past performance is not indicative of future results. The index is unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

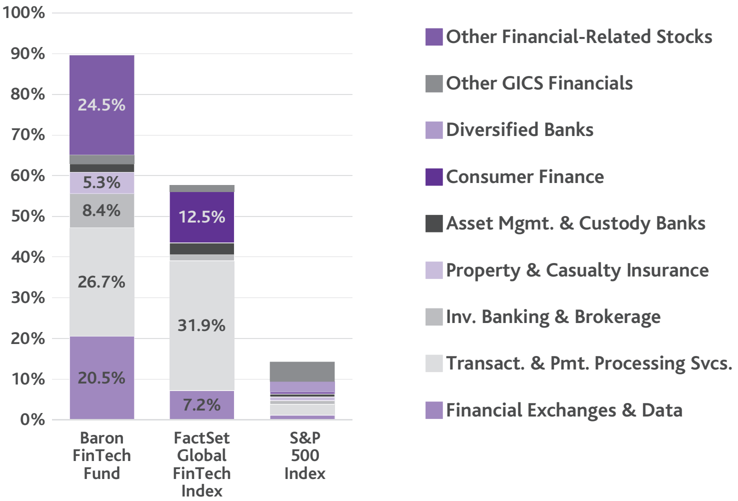
Our conviction and successful track record in financial and financial-related companies were among the key reasons behind Baron's decision to launch Baron FinTech Fund at the end of 2019. The Fund is managed by one of Baron's most experienced professionals in financial services – Josh Saltman, who has been at Baron for over 12 years and has over 17 years of research experience.

Baron FinTech Fund is a non-diversified fund that invests primarily in companies of any market capitalization that develop or use innovative technologies related in a significant way to financial services. The Fund invests principally in U.S. securities but may invest up to 35% in non-U.S. securities. Its primary benchmark is the FactSet Global FinTech Index. As the chart below shows, the Fund is largely invested in capital-light, service-oriented, and technology driven financial-related companies and is significantly different from its benchmark.

Baron FinTech Fund Is Significantly Different from Its Benchmark

Baron FinTech Fund – Weights in Financial and Financial-Related Stocks

as of 3/31/2023



Sources: FactSet, Baron Capital, MSCI/S&P GICS.

Since its inception on December 31, 2019, the Fund has generated a cumulative return of 18.73%, significantly above the benchmark's -6.81%. Similar to other Baron sector funds, the portfolio manager of Baron FinTech Fund has a distinct approach to investing, which you can learn more about in his quarterly letter.

Our view is that the financial industry is in the middle of a long secular change, driven by technological disruption, innovation, and changing customer needs. This will give rise to new investment opportunities and broaden the outcomes, but it is also making the financial space more complex to navigate. While on the surface, the sector may seem cyclical and dependent on macroeconomic factors and interest rates, we have found many growth investment opportunities because we are focused on competitive advantages and exceptional management teams, and not on exogenous factors. We believe that, with the help of a skilled active manager, investors can take advantage of the long-term upside potential in the financial industry.

Sincerely,

Linda S. Martinson
Chairman, President, and COO

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses 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.

Baron FinTech Fund's annualized returns for the Institutional Shares as of March 31, 2023: 1-year, (16.09)%; 3-year, 10.71%, Since Inception, 5.42%. Annual expense ratio for the Institutional Shares as of December 31, 2022 was 1.20%, but the net expense ratio was 0.95% (net of Adviser's fee waivers).

The **FactSet Global FinTech Index's** annualized returns as of March 31, 2023: 1-year, (17.67)%; 3-year, 8.67%; since Fund inception, (2.15)%.

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 or may reimburse certain Funds expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Funds' 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-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.

Risks: Securities issued by medium sized companies may be thinly traded and may be more difficult to sell during market downturns. In addition to general market conditions, technology companies, including internet-related and information technology companies, as well as companies propelled by new technologies, may present the risk of rapid change and product obsolescence, and their successes may be difficult to predict for the long term. Technology companies may also be adversely affected by changes in governmental policies, competitive pressures and changing demand. 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. 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. 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 **Baron Focused Growth Fund** and **Baron Partners Fund**s are non-diversified which means, in addition to increased volatility of the Funds' returns, they will likely have a greater percentage of their assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 27% of **Baron Focused Growth Fund's** and about 49% of **Baron Partners Fund'**s assets are invested in Tesla stock. Therefore, the Funds are exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Funds' performance would be adversely affected. Specific risks associated with investing in small and medium-sized companies include that the securities may be thinly traded and more difficult to sell during market downturns. Specific risks associated with leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period.

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

Portfolio holdings as a percentage of net assets as of March 31, 2023 for securities mentioned are as follows: **Arch Capital Group Ltd.** - Baron Asset Fund (3.3%), Baron Durable Advantage Fund (4.5%), Baron Focused Growth Fund (6.7%), Baron Growth Fund (8.2%), Baron International Growth Fund (2.3%), Baron Partners Fund (6.4%*); **Bajaj Finance Limited** - Baron Emerging Markets Fund (1.7%), Baron Global Advantage Fund (3.6%), Baron International Growth Fund (0.6%), Baron New Asia Fund (2.1%); **Block, Inc.** - Baron Fifth Avenue Growth Fund (2.2%), Baron FinTech Fund (1.8%), Baron Global Advantage Fund (1.7%); **Brookfield Corporation** - Baron Durable Advantage Fund (3.6%), Baron Real Estate Fund (6.3%), Baron Real Estate Income Fund (4.8%); **BRP Group, Inc.** - Baron Discovery Fund (1.0%), Baron FinTech Fund (0.9%), Baron Small Cap Fund (1.8%); **Ceridian HCM Holding Inc.** - Baron Asset Fund (2.6%), Baron Discovery Fund (2.1%), Baron Opportunity Fund (1.7%), Baron Small Cap Fund (1.6%), Baron Technology Fund (3.0%); **CME Group, Inc.** - Baron Durable Advantage Fund (2.6%), Baron FinTech Fund (2.1%); **Cohen & Steers, Inc.** - Baron Growth Fund (1.6%), Baron Partners Fund (0.3%*); **CoStar Group, Inc.** - Baron Asset Fund (3.7%), Baron FinTech Fund (1.5%), Baron Focused Growth Fund (4.4%), Baron Growth Fund (4.7%), Baron Opportunity Fund (2.8%), Baron Partners Fund (7.3%*), Baron Real Estate Fund (4.0%), Baron Technology Fund (2.1%); **FactSet Research Systems Inc.** - Baron Asset Fund (3.4%), Baron FinTech Fund (2.9%), Baron Focused Growth Fund (4.6%), Baron Growth Fund (6.6%), Baron Partners Fund (4.4%*); **Fair Isaac Corporation** - Baron Asset Fund (2.3%), Baron FinTech Fund (3.5%); **Fidelity National Information Services, Inc.** - Baron Asset Fund (0.0%); **Guidewire Software, Inc.** - Baron Asset Fund (2.6%), Baron Discovery Fund (1.6%), Baron FinTech Fund (2.2%), Baron Focused Growth Fund (4.3%), Baron Growth Fund (1.0%), Baron Opportunity Fund (1.6%), Baron Partners Fund (1.1%*), Baron Small Cap Fund (2.4%); **HDFC Bank Limited** - Baron Emerging Markets Fund (2.0%), Baron International Growth Fund (0.7%), Baron New Asia Fund (2.7%); **Hong Kong Exchanges and Clearing Limited** - Baron Emerging Markets Fund (0.3%), Baron New Asia Fund (0.8%); **Houlihan Lokey, Inc.** - Baron FinTech Fund (2.0%), Baron Growth Fund (0.5%), Baron Small Cap Fund (1.3%); **Kinsale Capital Group, Inc.** - Baron Discovery Fund (4.6%), Baron FinTech Fund (1.7%), Baron Growth Fund (4.0%), Baron Small Cap Fund (3.5%); **Mastercard Incorporated** - Baron Durable Advantage Fund (3.7%), Baron Fifth Avenue Growth Fund (5.4%), Baron FinTech Fund (5.6%), Baron Opportunity Fund (2.9%), Baron Technology Fund (2.2%); **Moody's Corporation** - Baron Durable Advantage Fund (2.4%), Baron FinTech Fund (2.5%); **Morningstar, Inc.** - Baron Growth Fund (2.5%); **MSCI Inc.** - Baron Asset Fund (0.4%), Baron Durable Advantage Fund (3.1%), Baron FinTech Fund (4.1%), Baron Focused Growth Fund (4.6%), Baron Growth Fund (11.3%), Baron Partners Fund (1.8%*); **Pine Labs Pte. Ltd.** - Baron Emerging Markets Fund (1.2%); **Primerica, Inc.** - Baron Growth Fund (3.4%); **S&P Global Inc.** - Baron Durable Advantage Fund (3.3%), Baron FinTech Fund (4.6%); **The Charles Schwab Corp.** - Baron Asset Fund (2.0%), Baron FinTech Fund (1.5%), Baron Partners Fund (3.8%*); **TransUnion** - Baron Asset Fund (2.0%), Baron FinTech Fund (1.3%); **Verisk Analytics, Inc.** - Baron Asset Fund (4.0%), Baron FinTech Fund (2.3%), Baron Focused Growth Fund (3.4%); **Visa Inc.** - Baron Durable Advantage Fund (4.5%), Baron FinTech Fund (6.2%), Baron Opportunity Fund (3.4%), Baron Technology Fund (2.2%).

* % of Long investments.

As of March 31, 2023, Baron Funds did not hold any shares of Citigroup, Inc., JPMorgan Chase & Co., Bank of America Corp., Wells Fargo & Co, and Bloomberg L.P.

Top 10 Holdings Baron Asset Fund Holding	3/31/2023 % Holding
Gartner, Inc.	9.1
IDEXX Laboratories, Inc.	7.4
Mettler-Toledo International, Inc.	6.0
ANSYS, Inc.	4.1
Verisk Analytics, Inc.	4.0
CoStar Group, Inc.	3.7
FactSet Research Systems Inc.	3.4
Arch Capital Group Ltd.	3.3
Vail Resorts, Inc.	3.1
Verisign, Inc.	2.8
Total	47.0

Top 10 Holdings Baron Partners Fund Holding	3/31/2023 % Holding
Tesla, Inc.	36.3
Space Exploration Technologies Corp.	8.6
CoStar Group, Inc.	7.3
Arch Capital Group Ltd.	6.4
IDEXX Laboratories, Inc.	5.8
Hyatt Hotels Corporation	5.4
FactSet Research Systems Inc.	4.4
The Charles Schwab Corp.	3.8
Vail Resorts, Inc.	3.7
Iridium Communications Inc.	3.6
Total	85.2
Long Equity Exposure	116.5
Cash & Equivalents	(16.5)

Top 10 Holdings Baron Growth Fund Holding	3/31/2023 % Holding
MSCI Inc.	11.3
Arch Capital Group Ltd.	8.2
FactSet Research Systems Inc.	6.6
Gartner, Inc.	6.6
Iridium Communications Inc.	6.5
Vail Resorts, Inc.	6.2
CoStar Group, Inc.	4.7
Choice Hotels International, Inc.	4.6
ANSYS, Inc.	4.4
Kinsale Capital Group, Inc.	4.0
Total	63.2

Top 10 Holdings Baron Small Cap Fund Holding	3/31/2023 % Holding
Gartner, Inc.	5.4
Kinsale Capital Group, Inc.	3.5
ICON Plc	3.5
ASGN Incorporated	3.4
Floor & Decor Holdings, Inc.	3.2
SiteOne Landscape Supply, Inc.	3.2
Red Rock Resorts, Inc.	2.9
Vertiv Holdings Co	2.6
Guidewire Software, Inc.	2.4
Chart Industries, Inc.	2.2
Total	32.2

Top 10 Holdings Baron Opportunity Fund Holding	3/31/2023 % Holding
Microsoft Corporation	14.4
NVIDIA Corporation	6.5
Tesla, Inc.	6.2
Amazon.com, Inc.	5.8
Visa Inc.	3.4
Gartner, Inc.	3.1
Mastercard Incorporated	2.9
Alphabet Inc.	2.9
ServiceNow, Inc.	2.8
CoStar Group, Inc.	2.8
Total	50.7

Top 10 Holdings Baron Fifth Avenue Growth Fund Holding	3/31/2023 % Holding
NVIDIA Corporation	7.7
Amazon.com, Inc.	7.4
ServiceNow, Inc.	6.3
Mastercard Incorporated	5.4
Snowflake Inc.	5.0
Tesla, Inc.	4.9
Meta Platforms, Inc.	4.9
Intuitive Surgical, Inc.	4.7
Shopify Inc.	4.2
CrowdStrike Holdings, Inc.	3.9
Total	54.2

Top 10 Holdings Baron Focused Growth Fund Holding	3/31/2023 % Holding
Tesla, Inc.	14.1
Space Exploration Technologies Corp.	9.6
Arch Capital Group Ltd.	6.7
Hyatt Hotels Corporation	6.2
Vail Resorts, Inc.	4.8
MSCI Inc.	4.6
FactSet Research Systems Inc.	4.6
CoStar Group, Inc.	4.4
Iridium Communications Inc.	4.4
Guidewire Software, Inc.	4.3
Total	63.6

Top 10 Holdings Baron International Growth Fund Holding	3/31/2023 % Holding
Meyer Burger Technology AG	2.7
Linde Plc	2.5
Arch Capital Group Ltd.	2.3
Keyence Corporation	2.2
AstraZeneca PLC	2.2
argenx SE	2.2
Taiwan Semiconductor Manufacturing Company Limited	2.1
Constellation Software, Inc.	2.0
Pernod Ricard SA	1.9
eDreams ODIGEO SA	1.9
Total	22.0

Top 10 Holdings Baron Emerging Markets Fund Holding	3/31/2023 % Holding
Taiwan Semiconductor Manufacturing Company Limited	6.7
Samsung Electronics Co., Ltd.	4.4
Alibaba Group Holding Limited	3.8
Tencent Holdings Limited	3.2
HDFC Bank Limited	2.0
Yum China Holdings Inc.	1.8
Suzano S.A.	1.7
Bajaj Finance Limited	1.7
Delta Electronics, Inc.	1.7
Kingsoft Corporation Ltd.	1.7
Total	28.8

Top 10 Holdings Baron Durable Advantage Fund Holding	3/31/2023 % Holding
Microsoft Corporation	9.1
Meta Platforms, Inc.	7.8
Amazon.com, Inc.	5.3
Visa Inc.	4.5
Arch Capital Group Ltd.	4.5
UnitedHealth Group Incorporated	4.4
Accenture plc	4.3
NVIDIA Corporation	3.9
Intuit Inc.	3.9
Monolithic Power Systems, Inc.	3.8
Total	51.4

Top 10 Holdings Baron Global Advantage Fund Holding	3/31/2023 % Holding
MercadoLibre, Inc.	8.0
Endava plc	5.5
Think & Learn Private Limited	5.3
NVIDIA Corporation	5.1
CrowdStrike Holdings, Inc.	4.7
Snowflake Inc.	4.6
Shopify Inc.	4.3
Bajaj Finance Limited	3.6
Coupang, Inc.	3.5
Datadog, Inc.	3.2
Total	47.9

Top 10 Holdings Baron FinTech Fund Holding	3/31/2023 % Holding
Visa Inc.	6.2
Mastercard Incorporated	5.6
Intuit Inc.	4.7
S&P Global Inc.	4.6
MSCI Inc.	4.1
Accenture plc	4.0
LPL Financial Holdings Inc.	3.6
MercadoLibre, Inc.	3.5
The Progressive Corporation	3.5
Fair Isaac Corporation	3.5
Total	43.4

Top 10 Holdings Baron Discovery Fund Holding	3/31/2023 % Holding
Kinsale Capital Group, Inc.	4.6
Boyd Gaming Corporation	3.6
Advanced Energy Industries, Inc.	3.2
Floor & Decor Holdings, Inc.	3.0
Rexford Industrial Realty, Inc.	3.0
Axon Enterprise, Inc.	2.9
Axonics, Inc.	2.7
SiteOne Landscape Supply, Inc.	2.4
Kratos Defense & Security Solutions, Inc.	2.4
indie Semiconductor, Inc.	2.4
Total	30.2

Top 10 Holdings Baron New Asia Fund Holding	3/31/2023 % Holding
Taiwan Semiconductor Manufacturing Company Limited	7.1
Samsung Electronics Co., Ltd.	4.9
Tencent Holdings Limited	4.0
Alibaba Group Holding Limited	3.9
HDFC Bank Limited	2.7
Yum China Holdings Inc.	2.4
Bajaj Finance Limited	2.1
Reliance Industries Limited	2.0
Keyence Corporation	2.0
Kingsoft Corporation Ltd.	1.9
Total	32.9

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **Nasdaq Composite Index** is the market capitalization weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange. The **Russell 2000® Index** measures the performance of small-sized U.S. companies. The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. The **Russell 3000® Index** measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The **Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The **Russell Midcap® Index** measures the performance of medium-sized U.S. companies.

The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trade mark 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 **MSCI EM (Emerging Markets) Index** is designed to measure equity market performance of large and mid-cap securities across 24 Emerging Markets countries. The **MSCI ACWI ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 26 Emerging Markets countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. 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 indexes and the Funds include reinvestment of dividends, net of 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.

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. **Price/Book Ratio** is a ratio used to compare a company's stock price to its tangible assets, and it is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. **Diversification** does not guarantee a profit or protect against a loss.

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)

Appendix 1: Baron Funds Financials' Exposure Before and After GICS Structure Revisions*

% of Net Assets as of 3/17/2023

	Weight in Financials (%)		
	Old GICS Structure	Revised GICS Structure	Change
Baron Growth Fund	39.23	39.23	—
Baron Small Cap Fund	6.63	8.36	1.73
Baron Discovery Fund	5.52	5.52	—
Baron Asset Fund	13.06	13.36	0.30
Baron Focused Growth Fund	17.45	17.45	—
Baron Partners Fund	20.27	21.77	1.49
Baron Opportunity Fund	—	6.41	6.41
Baron Fifth Avenue Growth Fund	—	10.80	10.80
Baron Durable Advantage Fund	21.11	29.46	8.35
Baron International Growth Fund	11.23	11.54	0.31
Baron Emerging Markets Fund	15.45	17.45	2.00
Baron Global Advantage Fund	3.83	8.97	5.13
Baron Real Estate Fund	9.80	9.80	—
Baron Real Estate Income Fund	5.45	5.45	—
Baron Health Care Fund	—	—	—
Baron FinTech Fund	37.50	63.51	26.01
Baron Technology Fund	—	4.64	4.64
Baron New Asia Fund	13.27	13.27	—
Baron Capital Group, Inc. Assets Under Management	18.63	19.80	1.17
Russell 3000 vs.	10.92	13.44	2.52

Source: Baron Capital.

* *Effective on 3/17/2023*

Appendix 2: Baron Funds Top 20 Finacials-Related Holdings & Investment Premises
as of 3/31/2023

Company Description	Baron's Investment Premise	GICS Sector / Sub-Industry
Arch Capital Group Ltd. (ACGL) is a Bermuda-based insurance company providing property & casualty insurance, reinsurance, and mortgage insurance.	Arch is led by an experienced management team with a successful track record across insurance cycles. The company excels at underwriting specialized policies and can nimbly shift its business mix to target the most profitable lines as market conditions change. The company is currently benefiting from favorable pricing trends across many of its product lines. In our view, management has demonstrated strong underwriting discipline and capital stewardship, allowing Arch to maintain industry-leading returns on equity with less volatility.	Financials / Property & Casualty Insurance
CoStar Group, Inc. (CSGP) is the leading provider of information and marketing services to the commercial real estate industry.	CoStar has built a proprietary database through data collection over a 20-year period, creating high barriers to entry. We think CoStar's suite should grow at mid-teens rates, and we believe its Loopnet marketing platform can grow even faster. Its Apartments.com platform is the dominant multi-family internet listing service and should grow revenue more than 20%. CoStar is starting to expand into residential, creating additional significant growth opportunities. Its balance sheet and cash generation create M&A optionality.	Industrials / Research & Consulting Services
MSCI Inc. (MSCI) provides investment decision support tools to global investment institutions.	We believe MSCI, the de facto standard for measuring global market performance, is positioned to benefit from the continuing development of emerging markets, passive investing, ESG, and the growth of global financial assets. We believe the company's indexes remain the global standard for cross-border investing and will continue to be selected by institutions when issuing new mandates. Both the index and multi-asset portfolio and risk analytics products are mission-critical and deeply embedded in client workflows.	Financials / Financial Exchanges & Data
FactSet Research Systems, Inc. (FDS) provides financial information to the global investment community.	FactSet serves only a small part of the addressable market, which we estimate at roughly $20 billion annually. The company has been taking market share and offering broader data sets and more advanced portfolio analytics than its competitors and has a highly regarded customer service model. FactSet has also been expanding into the fixed income and wealth management markets. Its products are sticky, leading to retention rates of over 95% and high visibility. FactSet generates robust free cash flow, which it has returned to shareholders via share repurchases and dividends.	Financials / Financial Exchanges & Data
Kinsale Capital Group, Inc. (KNSL) is a property and casualty insurer focused exclusively on the excess and surplus (E&S) lines market, which includes risks that are unique or difficult to place in the standard insurance market.	We believe Kinsale is a well-run insurer that should grow earnings and book value per share much faster than its peers. Its small size, E&S market focus, underwriting discipline, and efficient technology platform enable Kinsale to rapidly grow premiums while delivering industry-leading underwriting margins. Management is highly regarded and has decades of experience in the E&S market. We believe Kinsale has a long runway for growth in an attractive segment of the P&C insurance market.	Financials / Property & Casualty Insurance
Guidewire Software, Inc. (GWRE) is a leading provider of core systems software to the global P&C insurance industry.	Guidewire is a small player in a vast addressable market and has been benefiting from the inevitable need for P&C insurers to upgrade 30-year-old systems. The company offers best-in-class functionality, as evidenced by its growing installed base and 100% retention rates, and we believe it has a significant amount of off-balance sheet revenue. We think the company's launch of data and digital applications meaningfully expands the total addressable market, and growing demand for cloud deployments could increase prices by two to three times.	Information Technology / Application Software
The Charles Schwab Corp. (SCHW) is a discount brokerage firm offering securities brokerage and other financial services to individual investors directly and through independent financial advisors. The company has approximately $7.6 trillion in assets under custody.	Schwab's emphasis on customer trust has made it a sterling brand in financial services. We believe the company's investor services division is well positioned to take share from traditional brokerages. Its institutional business has continued to gain RIA relationships. The company has made acquisitions that broaden its product offering and bring new customers onto the platform. We think Schwab is well positioned to retain clients and lower its industry-leading cost per client asset. Its profitability should also improve in a higher interest rate environment.	Financials / Investment Banking & Brokerage
Primerica, Inc. (PRI) is a leading provider of term life insurance and investment products to middle income households in the U.S. and Canada.	As the responsibility for retirement savings increasingly shifts to individuals, Primerica serves a growing need for financial planning in the underserved middle income customer segment. Primerica has a variable-cost, multi-level distribution model that uniquely positions it to reach customers in a cost-efficient manner. The company is growing its sales force and increasing productivity, leading to higher sales and asset-based fees. Primerica generates significant excess capital, which is being returned to shareholders through share repurchases and dividends.	Financials / Life & Health Insurance

Appendix 2: Baron Funds Top 20 Finacials-Related Holdings & Investment Premises—(Continued)
as of 3/31/2023

Company Description	Baron's Investment Premise	GICS Sector / Sub-Industry
Ceridian HCM Holding Inc. (CDAY) is a global human capital management (HCM) software company.	Ceridian's total addressable market is the roughly $20 billion market for HCM and payroll applications. Ceridian benefits from high barriers to entry due to the more than 13,000 local tax codes and other complex, constantly changing regulations global employers must follow. Ceridian's cloud-based HCM provider Dayforce is its largest and fastest growing business unit. We believe Dayforce will continue to take share. In addition, we believe Ceridian will benefit from the rollout of on-demand pay and continued globalization of its footprint.	Information Technology / Application Software
Verisk Analytics, Inc. (VRSK) provides risk information to insurance companies that enables them to better understand and manage their risks and optimize their decision-making processes.	We think Verisk has a unique competitive position. The company is investing to expand its product set in Insurance and has now divested its Financial Services and Energy segments. We think the pure-play focus on insurance has an attractive financial profile with high single-digit organic growth, robust margins (with room for expansion), and strong free cash flow generation.	Industrials / Research & Consulting Services
Morningstar, Inc. (MORN) is a leading information resource for the investment community. It is best known for its investment product and security analysis and reports.	Morningstar produces strong free cash flow margins and benefits from significant barriers to entry. The high fixed cost of gathering and analyzing financial information keeps many competitors out, and the company has developed an inexpensive and scalable distribution platform. Morningstar has made strategic acquisitions of competitors to expand the product line it can cross-sell to its existing customer base. We think the company's asset management business has considerable growth potential, and the segment's profitability should improve.	Financials / Financial Exchanges & Data
Cohen & Steers, Inc. (CNS), a leading investment manager with nearly $80 billion in AUM, has expanded its focus from domestic real estate to include international real estate, large cap value, global infrastructure, and preferred securities.	Cohen & Steers specializes in investment strategies that pay substantial dividends to its shareholders, an important characteristic for the growing number of retirees receiving relatively lower yields on treasuries. We expect newer products in large cap value and commodities to continue to gain assets. Additionally, the company is expanding its distribution internationally through key banking partnerships. As these avenues gain traction, we expect the business model to scale and produce higher margins.	Financials / Asset Management & Custody Banks
Adyen N.V. (ADYEN.NA) provides technology solutions that enable merchants to accept electronic payments.	As a payment processor mostly for online merchants, Adyen benefits from the growth of e-commerce. The company has a long runway for growth given its small share of a large and growing global market. Adyen is gaining share due to its global presence, advanced technology platform, and ability to achieve higher authorization rates for merchants. The company is investing aggressively to develop additional financial services for business customers, after which margins should resume expanding due to operating leverage.	Financials / Transaction & Payment Processing Services
Bajaj Finance Limited (BAF.IN) is a leading non-banking financial corporation in India. It offers various financial products and services including housing loans, consumer durables financing, small- and medium-sized enterprise credit, and rural loans.	We believe Bajaj is well positioned to benefit from growing demand for consumer financial services in India. The company's data analytics platform is a key competitive advantage that enables it to earn high risk-adjusted returns (ROEs can sustain 22% to 24%, in our view). Bajaj is quickly becoming India's largest fintech player by creating an ecosystem of apps offering insurance, brokerage, and wealth management, among many other new products and services. We expect Bajaj to grow earnings by roughly 25% to 30% over the next five years.	Financials / Comsumer Finance
Fair Isaac Corporation (FICO) is a data and analytics company focused on predicting consumer behavior through re-sellable algorithms (FICO Scores) and software (Applications and Decision Management Software).	We believe Fair Isaac has meaningful growth opportunities across all its business lines. In FICO Scores, special pricing initiatives in B2B seem likely to continue. In Software, years of substantial investment are beginning to bear fruit and should lead to notable margin expansion over the next several years. Management has a shareholder-friendly capital allocation strategy with nearly all free cash flow used for share repurchases.	Information Technology / Application Software

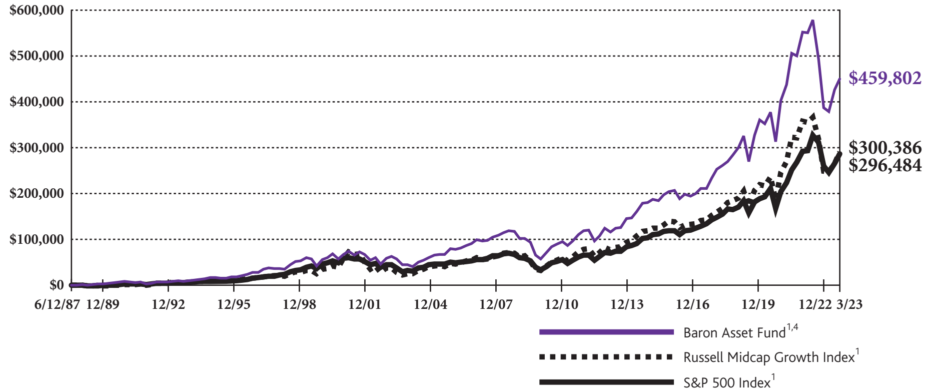
Appendix 2: Baron Funds Top 20 Finacials-Related Holdings & Investment Premises—(Continued)
as of 3/31/2023

Company Description	Baron's Investment Premise	GICS Sector / Sub-Industry
HDFC Bank Limited (HDB) is one of India's largest and most recognized private sector banks, offering a broad range of financial services to retail and commercial clients. In April 2022, HDFC Bank announced it entered an agreement to merge with parent company HDFC Ltd.	We see HDFC Bank as the best quality play in Indian financials, given its history of consistent returns and best-in-class management, in our view. The bank has a solid deposit franchise and healthy asset quality, which gives it a competitive advantage in funding. HDFC Bank's significant investments in technology place it as a leader in digital banking, which should drive continued market share expansion and efficiency improvements.	Financials / Diversified Banks
Brookfield Corporation (BN) is one of the world's largest alternative asset managers, with $750 billion in AUM and $400 billion of fee-generating AUM. It owns stakes in several publicly listed affiliates as well as other unlisted investments.	Brookfield Corporation's stake in listed companies, including Brookfield Infrastructure, Business Partners, Renewable Partners, and recently spun off Brookfield Asset Management, is worth $35/share, similar to Brookfield Corporation's current share price. We believe it has another $24/share worth of unlisted investments and $8/share value of carried interest generated that is not reflected in the current share price. We also believe Brookfield Asset Management will increase in price now that it is a public mark, which should accrue to Brookfield Corporation's market value.	Financials / Asset Management & Custody Banks
Houlihan Lokey, Inc. (HLI) is a global investment bank with expertise in M&A, corporate finance, restructurings, and valuation services.	Houlihan Lokey is a market leader in M&A advisory and restructuring. Earnings should be less volatile than those of its peers due to greater revenue diversification, a counter-cyclical restructuring business, and a mostly variable cost structure. The company has significant growth opportunities in Europe and capital markets advisory. Solid organic growth is being supplemented with accretive, tuck-in acquisitions. The company's long track record of success, respected brand, and global presence serve as meaningful competitive advantages.	Financials / Investment Banking & Brokerage
BRP Group, Inc. (BRP) is an insurance brokerage firm that distributes commercial and personal lines insurance to over one million clients.	BRP is gaining market share driven by its an entrepreneurial culture, unique client service offerings, and fast-growing distribution channels. The company is an active consolidator in the highly fragmented insurance brokerage industry. We expect margin expansion from leveraging corporate overhead and high contribution margins on acquisitions. Management aspires to grow BRP into a top 10 broker by 2029.	Financials / Insurance Brokers
TransUnion (TRU) is an information services company that provides consumer data and analytics to help businesses make credit and marketing decisions.	TransUnion is growing due to new product introductions, vertical market expansion, and rising consumer lending activity. The company owns credit bureaus outside the U.S. with long runways for growth due to low penetration rates of consumer credit. Operating leverage and continued synergies with strategic acquisitions should drive continued margin expansion. TransUnion operates in an oligopolistic industry where valuable data sets and government regulation provide meaningful barriers to entry.	Industrials / Research & Consulting Services

Baron Funds Performance

Baron Asset Fund

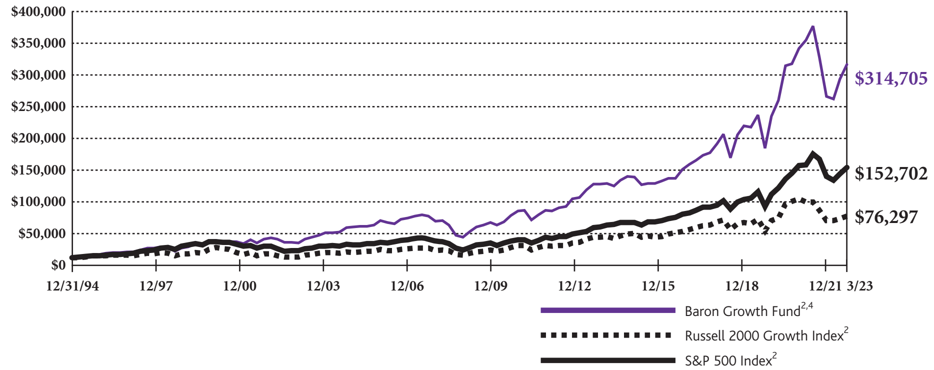
Comparison of the change in value of $10,000 investment in Baron Asset Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Asset Fund's annualized returns as of March 31, 2023: 3-month, 5.34%; 1-year, (8.65)%; 3-year, 12.57%; 5-year, 9.43%; 10-year, 11.49%; and Since Inception, 11.29%.

Baron Growth Fund

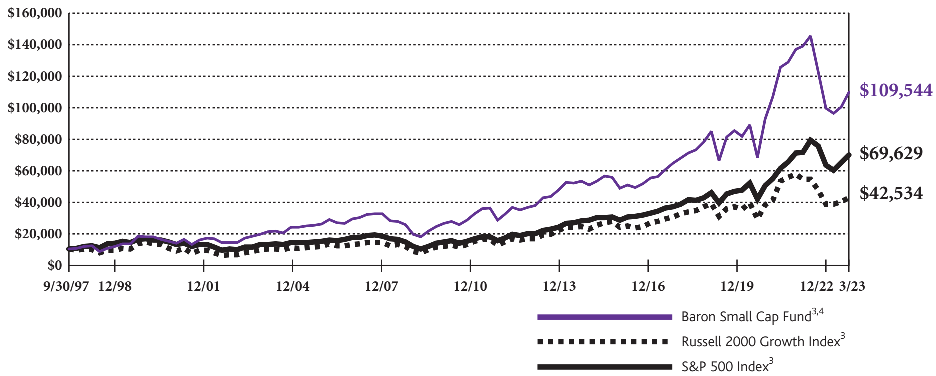
Comparison of the change in value of $10,000 investment in Baron Growth Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Growth Fund's annualized returns as of March 31, 2023: 3-month, 7.88%; 1-year, (3.40)%; 3-year, 19.87%; 5-year, 12.30%; 10-year, 11.77%; and Since Inception, 12.99%.

Baron Small Cap Fund

Comparison of the change in value of $10,000 investment in Baron Small Cap Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Small Cap Fund's annualized returns as of March 31, 2023: 3-month, 9.44%; 1-year, (10.51)%; 3-year, 17.05%; 5-year, 8.41%; 10-year, 9.89%; and Since Inception, 9.84%.

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1 The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Asset Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

2 The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Growth Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

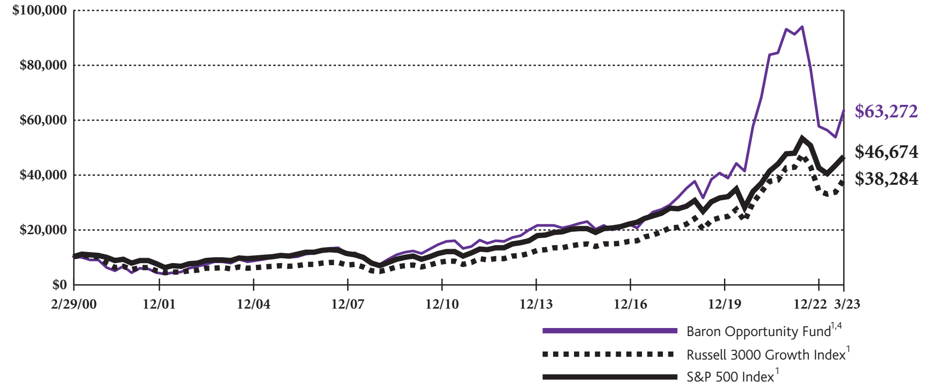
3 The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Small Cap Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

† Performance for the Institutional Shares prior to May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

Baron Opportunity Fund

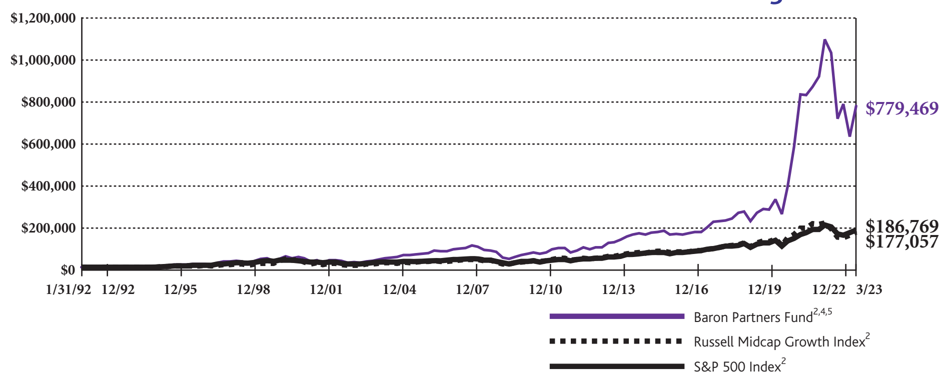
Comparison of the change in value of $10,000 investment in Baron Opportunity Fund (Institutional Shares)† in relation to the Russell 3000 Growth Index and the S&P 500 Index



Baron Opportunity Fund's annualized returns as of March 31, 2023: 3-month, 17.96%; 1-year, (19.70)%; 3-year, 15.37%; 5-year, 14.87%; 10-year, 14.03%; and Since Inception, 8.32%.

Baron Partners Fund

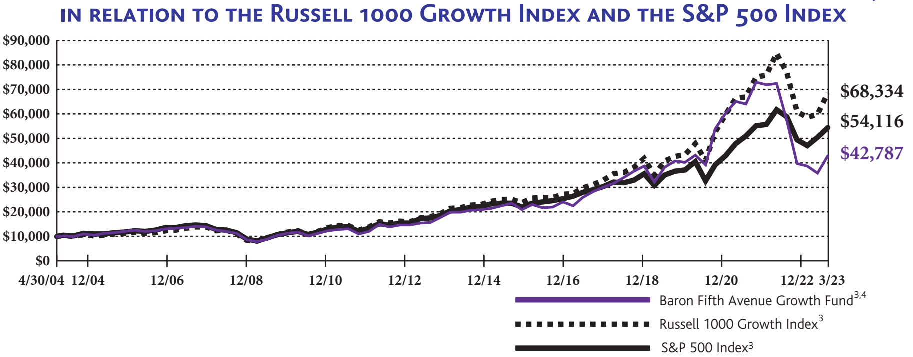
Comparison of the change in value of $10,000 investment in Baron Partners Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Partners Fund's annualized returns as of March 31, 2023: 3-month, 23.41%; 1-year, (24.52)%; 3-year, 43.29%; 5-year, 26.35%; 10-year, 19.95%; and Since Inception, 15.00%.

Baron Fifth Avenue Growth Fund

Comparison of the change in value of $10,000 investment in Baron Fifth Avenue Growth Fund (Institutional Shares)† in relation to the Russell 1000 Growth Index and the S&P 500 Index



Baron Fifth Avenue Growth Fund's annualized returns as of March 31, 2023: 3-month, 19.67%; 1-year, (24.99)%; 3-year, 3.16%; 5-year, 4.72%; 10-year, 10.85%; and Since Inception, 7.99%.

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1 The Russell 3000® Growth Index measures the performance of those companies classified as growth among the largest 3,000 U.S. companies and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Opportunity Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The Fund's 3-, 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.

2 The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Partners Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

3 The Russell 1000® Growth Index measures the performance of large-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Fifth Avenue Growth Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The Fund's 3-, 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.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

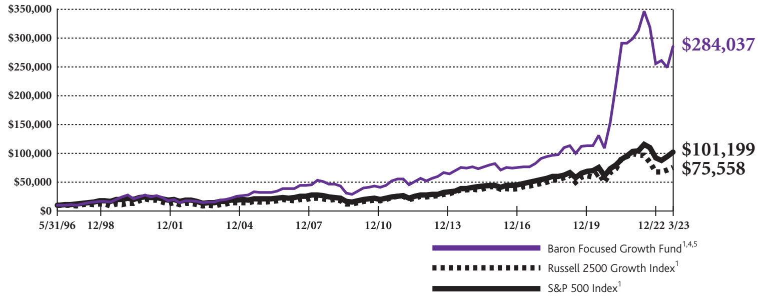
5 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

† Performance for the Institutional Shares prior to May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

Baron Funds Performance

Baron Focused Growth Fund

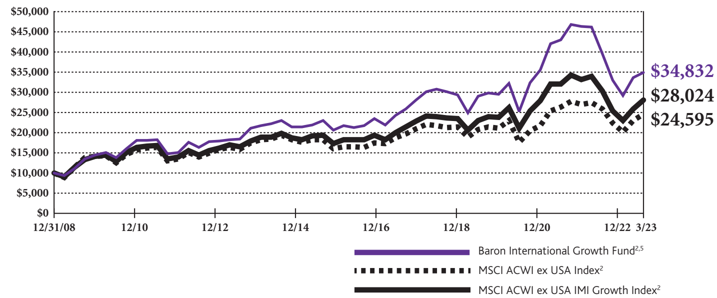
Comparison of the change in value of $10,000 investment in Baron Focused Growth Fund (Institutional Shares)† in relation to the Russell 2500 Growth Index and the S&P 500 Index



Baron Focused Growth Fund's annualized returns as of March 31, 2023: 3-month, 14.49%; 1-year, (10.54)%; 3-year, 37.91%; 5-year, 23.99%; 10-year, 15.75%; and Since Inception, 13.28%.

Baron International Growth Fund

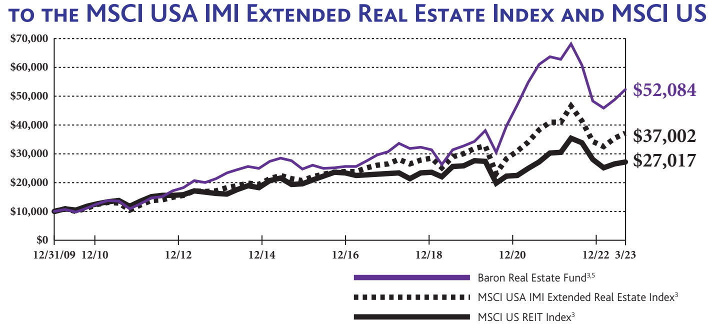
Comparison of the change in value of $10,000 investment in Baron International Growth Fund (Institutional Shares)† in relation to the MSCI ACWI ex USA Index and the MSCI ACWI ex USA IMI Growth Index



Baron International Growth Fund's annualized returns as of March 31, 2023: 3-month, 3.75%; 1-year, (11.63)%; 3-year, 11.38%; 5-year, 2.51%; 10-year, 6.72%; and Since Inception, 9.15%.

Baron Real Estate Fund

Comparison of the change in value of $10,000 investment in Baron Real Estate Fund (Institutional Shares) in relation to the MSCI USA IMI Extended Real Estate Index and MSCI US REIT Index



Baron Real Estate Fund's annualized returns as of March 31, 2023: 3-month, 7.07%; 1-year, (14.15)%; 3-year, 19.71%; 5-year, 10.35%; 10-year, 9.66%; and Since Inception, 13.26%.

1 The Russell 2500™ Growth Index measures the performance of small- to medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large-cap U.S. companies. The indexes and Baron Focused Growth Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

2 The MSCI ACWI ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index is a free float-adjusted market capitalization weighted index that is designed to measure the performance of large-, mid-, and small-cap growth securities across developed and emerging markets, excluding the United States. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. The Fund's 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.

3 The MSCI USA IMI Extended Real Estate Index is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron Real Estate Fund are with dividends, which positively impact performance results. The indexes are unmanaged.

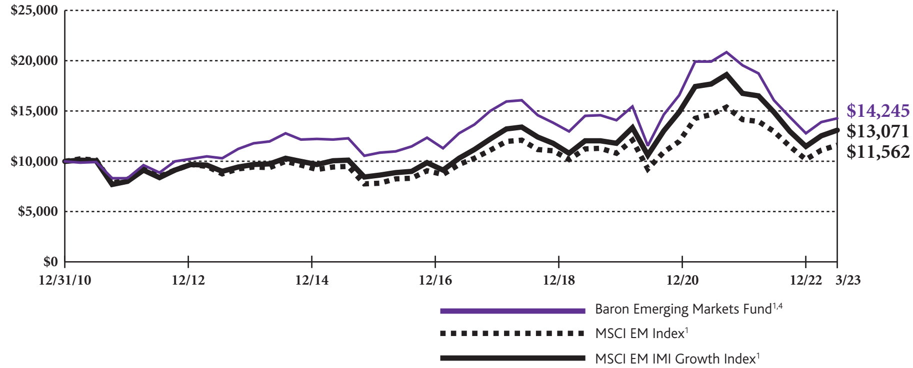
4 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

5 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

† Performance for the Institutional Shares prior to May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

Baron Emerging Markets Fund

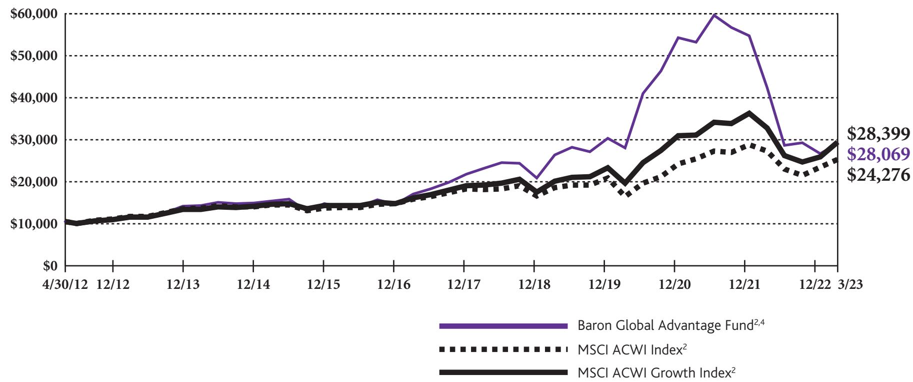
Comparison of the change in value of $10,000 investment in Baron Emerging Markets Fund (Institutional Shares) in relation to the MSCI EM Index and the MSCI EM IMI Growth Index



Baron Emerging Markets Fund's annualized returns as of March 31, 2023: 3-month, 2.68%; 1-year, (11.32)%; 3-year, 7.23%; 5-year, (2.34)%; 10-year, 3.14%; and Since Inception, 2.93%.

Baron Global Advantage Fund

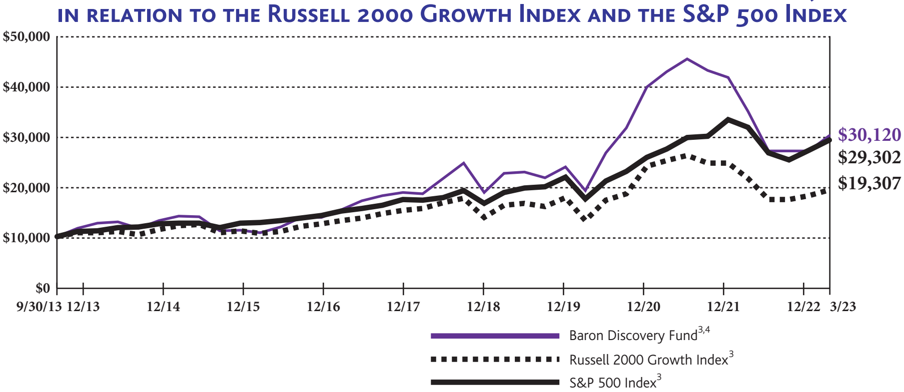
Comparison of the change in value of $10,000 investment in Baron Global Advantage Fund (Institutional Shares) in relation to the MSCI ACWI Index and the MSCI ACWI Growth Index



Baron Global Advantage Fund's annualized returns as of March 31, 2023: 3-month, 9.41%; 1-year, (31.39)%; 3-year, 1.27%; 5-year, 4.70%; 10-year, 10.19%; and Since Inception, 9.92%.

Baron Discovery Fund

Comparison of the change in value of $10,000 investment in Baron Discovery Fund (Institutional Shares) in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Discovery Fund's annualized returns as of March 31, 2023: 3-month, 11.20%; 1-year, (13.81)%; 3-year, 16.24%; 5-year, 10.20%; and Since Inception, 12.31%.

1 The MSCI EM (Emerging Markets) Index and the MSCI EM (Emerging Markets) IMI Growth Index are free float-adjusted market capitalization weighted indexes. The MSCI EM (Emerging Markets) Index and the MSCI EM (Emerging Markets) IMI Growth Index are designed to measure the equity market performance of large-, mid-, and small-cap securities in the emerging markets. The MSCI EM (Emerging Markets) IMI Growth Index Net screens for growth-style securities. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron Emerging Markets Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged.

2 The MSCI ACWI Index and the MSCI ACWI Growth Index are free float-adjusted market capitalization weighted indexes. The MSCI ACWI Index and the MSCI ACWI Growth Index are designed to measure the equity market performance of large- and mid-cap securities across developed and emerging markets, including the United States. The MSCI ACWI Growth Index Net screens for growth-style securities. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. The Fund's 3-, 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.

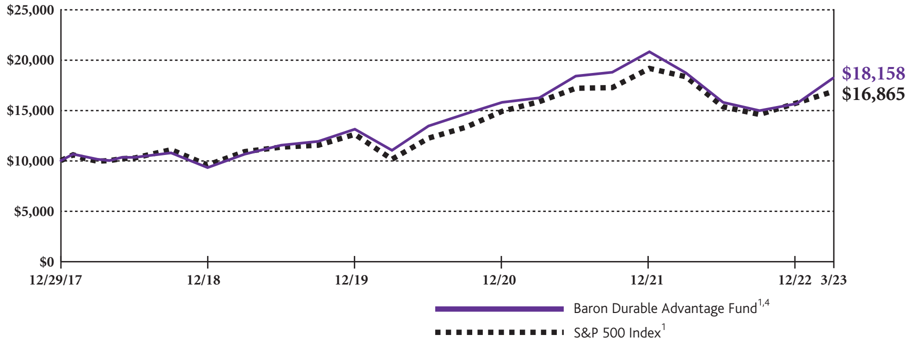
3 The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Discovery Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. 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.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Funds Performance

Baron Durable Advantage Fund

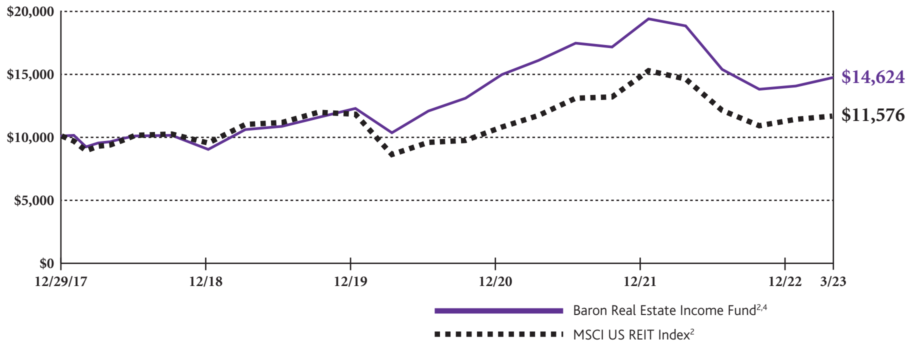
Comparison of the change in value of $10,000 investment in Baron Durable Advantage Fund (Institutional Shares) in relation to the S&P 500 Index



Baron Durable Advantage Fund's annualized returns as of March 31, 2023: 3-month, 16.04%; 1-year, (2.70)%; 3-year, 18.19%; 5-year, 12.38%; and Since Inception, 12.03%.

Baron Real Estate Income Fund

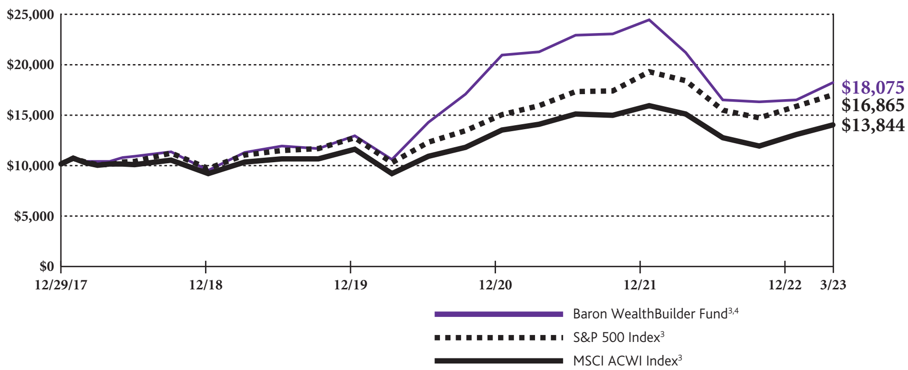
Comparison of the change in value of $10,000 investment in Baron Real Estate Income Fund (Institutional Shares) in relation to the MSCI US REIT Index



Baron Real Estate Income Fund's annualized returns as of March 31, 2023: 3-month, 4.73%; 1-year, (21.78)%; 3-year, 12.63%; 5-year, 9.24%; and Since Inception, 7.51%.

Baron WealthBuilder Fund

Comparison of the change in value of $10,000 investment in Baron WealthBuilder Fund (Institutional Shares) in relation to the S&P 500 Index and the MSCI ACWI Index



Baron WealthBuilder Fund's annualized returns as of March 31, 2023: 3-month, 10.42%; 1-year, (14.08)%; 3-year, 20.17%; 5-year, 12.04%; and Since Inception, 11.94%.

1 The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The index and Baron Durable Advantage Fund are with dividends, which positively impact the performance results. The index is unmanaged.

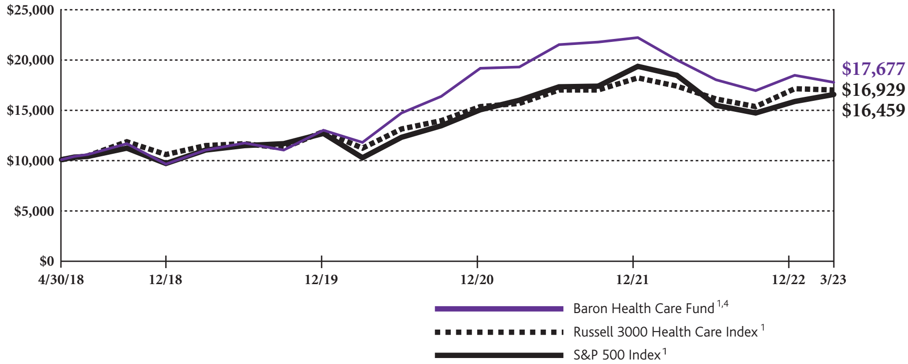
2 The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The index and Baron Real Estate Income Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results. The index performance is not Fund performance; one cannot invest directly into an index. The index is unmanaged.

3 The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The MSCI ACWI Index is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large- and mid-cap securities across developed and emerging markets, including the United States. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron WealthBuilder Fund are with dividends, which positively impact the performance results. The MSCI ACWI Index is net of foreign withholding taxes. The indexes are unmanaged.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Health Care Fund

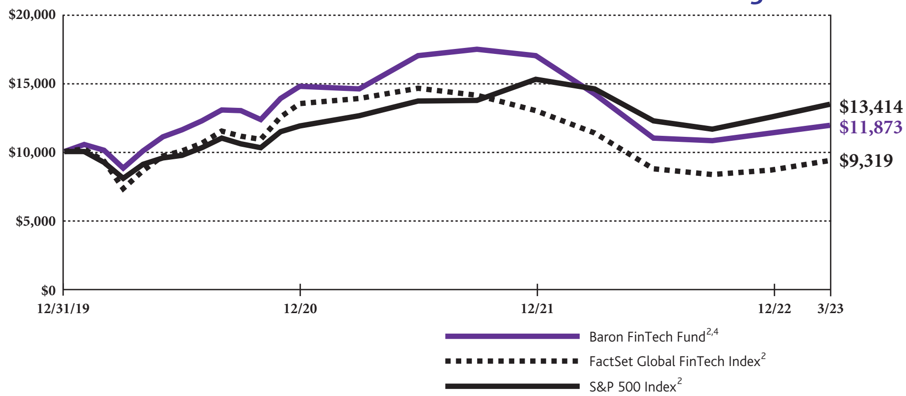
Comparison of the change in value of $10,000 investment in Baron Health Care Fund (Institutional Shares) in relation to the Russell 3000 Health Care Index and the S&P 500 Index



Baron Health Care Fund's annualized returns as of March 31, 2023: 3-month, (3.69)%; 1-year, (11.13)%; 3-year 14.72%; and Since Inception, 12.29%.

Baron FinTech Fund

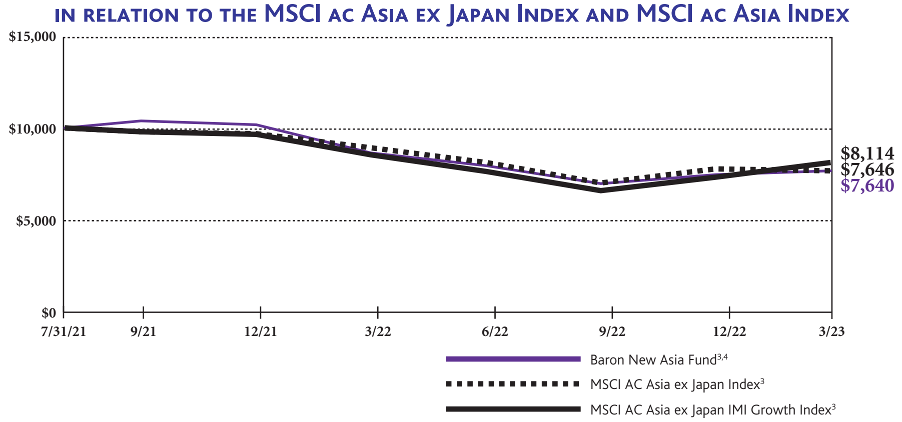
Comparison of the change in value of $10,000 investment in Baron FinTech Fund (Institutional Shares) in relation to the FactSet Global FinTech Index and the S&P 500 Index



Baron FinTech Fund's annualized returns as of March 31, 2023: 3-month, 4.83%; 1-year, (16.09)%; 3-year, 10.71%; and Since Inception, 5.42%.

Baron New Asia Fund

Comparison of the change in value of $10,000 investment in Baron New Asia Fund (Institutional Shares) in relation to the MSCI AC Asia ex Japan Index and MSCI AC Asia Index



Baron New Asia Fund's annualized returns as of March 31, 2023: 3-month, 2.83%; 1-year (11.37)%; and Since Inception (14.91)%.

1 The Russell 3000® Health Care Index is a free float-adjusted market capitalization index that measures the performance of all equity in the US equity market. The S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. The indexes and Baron Health Care Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

2 As of 2/3/2023, Baron FinTech Fund has changed its primary benchmark to the FactSet Global FinTech Index from the S&P 500 Index. 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 S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. The indexes and Baron FinTech Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The Fund's 3-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.

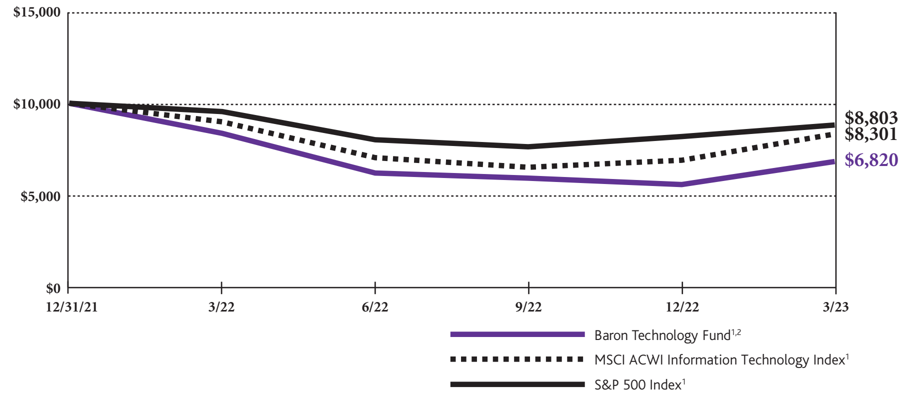
3 The MSCI AC Asia ex Japan Index measures the performance of large and mid cap equity securities representation across 2 of 3 developed markets countries (excluding Japan) and 8 emerging markets countries in Asia. The MSCI AC Asia ex Japan IMI Growth Index measures the performance of large, mid, and small cap securities exhibiting overall growth style characteristics across 2 of 3 developed markets countries (excluding Japan) and 8 emerging market countries in Asia. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron New Asia Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Funds Performance

Baron Technology Fund

Comparison of the change in value of $10,000 investment in Baron Technology Fund (Institutional Shares) in relation to the MSCI ACWI Information Technology Index and the S&P 500 Index



Baron Technology Fund's annualized returns as of March 31, 2023: 3-month, 22.44%; 1-year, (18.42)%; and Since Inception (26.37)%.

1 The MSCI ACWI Information Technology Index includes large and mid cap securities across 23 developed markets countries and 24 emerging markets countries. All securities in the index are classified in the Information Technology sector as per the Global Industry Classification Standard. The S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. The indexes and Baron Technology Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

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

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3-month returns for all funds are not annualized.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses 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.

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, 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

Risks: The Funds invest primarily in equity securities, which are subject to price fluctuations in the stock market. 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. 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. Investments in health care companies are subject to a number of risks, including the adverse impact of legislative actions and government regulations. Securities issued by small and medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Companies propelled by innovation, including technology advances and new business models, may present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. In addition to general market conditions, the value of the real estate and real estate related investments will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. Even though the Funds are diversified, they may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Funds' returns.

The index performance is not Fund performance; one cannot invest directly into an index.

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

Dear Baron Asset Fund Shareholder:

Performance

After a challenging 2022, U.S. equities posted a second consecutive positive quarter to start 2023. Stocks rose on investors' hopes that moderating inflation and certain weakening economic indicators might lead the Federal Reserve to end its cycle of interest rate increases. The rally was also helped by easing supply-chain constraints, falling energy and commodity prices, and the reopening of the Chinese economy. The rebound stalled in February in the face of resilient economic data and higher-than-expected inflation data. The sudden failures of Silicon Valley Bank (SVB) and Signature Bank further rattled the market, but federal regulators quickly intervened and prevented the contagion from spreading throughout the banking sector. This episode may have resulted in the market's subsequent rebound, based on the belief that the Fed would moderate its pace of future interest rate hikes to reduce the risk of a banking crisis.

As was the case this quarter, the stocks that initially perform best in response to an anticipated reduction or moderation in interest rates tend to be those with a disproportionate amount of their earnings and cash flow expected far in the future. This is because those stocks stand to benefit the most from a reduction in the discount rate (driven by the prevailing level of interest rates) applied to their earnings streams. These include many stocks in the Information Technology (IT) sector, particularly certain software companies, and the Communication Services sector, which includes certain internet services companies. Although Baron Asset Fund® (the Fund) has some exposure to these areas, much of its portfolio is comprised of slightly slower growth, solidly profitable companies in a range of industries.

The strongest performing sectors included IT, Communication Services, and Consumer Discretionary, with all three finishing meaningfully ahead of their counterparts. The principal laggards included Energy, which fell the most as falling oil prices weighed on the sector, while sweeping declines across the banking sector hampered performance in Financials. More defensive-oriented sectors, such as Health Care, Utilities, and Consumer Staples, also struggled.

The Fund appreciated 5.34% (Institutional Shares) in the quarter yet trailed the Russell Midcap Growth Index principally due to stock selection. Style biases also added value, notably the Fund's underexposure to the strong performing Beta and Residual Volatility factors, which outperformed in the *risk-on* market environment.

ANDREW PECK

PORTFOLIO MANAGER

Retail Shares: BARAX
Institutional Shares: BARIX
R6 Shares: BARUX

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Asset Fund Retail Shares[1,2]	Baron Asset Fund Institutional Shares[1,2,3]	Russell Midcap Growth Index[1]	S&P 500 Index[1]
Three Months[5]	5.27%	5.34%	9.14%	7.50%
One Year	(8.88)%	(8.65)%	(8.52)%	(7.73)%
Three Years	12.29%	12.57%	15.20%	18.60%
Five Years	9.15%	9.43%	9.07%	11.19%
Ten Years	11.19%	11.49%	11.17%	12.24%
Fifteen Years	9.61%	9.88%	10.10%	10.06%
Since Inception (June 12, 1987)	11.17%	11.29%	9.99%[4]	9.93%

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 1.29% and 1.04%, 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 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.

1 The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth and the **S&P 500 Index** 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 indexes and the Fund include reinvestment of dividends, net of 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 in the table 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 May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

4 For the period December 31, 1987 to March 31, 2023.

5 Not annualized.

The Fund's investments in the Financials, IT, Industrials, and Communication Services sectors were largely responsible for the relative shortfall. Within Financials, online brokerage firm **The Charles Schwab Corp.** and banking and wealth management services provider **First Republic Bank** weighed heavily on performance after their shares were negatively impacted by concerns surrounding regional banks and the potential impact on these companies. We remain shareholders in Schwab, but we decided to exit our position in First Republic. There is more information about our rationale below. The Fund's higher exposure to this lagging sector, which was hurt by severe declines among regional banks, also hampered performance.

Weakness in IT and Industrials was driven by declines in two large holdings – syndicated research provider **Gartner, Inc.** and real estate data and marketing platform **CoStar Group, Inc.**, respectively. After outperforming last year, Gartner's shares gave back a modest portion of their gains over concerns about the potential for softening business conditions, as the company's IT vendor customer base is impacted by layoffs and cost reductions across the sector. CoStar fell after its earnings and guidance fell short of expectations because of its ongoing aggressive investment into the residential real estate segment. We remain confident that this investment will generate significant shareholder value. Within Communication Services, lower exposure to this top performing sector coupled with the underperformance of marketing solutions provider **ZoomInfo Technologies Inc.** hampered relative results. ZoomInfo's shares declined as the broader software and technology spending environment, to which the company is disproportionately exposed, continued to weaken. We are closely monitoring its customers' spending patterns.

The Health Care sector experienced sharp gains from veterinary diagnostics leader **IDEXX Laboratories, Inc.** and pharmaceutical packaging manufacturer **West Pharmaceutical Services, Inc.**, offsetting a portion of the above-mentioned losses. IDEXX shares increased in response to its better-than-expected financial results, driven by stabilization in visits to veterinary clinics and ongoing price increases for its products. West's financial results also surpassed expectations, and its management provided solid guidance for fiscal year 2023. Excluding COVID-related product revenue, the company's organic sales growth was 14% in the fourth quarter, and management expects mid-teens base business organic growth in 2023, well ahead of its long-term target.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Year Acquired	Percent Impact
IDEXX Laboratories, Inc.	2006	1.45%
ANSYS, Inc.	2009	1.18
West Pharmaceutical Services, Inc.	2014	0.82
Guidewire Software, Inc.	2013	0.63
MarketAxess Holdings Inc.	2016	0.50

IDEXX Laboratories, Inc. is the leading global provider of testing and diagnostic services to veterinarians. After lagging during 2022, the shares contributed meaningfully to performance during the quarter. IDEXX reported financial results that exceeded consensus expectations, and the stock's multiple expanded. Veterinary visits had spiked during the pandemic, creating difficult annual growth comparisons. Investors cheered the apparent stabilization in veterinary visits, which bodes well for the company's overall revenue growth to accelerate. In addition, management has raised prices across the board, which should help the company protect its margins despite the inflationary environment. We believe that trends towards increased pet ownership and pet health care spending have been structurally accelerated, which should help support IDEXX's long-term growth rate and margin profile.

ANSYS, Inc. is a leading provider of physics-based simulation software used across a range of design and manufacturing end markets. After declining significantly alongside many high-growth software stocks in 2022, its shares began to recover following a robust quarterly report. ANSYS has benefited from strong secular trends for simulation software, a broad product line, solid execution, and its strategic relationship with its customers. Together, these attributes helped the company grow its revenue and free cash flow well above analysts' expectations. Despite pockets of general macroeconomic weakness, management described continued traction among many customers and a healthy demand environment, especially in the key verticals of technology, alternative energy, automotive, and aerospace. ANSYS continues to invest in its core technology while adding new capabilities to support future growth initiatives including artificial intelligence and cloud. The company's multi-year transition of its software licensing model should allow for better predictability of growth and further margin expansion in coming years.

West Pharmaceutical Services, Inc. manufactures components and systems for the packaging and delivery of injectable drugs such as rubber stoppers for vials and plungers for prefilled syringes. Shares increased after the company reported financial results that beat analyst expectations and provided solid 2023 guidance. Excluding COVID-related product revenue, which fell considerably in the aftermath of the pandemic, organic sales growth was 14% in the recent quarter, and management expects mid-teens base business organic growth in 2023, well above its long-term target. We believe that West's competitive pricing and favorable product mix, including products used with fast-growing anti-obesity medicines, should help drive future demand. We continue to believe West operates a competitively advantaged business that is well positioned for long-term growth.

Shares of property and casualty (P&C) insurance software vendor **Guidewire Software, Inc.** contributed to performance for the quarter. The company has crossed the midpoint of its transition from an on-premise to a cloud-based software provider, and we believe this should result in more consistent recurring revenue growth and durable gross margin expansion. We believe Guidewire will become the critical software vendor for the global P&C insurance industry, capturing a significant share of a $30 billion addressable market. During the quarter, Guidewire's largest (and, we believe, inferior) competitor was acquired by a private equity firm at a meaningful premium to Guidewire's current valuation. We believe this acquisition will result in a stronger relative competitive position for Guidewire, while also illustrating a significant multiple expansion opportunity embedded in its current share price.

MarketAxess Holdings Inc. operates the leading electronic platform for trading corporate bonds. Shares rose during the quarter following an uptick in trading activity and market share gains across most of its product categories. Average daily trading volume grew 14%, and the company's market share increased 100 basis points to 19%. The company is benefiting from an improving variable fee rate, elevated fixed income market volatility, and inflows into fixed income ETFs, which trade more frequently on electronic platforms. We remain optimistic about MarketAxess over the long term and believe the company will see accelerated growth amid the ongoing secular shift to electronic trading in the corporate bond market.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Year Acquired	Percent Impact
The Charles Schwab Corp.	1992	–1.25%
CoStar Group, Inc.	2016	–0.45
First Republic Bank	2010	–0.38
Gartner, Inc.	2007	–0.36
Bio-Techne Corporation	2015	–0.28

Shares of online brokerage firm **The Charles Schwab Corp.** declined during the quarter following the failure of SVB that led to weakness in Financials generally and particularly in regional banks. We do not believe Schwab is at any risk of a potential solvency issue (or *run on the bank*). Despite running a much different business than SVB, Schwab is facing near-term deposit pressure through cash sorting in the wake of SVB's collapse. As interest rates rose, Schwab customers continued to move their uninvested cash balances into higher-yielding money market funds. As cash balances at Schwab decrease, the company may need to raise short-term external funding, which is more costly than the customer cash balances being depleted. This trend has pressured its earnings estimates and contributed to the recent share price weakness. Nevertheless, we retain long-term conviction in the value of Schwab's franchise. Despite dislocation in the financial system, Schwab saw accelerating net inflows year-to-date, gathering over $75 billion in new assets in just the first two months of 2023. We remain encouraged by the firm's exceptional client loyalty levels, robust organic growth, and industry-leading operating expense per client assets. Schwab remains well positioned to retain client assets and increase long-term earnings growth, in our view.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. After two consecutive quarters of robust performance, its shares fell, likely due to profit taking and concern about its level of internal investment. The company generated strong quarterly financial performance, with net new sales growing 15% and margins expanding by 200 basis points excluding growth investments. We expect the company's core commercial and apartments businesses to continue to benefit from the migration of real estate market spending to online channels. CoStar has begun to invest aggressively to create a residential marketing platform, spending $230 million in 2022 and an estimated $500 million in 2023. We believe the company's proprietary data, broker-oriented approach, and best-in-class management position it to generate an attractive return on this endeavor.

First Republic Bank provides banking and wealth management services primarily to affluent customers in select markets. The company's share price collapsed in the aftermath of the failures of SVB and Signature Bank. Investors feared that First Republic could face a similar fate because a majority of its funding base is in the form of large, uninsured deposits, primarily from wealthy clients and small- and mid-size businesses. Despite a historically loyal customer base that valued the bank's industry-leading customer service culture, we believe many of these deposits were likely withdrawn from the bank following the high-profile turmoil at SVB. These deposits would likely have been replaced with higher-cost funding, leading to significant earnings pressure. We concluded that the bank's competitive position and earnings potential had likely been permanently impaired, so we exited the position.

After meaningfully increasing last year, shares of **Gartner, Inc.**, a provider of syndicated research primarily on the IT sector, ceded some gains in the quarter. Gartner's business conditions have likely softened modestly, as the company's technology vendor customer base has been negatively impacted by layoffs and cost reductions across that sector. Despite this headwind, Gartner is generating attractive double-digit growth in its largely recurring research business. We believe Gartner should benefit from the ongoing ubiquity and complexity of technology facing nearly all types of businesses. We expect sustained revenue growth and renewed focus on cost control to drive margin expansion and enhanced free-cash-flow generation. The company's balance sheet is in excellent shape and can support ongoing repurchases and potential bolt-on acquisitions, in our view.

Bio-Techne Corporation is a leading developer and manufacturer of reagents, instruments, and services for the life sciences research, diagnostics, and bioprocessing markets. The stock detracted from performance following disappointing earnings stemming from temporary headwinds, including weakness in the company's large order consumables business due to reduced biotechnology funding as well as COVID curbs in China. Despite these headwinds, we believe the company is well positioned for long-term growth, with competitive advantages that include a core research reagents business, a rapidly expanding cell and gene therapy manufacturing tools business, and an emerging cancer diagnostics business.

Portfolio Structure

As of March 31, 2023, Baron Asset Fund held 52 positions. The Fund's 10 largest holdings represented 47.0% of assets, and the 20 largest represented 69.8% of assets. The Fund's largest weighting was in the IT sector at 30.6% of assets. This sector includes application software companies, IT consulting firms, and internet services companies. The Fund held 26.9% of its assets in the Health Care sector, which includes investments in life sciences companies, and health care equipment, technology, and supplies companies. The Fund held 16.3% of its assets in the Industrials sector, which includes investments in research and consulting companies, aerospace & defense companies, and industrial machinery companies. The Fund also had significant weightings in Financials at 12.8% of assets and Consumer Discretionary at 6.4% of assets.

As the chart below shows, the Fund's largest investments all have been owned for significant periods – 9 of the 10 largest holdings have been owned for longer than a decade. This is consistent with our approach of investing for the *long term* in companies benefiting from secular growth trends with significant competitive advantages and best-in-class management teams.

Table IV.
Top 10 holdings as of March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$2.9	$25.8	$414.2	9.1%
IDEXX Laboratories, Inc.	2006	2.5	41.5	336.9	7.4
Mettler-Toledo International, Inc.	2008	2.4	33.8	274.1	6.0
ANSYS, Inc.	2009	2.3	29.0	185.7	4.1
Verisk Analytics, Inc.	2009	4.0	29.7	182.5	4.0
CoStar Group, Inc.	2016	5.0	28.0	168.0	3.7
FactSet Research Systems Inc.	2006	2.5	15.9	153.9	3.4
Arch Capital Group Ltd.	2003	0.9	25.2	149.5	3.3
Vail Resorts, Inc.	1997	0.2	9.4	141.0	3.1
Verisign, Inc.	2013	7.1	22.2	125.1	2.8

Recent Activity

Table V.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Quanta Services, Inc.	$24.0	$31.1
Repligen Corporation	9.4	31.0
Space Exploration Technologies Corp.	–	12.5
LPL Financial Holdings Inc.	15.9	9.2
ICON Plc	17.5	8.9

We initiated a position in **Quanta Services, Inc.** during the quarter. Quanta is a leading specialized contracting services company for the utility, energy, and communications industries. We think the company is well positioned to benefit from the substantial investment that will be required to build out both the existing electric grid and renewable energy production capacity to meet the country's clean energy goals.

Investment in the electric grid is necessary not only to upgrade aging infrastructure and increase its reliability but also to connect it to sources of renewable energy. The nature of the electric grid is changing. It will increasingly be expected to meet the needs of a diverse energy landscape, as more intermittent renewable energy resources are added and more distributed energy resources, like rooftop solar, are connected. In particular, we believe that widespread adoption of electric vehicles will require substantial investment in the distribution grid. This is because the ensuing load requirements are well in excess of what the existing infrastructure can support, leading to necessary upgrades. The Inflation Reduction Act should accelerate these trends and give more than a decade of visibility into grid-related investments. We believe these drivers create a robust backdrop for Quanta's business.

One of Quanta's core competencies is hiring and training highly skilled workers, which has led to the company's maintaining the largest craft-skilled labor workforce in North America. With labor being fundamentally difficult to scale and hard to find, we think that Quanta is in a highly differentiated portion of the value chain that won't be subject to deflationary pressures or commoditization that exist in other areas of the utility industry's supply chain. Quanta's value to its customers should continue to grow as it adds services, including renewable energy construction, to its offerings.

In order to meet the ambitious net zero goals by 2050, global energy transition spending needs to triple by the end of this decade and quintuple by 2040. The electric grid is a key enabler of the transition. We believe that this places Quanta in a strong position to meet its goals to grow earnings at a 10% to 15% compounded rate over the next five years.

We also initiated a position in **Repligen Corporation**, a life science 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, fast-growing end markets, historically targeting monoclonal antibodies (10% to 12% market growth) and is currently expanding its presence into cell and gene therapies (over 25% market growth). The company has a demonstrated track record of smart acquisitions and scientific innovation, including the introduction of differentiated filters and the development of in-line process analytics, which enables real-time monitoring of the drug production process.

Bioproduction is a highly regulated industry. As a result, tools suppliers become tightly embedded into client workflows and their products are rarely removed from the production process. Repligen did not have a mature product portfolio when many of the first biologic drugs came to market, which meant that those initial biologics tended to be manufactured on competitors' platforms. As generic versions of these drugs (biosimilars) come to market, Repligen has a unique opportunity to embed its differentiated systems into their drug manufacturing processes. We believe the company is well positioned to benefit from the wave of new biosimilar drugs that is expected after key biologic patents expire starting in 2023. 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 around 20% annual revenue growth over the next five years, while achieving EBITDA margins of approximately 30%. We believe Repligen is a high-quality compounder with a best-in-class mix of growth and profitability.

Table VI.
Top net sales for the quarter ended March 31, 2023

	Amount Sold (millions)
Teleflex Incorporated	$27.9
Fidelity National Information Services, Inc.	25.1
MarketAxess Holdings Inc.	12.2
First Republic Bank	10.2
SBA Communications Corp.	7.7

We exited our position in **Teleflex Incorporated**, which sells single-use medical devices and the UroLift System for treating enlarged prostate glands. UroLift had been an important growth-driver for the business, and we lost conviction in its ability to achieve its targets in the face of a tougher competitive environment. We have owned **Fidelity National Information Services, Inc.** as a result of its acquisition of Vantiv, a payment processor in which we were an investor. The company has recently missed its financial targets and seen some executive departures. The company is in the midst of a turnaround strategy that remains uncertain, and we have significantly reduced our position. We took some profits in **MarketAxess Holdings Inc.**, an electronic trading exchange for fixed income products, after its shares rose meaningfully during the quarter. As discussed above, we exited our holding in **First Republic Bank** based on concerns that its business model had been permanently impaired. We reduced our stake in long-time holding **SBA Communications Corp.**, which owns and operates cellular towers, on concerns that higher interest rates would increase its debt servicing costs.

OUTLOOK

We are encouraged by the second consecutive quarter of strong performance in the equity markets, with growth stocks generally outperforming after a period during which they significantly underperformed value stocks. There are continued signs that many investors and market pundits have been overly pessimistic about the outlook for the U.S. economy and corporate earnings and the potential negative impact of geopolitical events on the stock market. Although we do not base our investments on macroeconomic forecasts, we are encouraged by the growing view that domestic inflation may have peaked, likely leading to an eventual decrease in interest rates. The market also appears to have moved past the widespread fear that the SVB failure could engender a broader contagion in the banking sector, causing potential ripple effects throughout the economy.

As mentioned earlier, the stocks that initially perform best when interest rate expectations moderate are those that have a disproportionate percentage of their earnings and cash flow expected far in the future. By definition, this category includes more speculative businesses with less proven abilities to generate significant cash flows. As the market continues to recover and the economy stabilizes, we expect the types of companies that we favor to outperform – leading companies in their industry that benefit from secular growth drivers, strong competitive positions, and exceptional management teams.

Throughout periods of economic uncertainty, we believe that investors are best served by taking a long-term view of their equity market investments, which have compounded at attractive long-term rates despite periodic market drawdowns. The best time to invest in equities is generally when pervasive fear and pessimism have resulted in, we believe, compelling valuations that should lead to attractive long-term returns. It is also worth noting that the Russell Midcap Growth Index has underperformed its value equivalent by 550 basis points annualized over the past three years, reducing the premium that is generally accorded to faster growing stocks.

Sincerely,

Andrew Peck
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: Securities issued by medium-sized companies may be thinly traded and may be 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 managers 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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Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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).

Dear Baron Growth Fund Shareholder:

Performance

Baron Growth Fund® (the Fund) rose 7.88% (Institutional Shares) during the quarter ended March 31, 2023. This exceeded the Fund's primary benchmark, the Russell 2000 Growth Index (the Benchmark), which rose 6.07%. It also outperformed the S&P 500 Index, which measures the performance of publicly traded large-cap U.S. companies, which gained 7.50% during the period.

The sudden failures of Silicon Valley Bank (SVB), Signature Bank, and Silvergate Bank raised concerns about the health of the U.S. regional banking system. The Fund does not own any commercial banks and has not held an investment in a bank for the past 11 years. We also do not make investments that are contingent on forecasting interest rates, commodity prices, or other macroeconomic variables. We exclusively invest in businesses with durable competitive advantages, that sell highly differentiated products or services, have sticky customer bases and recurring revenue, and are run by management teams that are focused on long-term growth and value creation.

NEAL ROSENBERG
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BGRFX
Institutional Shares: BGRIX
R6 Shares: BGRUX

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Growth Fund Retail Shares[1,2]	Baron Growth Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	7.82%	7.88%	6.07%	7.50%
One Year	(3.64)%	(3.40)%	(10.60)%	(7.73)%
Three Years	19.57%	19.87%	13.36%	18.60%
Five Years	12.01%	12.30%	4.26%	11.19%
Ten Years	11.48%	11.77%	8.49%	12.24%
Fifteen Years	10.51%	10.77%	8.67%	10.06%
Since Inception (December 31, 1994)	12.84%	12.99%	7.46%	10.13%

The most significant financial crisis since 2008 emerged with the sudden failures of three U.S. regional banks. The crisis ricocheted through select U.S. regional banks and ensnared large European banks including Credit Suisse. Regulators and government agencies, assisted by large commercial banks, moved aggressively to assuage depositors' fears and head off additional failures across the U.S. regional banking system. Equity markets overcame these concerns to finish higher for the quarter. The S&P 500 Index rose 7.50%, while the MSCI ACWI ex USA Index, which measures stock performance across 46 different global markets, rose 6.87%. Baron Growth Fund gained 7.88%, which exceeded our Benchmark's performance by 1.81% due to favorable stock selection.

We believe that the sharp increase in interest rates over the last 12 months catalyzed the crisis by exposing the significant mismatch between banks' assets and liabilities. An extended period of historically low interest rates allowed banks to attract deposits from individuals and businesses while offering negligible yields. Banks then reinvested those deposits in longer-duration assets, such as mortgages, corporate debt, and U.S. Treasury securities, with terms that could reach up to 30 years. As interest rates have

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 1.30% and 1.04%, 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 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.

1 The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** 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 indexes and the Fund include reinvestment of dividends, net of 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 in the table 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 May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

risen, depositors began to move funds out of low-yielding deposit accounts and into higher-yielding products such as money market funds. At the same time, higher interest rates reduced the market value of the longer-duration assets held on banks' balance sheets, since the prices of such securities are inversely related to interest rates. Banks that needed to raise cash to meet withdrawal requests were forced to sell assets at these discounted market values. Fear of this duration mismatch rapidly turned to panic, as depositors worried that they could lose the uninsured portion of their deposits, causing runs on certain banks and forcing regulators to take decisive action.

The Fund does not own any regional banks and has not made or held an investment in a regional bank for the past 11 years. We have deliberately decided not to invest in banks due to the inherent opacity of bank balance sheets, their sensitivity to changes in interest rates, and the minimal competitive differentiation between most banks. Instead, we focus on investing in businesses that are transparent, have durable competitive advantages, offer differentiated products and services, and are managed for the long term. This discipline has served us well since inception, and we expect to maintain this approach going forward. As such, while regional bank stocks are presently inexpensive versus their historical valuations, we will not compromise on business quality and competitive advantages to purchase a stock just because it is inexpensive. Instead, we have taken advantage of the banking-induced uncertainty to initiate new positions in businesses that we believe are extremely high quality and attractively valued relative to their long-term growth prospects. Please see the section entitled "Recent Purchases" for an overview of our new positions.

We think the current environment reinforces the merits of our investment philosophy and our unwavering focus on durable competitive advantages and long-term managerial orientation. It took decades for many of these banks to build their businesses and reputations – SVB was founded in 1983, Silvergate Bank was founded in 1988, and Credit Suisse can trace its history to 1856. However, it took just hours or days for them to unwind, undone by a combination of short-term decision-making, questionable risk management practices, and products that are largely commoditized. We exclusively seek to invest in businesses with sustainable competitive advantages, that sell highly differentiated products or services, have sticky customer bases, and are run by management teams that optimize for long-term growth. We spend the majority of our time working with our growing team of analysts to iteratively research these businesses. We seek to invest in those businesses at attractive prices, and endeavor to hold our investments for the long term.

While we don't own banks or other interest rate sensitive securities, we have invested 39% of Fund assets in securities that we consider to be Financials. Within this cohort, 52% of our investments are technology-enabled market data vendors such as **FactSet Research Systems Inc.**, **MSCI Inc.**, and **Morningstar, Inc.** These are businesses that serve vast and growing end markets, which we estimate represent at least $40 billion of annual recurring revenue. They start with a proprietary set of data assets that have been collected over decades. This carries significant fixed costs and time to collect, and in many ways would be impossible to replicate now. Once those assets have been collected, the vendors use them to build mission critical products and services that become deeply embedded in customer workflows. This creates recurring revenue, high retention rates, and annual pricing power. And since the products are delivered electronically and all data has already been collected, the incremental margins are extremely high.

The remaining 48% of our Financials exposure includes differentiated insurers or unique advisory businesses. We believe that they have carved out unique and sustainable competitive advantages, such as **Primerica, Inc.**'s extensive distribution network or **Arch Capital Group Ltd.**'s best-in-class underwriting discipline. We also believe that all are benefiting from compelling secular trends, such as **Kinsale Capital Group, Inc.**'s exposure to dramatic growth in the Excess & Surplus insurance market.

While we consider these investments Financials, their success is not dependent on interest rates and they do not assume any credit risk. All share the attractive characteristics that we value in our investments, which include large addressable markets, positive secular trends, sustainable competitive advantages, attractive business models underpinned by recurring revenue, annual price increases, robust free-cash-flow generation, and best-in-class management teams.

One of our largest and longest held financials positions is FactSet. We estimate that the company serves an addressable market that exceeds $32 billion of annual recurring revenue. This is almost 16 times larger than its current size, offering a long runway for sustained growth. We believe that FactSet has built a highly differentiated portfolio of products, underpinned by unique data and analytics, expertise in data cleansing and concordance, a unique open-architecture approach, and best-in-class customer service. FactSet customers use the product as their primary workflow or analytics tool, creating sticky and visible revenue streams that have enjoyed retention rates above 95% for decades. FactSet is highly profitable, with EBIT margins of approximately 35%, and robust free-cash-flow generation.

FactSet's management team exclusively focuses on driving sustainable long-term growth. For example, three years ago the company announced a $100 million investment program to be incurred over three years. FactSet's investments were designed to collect proprietary data about private markets, to collect "deep sector" information, and to enhance the breadth and depth of its digital platform. While the investment reduced earnings in the short term, the investment has generated attractive returns for shareholders. Today, FactSet's rate of organic growth is approximately double its pre-investment level, its margins have mostly recovered, and its competitive positioning has been structurally enhanced.

We initially invested in FactSet in 2006. Over that period, FactSet has grown its revenue by 4.8 times and its EPS by 6.3 times, which corresponds to a 10% CAGR in revenue and a 12% CAGR in earnings. This consistent and recurring growth has generated a 14.9% CAGR in the stock since our initial purchase, exceeding the benchmark by 7.1% annually. We expect the company to generate similarly consistent financial results going forward and are optimistic that shares will respond similarly.

Table II groups our portfolio based on our assessment of the attributes that best characterize each investment. While this does not perfectly correlate to the Global Industry Classification Standard, the industry standard nomenclature, we believe it provides added transparency into our thought process.

Table II.
Total returns by category for the three months ended March 31, 2023

	% of Net Assets (as of 3/31/2023)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	**13.6**	**27.03**	**3.05**
Altair Engineering Inc.	0.7	58.59	0.27
ANSYS, Inc.	4.4	37.75	1.26
Guidewire Software, Inc.	1.0	31.15	0.26
Iridium Communications Inc.	6.5	20.75	1.27
Northvolt AB	0.2	9.39	0.02
Velo3D, Inc.	0.1	–0.66	–0.00
Farmers Business Network, Inc.	0.2	–2.59	–0.01
Figs Inc.	0.4	–9.36	–0.01
Financials	**39.4**	**10.72**	**4.00**
Primerica, Inc.	3.4	21.91	0.64
MSCI Inc.	11.3	20.61	2.04
Kinsale Capital Group, Inc.	4.0	14.82	0.51
Arch Capital Group Ltd.	8.2	8.11	0.60
Clearwater Analytics Holdings, Inc.	0.1	6.33	0.00
The Carlyle Group Inc.	0.7	5.05	0.04
FactSet Research Systems Inc.	6.6	3.68	0.26
Essent Group Ltd.	0.3	3.61	0.01
Moelis & Company	0.2	1.52	0.01
Houlihan Lokey, Inc.	0.5	0.94	0.01
Cohen & Steers, Inc.	1.6	–0.13	0.01
Morningstar, Inc.	2.5	–6.10	–0.13
Russell 2000 Growth Index		**6.07**	
Core Growth	24.0	3.17	0.92
West Pharmaceutical Services, Inc.	2.2	47.28	0.73
IDEXX Laboratories, Inc.	3.5	22.57	0.74
Littelfuse, Inc.	0.2	22.03	0.04
Bright Horizons Family Solutions, Inc.	1.1	21.96	0.22
Neogen Corp.	0.3	21.61	0.06
Marel hf.	0.1	18.16	0.03
Trex Company, Inc.	0.7	14.98	0.11
BrightView Holdings, Inc.	–	13.54	0.01
Mettler–Toledo International, Inc.	1.4	5.82	0.10
Dechra Pharmaceuticals PLC	0.1	2.80	0.02

Table II. (continued)
Total returns by category for the three months ended March 31, 2023

	% of Net Assets (as of 3/31/2023)	Total Return (%)	Contribution to Return (%)
Core Growth (continued)			
Krispy Kreme, Inc.	0.1	0.18	0.00
Gartner, Inc.	6.6	–3.09	–0.25
Bio–Techne Corporation	2.9	–10.39	–0.32
CoStar Group, Inc.	4.7	–10.91	–0.56
Real/Irreplaceable Assets	**22.2**	**0.07**	**0.17**
OneSpaWorld Holdings Ltd.	–	63.68	0.00
Boyd Gaming Corporation	0.4	17.91	0.06
Red Rock Resorts, Inc.	1.0	12.09	0.12
Choice Hotels International, Inc.	4.6	4.30	0.21
Gaming and Leisure Properties, Inc.	3.7	1.76	0.06
Marriott Vacations Worldwide Corp.	2.2	0.67	0.03
PENN Entertainment, Inc.	1.9	–0.15	0.03
Vail Resorts, Inc.	6.2	–1.03	0.02
Alexandria Real Estate Equities, Inc.	1.3	–12.93	–0.19
Douglas Emmett, Inc.	0.7	–20.18	–0.15
American Assets Trust, Inc.	0.0	–28.85	–0.02
Cash	**0.9**	**–**	**0.01**
Fees	**–**	**–0.28**	**–0.28**
Total	**100.0***	**7.87****	**7.87****

Sources: FactSet PA, BAMCO, and FTSE Russell.

* Individual weights may not sum to displayed total due to rounding.
**Represents the blended return of all share classes of the Fund.

Our investments in **Financials**, **Core Growth**, and **Real/Irreplaceable Assets** represent between 22.2% and 39.4% of the Fund's net assets, and aggregate to 85.6% of net assets. The remaining 13.6% of net assets, excluding cash, are invested in businesses that we consider to be Disruptive Growth businesses, which we believe offer greater growth potential, albeit with more risk relative to other investments. We believe this balance appropriately reflects our goal to generate superior returns over time with less risk than our Benchmark. As shown in the table above, this strategy was effective during the quarter. Our Disruptive Growth and Financials investments gained 27.0% and 10.7%, respectively. Our Core Growth and Real/Irreplaceable Assets appreciated at a lower rate. In aggregate, this balanced approach led to strong performance on an absolute and relative basis.

Table III.
Performance Characteristics
Millennium Internet Bubble to Post-COVID-19.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 3/31/2023	Millennium Internet Bubble to Present 12/31/1999 to 3/31/2023	Inception 12/31/1994 to 3/31/2023
Alpha (%)	5.05	4.21	5.64	7.09
Beta	0.58	0.83	0.71	0.72

Table IV.
Performance
Millennium Internet Bubble to Post-COVID-19. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 3/31/2023		Millennium Internet Bubble to Present 12/31/1999 to 3/31/2023		Inception 12/31/1994 to 3/31/2023	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Growth Fund	$12,448	2.46%	$68,343	14.44%	$85,077	9.65%	$314,705	12.99%
Russell 2000 Growth Index	$ 6,476	–4.71%	$49,394	11.86%	$31.986	5.13%	$ 76,297	7.46%
S&P 500 Index	$ 7,188	–3.60%	$60,504	13.47%	$43,490	6.53%	$152,702	10.13%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

In addition to strong short- and medium-term results, the Fund has meaningfully outperformed its Benchmark over the long term. The Fund has gained 12.99% on an annualized basis since its inception on December 31, 1994, which exceeds that of the Benchmark by 5.53% and the S&P 500 Index by 2.86%, annualized. This represents robust absolute and relative returns across a variety of market environments, driven primarily by favorable stock selection. We attribute this result to not losing money during periods of significant market drawdowns, such as the nine years ended December 2008, as well as robust absolute and relative performance during the most recent five-year period.

While the Fund did not make much money from December 31, 1999, through December 31, 2008, a period which includes the highs of the Internet Bubble and the lows of the Financial Panic, it did generate a positive annualized return of 2.46%. Conversely, a hypothetical investment in a fund designed to track the Fund's Benchmark would have declined in value by 4.71% on an annualized basis over the same time. Similarly, a hypothetical investment in a fund designed to track the large-cap S&P 500 Index would have declined 3.60% annualized. (Please see Table IV–Millennium Internet Bubble to Financial Panic). From the Financial Panic to present, the Fund generated an annualized return of 14.44%, which has exceeded that of its Benchmark by 2.58% annually, and the S&P 500 Index by 0.97% annually.

We believe that the power of compounding is better demonstrated by viewing these returns in dollar terms. A hypothetical investment of $10,000 in the Fund at its inception on December 31,1994 would be worth $314,705 on March 31, 2023. This is approximately 4.1 times greater than the $76,297 the same hypothetical investment made in a fund designed to track the Benchmark would be worth, and more than double a hypothetical investment in the S&P 500 Index. Hypothetically, our returns were achieved with approximately 28% less volatility than the Benchmark, as represented by its beta. (Please see Tables III and IV.) Importantly, we believe that the returns in the portfolio have come primarily through the compounded growth in the revenue and cash flow of the businesses in which we have invested rather than increases in valuation multiples. We are pleased that our long-term investments in what we believe are competitively advantaged companies with attractive growth prospects and exceptional management teams have generated attractive returns in good markets and have helped to protect capital during more challenging ones.

Table V.
Top contributors to performance for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
MSCI Inc.	2007	$1.8	$44.8	20.61%	2.04%
Iridium Communications Inc.	2014	0.6	7.8	20.75	1.27
ANSYS, Inc.	2009	2.3	29.0	37.75	1.26
IDEXX Laboratories, Inc.	2005	1.9	41.5	22.57	0.74
West Pharmaceutical Services, Inc.	2013	2.3	25.7	47.28	0.73

Shares of **MSCI Inc.**, a leading provider of investment decision support tools, contributed to performance. The company reported resilient fourth quarter 2022 earnings results and gave a cautiously optimistic outlook for 2023. MSCI also benefited from improved performance in the global equity markets in the quarter, which most directly impacts MSCI's asset-based fee revenue. We retain long-term conviction, as MSCI owns strong, "all weather" franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community.

Iridium Communications Inc. is a leading mobile voice and data communications services vendor offering global coverage via satellite. Shares increased following the company's announcement of a strategic partnership with Qualcomm aimed to integrate Iridium's satellite communication technology into Qualcomm's Snapdragon chip series. This partnership should provide a large growth opportunity for Iridium by significantly simplifying the integration of its technology with a slew of new devices including smartphones, laptops, tablets, and other connected devices within the Internet-of-Things (IoT) ecosystem. The relationship should generate revenue for Iridium not only through subscription services to potentially millions of devices but also through royalty and development payments. In addition, Iridium continued to see healthy growth across all key segments and has accelerated its robust shareholder return program with the announcement of its first cash dividend.

Shares of **ANSYS, Inc.**, a leading provider of physics-based simulation software, contributed following another robust quarterly report. ANSYS benefits from strong secular trends, a broad product line, solid execution, and its strategic relationship with its customers. Together, these attributes have helped the company to generate resilient growth across revenue and cash generation that, despite foreign exchange and Russia-related headwinds, came in well above analyst expectations. In spite of general macroeconomic weakness, management described continued traction among large customers and a healthy demand environment, especially in key verticals including technology, alternative energy, automotive, and aerospace. ANSYS continues to invest in its core technology while adding new capabilities to support future growth initiatives including artificial intelligence and cloud. The multi-year transition of its licensing model should allow for better growth predictability and further margin expansion in coming years.

Table VI.
Top detractors from performance for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2004	$0.7	$28.0	–10.91%	–0.56%
Bio-Techne Corporation	2009	2.1	11.7	–10.39	–0.32
Gartner, Inc.	2007	2.3	25.8	–3.09	–0.25
Alexandria Real Estate Equities, Inc.	2009	1.4	21.7	–12.93	–0.19
Douglas Emmett, Inc.	2009	1.0	2.2	–20.18	–0.15

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. The company is generating robust financial performance, with net new sales growing 15% in the quarter, and margins expanding by 200 basis points excluding growth investments. We expect the company's core businesses to continue to benefit from the migration of real estate market spend to online channels. CoStar has begun to invest aggressively in building its residential marketing platform. We estimate CoStar invested around $230 million in this initiative in 2022, and its initial 2023 guidance implies a total investment approaching $500 million. While this is a significant upfront commitment, we believe the residential market represents a transformative opportunity. The company's proprietary data, broker-oriented approach, and best-in-class management position it to succeed in this endeavor, in our view.

Bio-Techne Corporation is a leading developer and manufacturer of reagents, instruments, and services for the life sciences research, diagnostics, and bioprocessing markets. The stock detracted from performance following two consecutive quarterly earnings misses, combined with temporary headwinds including weakness in the company's large order consumables business due to reduced biotechnology funding as well as COVID curbs in China. We believe the company is well positioned for long-term growth, with competitive advantages including a core research reagents business, a rapidly expanding cell and gene therapy manufacturing tools business, and an emerging cancer diagnostics business.

After meaningfully outperforming last year, shares of **Gartner, Inc.,** a provider of syndicated research, gave up some gains in the first quarter. Business conditions have softened modestly, as Gartner's IT vendor customer base is being negatively impacted by layoffs and cost reductions across the sector. Despite this headwind, Gartner is still generating attractive double-digit growth in research contract value. We expect sustained revenue increases and renewed focus on cost control to drive margin expansion and enhanced free-cash-flow generation over time. The company's balance sheet is in excellent shape and can support aggressive repurchases and bolt-on acquisitions, in our view.

Recent Purchases

During the quarter, we made an initial investment in **Clearwater Analytics Holdings, Inc.**, a leading software-as-a-service solution for asset owners and managers. Clearwater's platform provides automated investment data aggregation, reconciliation, accounting, compliance, risk, performance, and reporting tools for insurers, asset managers, and corporations. Each day, the company reports on more than $6.4 trillion in assets across its base of 1,260 clients. Clearwater is a business that we have been researching for over a year, and the Fund was able to take advantage of market dislocation to initiate an investment at a compelling price.

We estimate that Clearwater serves a total addressable market (TAM) of approximately $6 billion of annual recurring revenue, or more than 16 times larger than its current base of business. We believe that the opportunity to launch new products and serve new customer types will effectively double its TAM over time. Clearwater's cloud-based multi-tenant platform enables customers to reduce cost, time, and risk relative to their competitors, who frequently use legacy software in combination with manual processes. Clearwater also benefits from network effects related to its single database model where securities are processed once and leveraged across all clients. As such, growth in Clearwater's client base helps to broaden and deepen the company's data set and reduces its cost of service. We believe the superiority of its offering is reflected in the company's win rates, which are approximately 80% in competitive situations. We also believe this is reflected in Clearwater's 98% gross retention rate and a net promoter score above 60.

We believe Clearwater is well positioned to achieve consistent 20% organic revenue growth driven by a combination of greater adoption from existing clients, new client acquisition, international expansion, and deeper penetration into adjacent client types. Clearwater is poised to launch several new products including Prism, LPx, and JUMP Technology, which should help increase net revenue retention over time. Finally, long-term asset appreciation should provide a modest tailwind to growth over the long term.

We believe that the company employs an attractive financial model. Clearwater sells recurring subscription agreements, which have been augmented by a recent pricing model transition to minimize asset-based revenue fluctuations. The company already generates EBITDA margins in the high-20% range, which we expect to expand to 40% over time with the benefits of scale. We believe that Clearwater will be a steady earnings compounder, which we anticipate driving solid returns for the stock over a multi-year period.

We also made an investment in **Krispy Kreme, Inc.**, a manufacturer and retailer of branded fresh doughnuts. Krispy Kreme operates an omni-channel model, selling its product through its owned and franchised doughnut shops, in grocery and convenience stores through its Delivered Fresh Daily (DFD) network, and via e-commerce and delivery in the U.S. and non-U.S. markets. The company also owns Insomnia Cookies, a digital-first brand specializing in cookies and focused on young consumers.

Krispy Kreme benefits from strong global brand awareness and ubiquitous appeal. The company's brand awareness is supported by experiential shops known as Hot Light Theaters, which create an immersive and interactive environment to showcase the brand and high-quality product. At the same time, Krispy Kreme's unique hub-and-spoke model allows the company to maximize customer reach and minimize capital expenditures while maintaining freshness and quality.

Krispy Kreme is well positioned to realize long-term revenue and EBITDA growth by expanding and optimizing the hub-and-spoke model. In the U.S., where the hub-and-spoke model is less mature, the company can significantly increase points of access, drive revenue per hub, and improve EBITDA margins with limited capex. In addition, there are still large untapped markets in the U.S., including Boston and Minneapolis, where new hub-and-spoke networks can be established. Internationally, where the hub-and-spoke model is more developed, Krispy Kreme intends to drive growth by further expanding its DFD reach and by entering new markets.

We believe that Krispy Kreme is well positioned for durable growth. Customer feedback indicates that the most significant barrier to greater consumer adoption is proximity to the company's products. This supports the company's strategy to expand from fewer than 12,000 fresh points of access today to 18,500 over the next four years, with the potential for 75,000 in the long term. We believe that the company can enhance revenue growth with margin improvement through various cost cutting and efficiency initiatives, including the implementation of more automated manufacturing processes.

Portfolio Structure and Investment Strategy

We seek to invest in businesses with durable fundamental characteristics and attractive long-term growth prospects. These attributes include high barriers to entry, sustainable competitive advantages, large and growing addressable markets, and enduring secular tailwinds. We favor business models that have high levels of recurring and predictable revenue, generate attractive incremental margins, are cash generative, and are not dependent on third-party financing. We exclusively invest with management teams that consistently reinvest into their businesses. This is to raise barriers to entry and pursue long-term profitable growth. We work with our growing team of research analysts and portfolio managers, who are senior analysts, to verify, refine, or refute our assessment of these businesses and our expectations for durable growth across business cycles.

We hold investments for the long term. As of March 31, 2023, our weighted average holding period was 15.3 years. This is dramatically longer than most other small-cap growth funds, which, according to Morningstar, turn over about 76% of their portfolios annually based on an average for the last five years. The portfolio's 10 largest positions have a weighted average holding period of 17.0 years, ranging from a 6.3-year investment in **Kinsale Capital Group, Inc.** to investments in **Choice Hotels International, Inc.** and **Vail Resorts, Inc.** that now both exceed 26 years**.** We have held 23 investments, representing 77.4% of the Fund's net assets, for more than 10 years. We have held 20 investments, representing 21.7% of the Fund's net assets, for less than 10 years. We believe that Table VII and Table VIII quantify the merits of our long-term holding philosophy.

Table VII.
Top performing stocks owned more than 10 years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase	Annualized Return Since First Date of Purchase
IDEXX Laboratories, Inc.	2005	3,374.6%	21.6%
Choice Hotels International, Inc.	1996	2,382.7	13.4
MSCI Inc.	2007	2,359.7	23.2
Arch Capital Group Ltd.	2002	2,274.0	16.3
Mettler-Toledo International, Inc.	2008	2,021.2	23.8
CoStar Group, Inc.	2004	1,619.5	16.7
Vail Resorts, Inc.	1997	1,391.1	10.9
Gartner, Inc.	2007	1,371.4	18.8
ANSYS, Inc.	2009	1,180.5	19.6
Cohen & Steers, Inc.	2004	1,051.9	14.0
Morningstar, Inc.	2005	1,016.6	14.4

The cohort of investments that we have held for more than 10 years earned a weighted average annualized rate of return of 16.7% since we first purchased them. This exceeded the performance of the Fund's Benchmark by 8.4% annualized. Four of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year.

Table VIII.
Top performing stocks owned less than 10 years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase	Annualized Return Since First Date of Purchase
Kinsale Capital Group, Inc.	2016	1,029.9%	46.7%
West Pharmaceutical Services, Inc.	2013	987.7	27.6
Iridium Communications Inc.	2014	757.2	27.3
Trex Company, Inc.	2014	447.4	20.8

The cohort of investments that we have held for less than 10 years has returned 24.6% annually on a weighted average basis since our initial purchase, exceeding the Benchmark by 18.3% annualized. Eight of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year, including five that have achieved annualized returns that exceeded the Benchmark by more than 15% per year.

Portfolio Holdings

As of March 31, 2023, we owned 43 investments. The top 10 holdings represented 63.2% of the Fund's net assets, many of which have been held for more than 10 years. All were small-cap businesses at the time of purchase and have become top 10 positions mostly through stock appreciation. Our holdings in these stocks have returned 20.2% annually based on weighted average assets since our initial investment, exceeding the Benchmark by an average of 12.6% annually. We attribute much of this relative outperformance to the superior growth rates and quality exhibited by these businesses relative to the Benchmark average. We believe all our positions offer significant further appreciation potential individually, and that the Fund's diversification offers potentially better-than-market returns with less risk than the market as measured by beta. Note that diversification cannot guarantee a profit or protect against loss.

While we only purchase small-cap companies, we tend to hold stocks as long as our investment thesis remains intact, and we see a path to earning attractive compounded returns. This causes the Fund to own a significant percentage of assets in securities that have appreciated beyond their market capitalizations at the time of purchase. Baron Growth Fund's median market cap is $6.3 billion, and its weighted average market cap is $19.1 billion. This compares to Morningstar's U.S. market cap breakpoints for small- and mid-cap funds of $6.8 billion and $39.3 billion, respectively, as of March 31, 2023.

Table IX.
Top 10 holdings as of March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
MSCI Inc.	2007	$1.8	$44.8	$847.9	11.3%
Arch Capital Group Ltd.	2002	0.4	25.2	614.9	8.2
FactSet Research Systems Inc.	2006	2.5	15.9	498.1	6.6
Gartner, Inc.	2007	2.3	25.8	491.9	6.6
Iridium Communications Inc.	2014	0.6	7.8	484.6	6.5

Table IX. (continued)
Top 10 holdings as of March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Vail Resorts, Inc.	1997	$0.2	$ 9.4	$467.4	6.2%
CoStar Group, Inc.	2004	0.7	28.0	355.3	4.7
Choice Hotels International, Inc.	1996	0.4	6.0	347.5	4.6
ANSYS, Inc.	2009	2.3	29.0	332.8	4.4
Kinsale Capital Group, Inc.	2016	0.6	6.9	300.2	4.0

Thank you for joining us as fellow shareholders in Baron Growth Fund. We appreciate the confidence you have shown in us, and we will continue to work hard to justify that confidence.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager

Neal Rosenberg
Co-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: The Adviser believes that there is more potential for capital appreciation in smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities may be thinly traded, and they may be 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.

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 managers 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 Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta:** measures a fund's sensitivity to market movements. The beta of the market (Russell 2000 Growth Index) is 1.00 by definition. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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).

DEAR BARON SMALL CAP FUND SHAREHOLDER:

PERFORMANCE

CLIFF GREENBERG
PORTFOLIO MANAGER

Retail Shares: BSCFX
Institutional Shares: BSFIX
R6 Shares: BSCUX

Baron Small Cap Fund® (the Fund) was up 9.44% (Institutional Shares) in the first quarter of 2023, outperforming the Russell 2000 Growth Index (the Benchmark) and the S&P 500 Index, which were up 6.07% and 7.50%, respectively.

As shown in the table below, the Fund has outperformed the Benchmark, which is the most comparable index, for all the periods shown. Since inception over 25 years ago, we have outperformed by an average of 400 basis points a year.

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Small Cap Fund Retail Shares[1,2]	Baron Small Cap Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	9.38%	9.44%	6.07%	7.50%
One Year	(10.74)%	(10.51)%	(10.60)%	(7.73)%
Three Years	16.75%	17.05%	13.36%	18.60%
Five Years	8.12%	8.41%	4.26%	11.19%
Ten Years	9.61%	9.89%	8.49%	12.24%
Fifteen Years	9.27%	9.53%	8.67%	10.06%
Since Inception (September 30, 1997)	9.69%	9.84%	5.84%	7.91%

It was an eventful quarter that saw the market and the Fund bouncing back nicely from the drubbing of 2022, while the macro outlook gyrated. The Fund performed well in January, up double digits, as the economy seemed solid, inflation readings showed steady declines, and the prevailing sense was that the Fed was close to ending interest rate hikes. However, some important economic reports came in surprisingly stronger than anticipated in February, pushing up interest rates and shifting the narrative to continued Fed tightening and higher rates persisting. Three regional banks failed, which raised serious issues about the health of the banking sector. Though concerns about the safety of consumer deposits and of systemic risk have stemmed, it is now assumed that bank lending practices will be more restrictive, which could have a dampening effect on the economy. Economic data in March showed softening employment data and continued declines in inflation, which has resulted in lower bond yields and fear of a potential slowdown in the offing.

Stocks and other assets acted well in the quarter even in the face of cross currents. We are nearing the end of the most aggressive Fed tightening cycle in recent history, but present inflation readings (5% CPI) and employment levels (3.5% unemployment) are still well above target levels. The Fed continues to talk tough/dogmatically to crush inflation. Restrictive monetary policy usually takes about a year to impact the economy, which we are now feeling. The severely inverted yield curve is a warning sign that the risk of recession is elevated. Against this complicated backdrop, we believe stocks acted well because they were oversold and cheap, even if the outlook is softer. If rates stabilize and eventually decline and business remains firm for the most part, the environment for equities will be supportive.

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 1.30% and 1.04%, 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 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.

[1] The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** 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 indexes and the Fund include reinvestment of dividends, net of 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 in the table 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 May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

[4] Not annualized.

BARON FUNDS 1987

The Fund had a strong quarter on an absolute and relative basis. On a relative basis, the Fund benefited from positive stock selection in most sectors. Our Consumer Discretionary stocks were standouts, led by strong performance from **Floor & Decor Holdings, Inc.**, **Installed Building Products, Inc.**, **European Wax Center, Inc.**, and **Red Rock Resorts, Inc.** All of these stocks were terrible performers in 2022, and their stocks recovered to more reasonable valuation levels as the business fundamentals remained intact. Our Industrials holdings, where we have our largest sector concentration, did well, led by appreciation in the stocks of **SiteOne Landscape Supply, Inc.**, **TransDigm Group Incorporated**, **John Bean Technologies Corporation**, and defense providers **Mercury Systems, Inc.** and **Kratos Defense & Security Solutions, Inc. Liberty Media Corporation–Liberty Formula One** and **The Trade Desk** stood out among our Communication Services stocks though they aren't communications companies. GICS makes some weird classifications. Our relative returns also benefited from good performance among our Health Care and Financials stocks, most notably gains in **ICON Plc** and **Neogen Corp.** in Health Care and **Kinsale Capital Group, Inc.** and **WEX Inc.** in Financials.

Our Information Technology (IT) stocks were relative underperformers this quarter. The sector performed well, but two of our big positions, **Gartner, Inc.** and **Endava plc**, were down, and we don't own semiconductor companies, which soared. Conversely, we don't own Energy or biotechnology stocks, which was a benefit this quarter. Our style of favoring higher earnings quality companies and skewing higher in market cap was helpful this period. We mentioned in the last quarterly report that we suspected that our worst performing stocks in 2022 could likely be some of our best performers in 2023…. which proved to be the case in the first quarter.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
Floor & Decor Holdings, Inc.	1.01%
Installed Building Products, Inc.	0.82
Guidewire Software, Inc.	0.59
SiteOne Landscape Supply, Inc.	0.54
Altair Engineering Inc.	0.47

Floor & Decor Holdings, Inc. is a high-growth, differentiated specialty retailer of hard-surface flooring, offering the widest in stock selection of flooring options at everyday low prices in large warehouse format stores. Shares rose this quarter as the company reported strong results for the end of 2022 and better-than-anticipated guidance for the upcoming year. Floor & Decor beat guidance for the fourth quarter, with sales up 24%, comp store sales up 9%, and earnings up 39%. The company had a monster year in 2021, benefiting from COVID, as folks invested more in their homes, so to grow nicely off that base was impressive. For 2023, the forecast is for flattish earnings, as same-store-sales are expected to be flat to down with the economy slowing and housing in the doldrums. We see Floor & Decor as the category killer, growing its store base from 190 presently to over 500 stores in time, generating higher margins as the business grows and matures, and succeeding in ancillary categories, like the commercial flooring space. We believe the company will get back on its historic pace of growing operating income 25% per year and driving earnings from around $3 per share today to over $8 per share in five years.

Installed Building Products, Inc. (IBP) is a leading installer of insulation and other building products for the residential housing end market. Like Floor & Decor, IBP's shares rose this quarter from depressed levels, as the company reported strong current results and forecasted that business would remain firm even in the face of higher interest rates. IBP had an incredible year in 2022, with revenues up 36% and EBITDA up 54%. Margins expanded 280 basis points, and management returned $200 million to shareholders via dividends and share repurchases. Still, the stock traded down to about 11 times earnings and 7 times EBITDA over fear of a much tougher environment ahead. Though housing starts have declined with the rise in interest rates, we now believe that IBP can have about flat earnings in 2023, and then revert to growth. The company has been public for nearly a decade and has an impressive record of revenue growth at 20% per year and EBITDA growth of 40% per year over that period. From a combination of organic growth and accretive acquisitions, we underwrite about 15% growth per year go forward from this higher base. Even after the rise this year, the stock is cheap on our near-term estimates and trades about 4 times our projection of EPS in 5 years.

Shares of property and casualty (P&C) insurance software vendor **Guidewire Software, Inc.** contributed to performance for the quarter. The company has crossed the midpoint of its cloud transition and is now demonstrating more consistent recurring revenue growth and durable gross margin expansion. We believe Guidewire will be the leading software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%. Early in the quarter, Guidewire's largest competitor was acquired by a private equity firm at a meaningful premium to Guidewire's current valuation. We believe this acquisition will help further enhance Guidewire's win rates and pricing power, while also illustrating the significant multiple expansion opportunity embedded in its current share price.

SiteOne Landscape Supply, Inc. is the largest distributor of wholesale landscape supplies in North America, selling irrigation, hardscapes, agronomics, and nursery products to professional contractors through its network of branches primarily for residential and commercial maintenance. Shares rose during the quarter on a 2023 financial outlook that beat analyst estimates and a recovery in investor sentiment for housing-related stocks. However, we expect EBITDA to be lower this year as margins retrace from extended levels and organic sales soften from an anticipated slowdown in housing starts. Still, we have great confidence that SiteOne is poised for continued growth and margin enhancement. We think SiteOne can more than double its present 16% share of the highly fragmented market through organic growth and strategic acquisitions and, over time, greatly increase its profit margins. We believe that EBITDA can double over the next five years, that the company will generate excess free cash flow (FCF), and that the trading multiple of the stock will rise from present levels, all which should drive strong stock performance over the long term.

Altair Engineering Inc. is a leader in the multi-billion dollar computer aided simulation market. Alongside a general recovery in technology stocks, Altair's shares appreciated after it reported above-consensus quarterly results. Management described a strong demand environment despite ongoing macroeconomic concerns. Large deal momentum remained healthy, while key verticals, including automotive and technology, performed at or above expectations across all key geographies. Over the past few years, the company has expanded its core offering to data analytics, mostly through acquisitions, and management described improved dynamics in this segment of the business as it scales. In addition to strong quarterly results, company guidance pointed to higher growth and profitability and implied additional margin expansion in the years to come. We believe Altair should benefit from secular trends, including an increase in product complexity that will require customers to adopt more simulation, while reduced computing costs and product innovation should allow its products to be adopted by a broader set of users.

Other stocks that appreciated 25% or more but added less to our overall performance in the quarter include **European Wax Center, Inc.**, **Liberty Media Corporation–Liberty Formula One**, **The Beauty Health Company**, **The Trade Desk**, **Kratos Defense & Security Solutions, Inc.**, **DraftKings Inc.**, and **Holley Inc.**

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
Gartner, Inc.	–0.19%
Axonics, Inc.	–0.18
Endava plc	–0.18
Liberty SiriusXM Group	–0.15
Repay Holdings Corporation	–0.13

Shares of **Gartner, Inc.**, the leading provider of syndicated research to business leaders, gave up some of last year's strong relative performance in the first quarter. Business conditions have softened modestly, as Gartner's IT vendor customer base is being negatively impacted by layoffs and cost reductions across the sector. So, the company is projecting that revenues in 2023 will grow in the high single digits, not the low double digits as in the last few years. The company is guiding for lower margins to pay for the expanded sales staff that ramped up last year. Though this year will be tougher, we think the company will continue to grow revenues at high rates, that margins will expand, and that FCF will be substantial and used primarily for share repurchases (the company bought back $1 billion of stock in 2022). We expect FCF per share to compound at over 20% a year, and we believe the stock is attractive short term at a mid-teens multiple of our 2024 estimate and super cheap trading at under 9 times our FCF estimate in five years.

Axonics, Inc. offers a novel implantable sacral neuromodulation device for the treatment of urinary and bowel dysfunction. Through an acquisition, it also offers Bulkamid, a unique injectable product to treat stress urinary incontinence in women. Axonics reported strong results for the fourth quarter, with revenues growing 62% and positive profitability, which was ahead of schedule. Shares declined somewhat during the first quarter as Health Care was out of favor and the stock's multiple compressed. We like Axonics for the long term, as we believe its product is unique and superior to existing competitive solutions. The addressable market is sizeable and underpenetrated. We think the company can triple its revenues over the next five years and eventually earn mid-30% margins.

Endava plc provides outsourced software development for business customers. Shares fell after the company reduced financial guidance to reflect slower bookings, as macroeconomic uncertainty weighed on client decision-making in December. Nevertheless, the company reported solid quarterly results, with 30% revenue growth and 26% EPS growth. Management noted that bookings have improved in the first couple of months of 2023, and it expects annualized revenue growth to quickly return to greater than 20%. We remain investors because we believe Endava will continue gaining share in a large global market for IT services.

Liberty SiriusXM Group consists of Liberty Media Corporation's majority interest in Sirius XM Holdings, Inc. SiriusXM is a large U.S. commercial-free subscription-based music service. Shares were down this quarter on 2023 guidance that missed analyst estimates and continued investor uncertainty around advertising revenue given unclear macroeconomic conditions. The company expects FCF to fall by about a third this year, as it spends on satellite launches and platform rebuilds, while revenues face headwinds of slow auto sales and soft advertising. The company is focused on building its streaming only service, but growth and profitability of that offering is uncertain. Standalone Sirius shares now trade at a low multiple, and the Liberty Sirius shares trade at a steep discount to that. Liberty Media Corporation continues to increase its percentage ownership and, ultimately, we expect some change in corporate structure, which we think would benefit shareholders.

Shares of payment processing solutions provider **Repay Holdings Corporation** fell this quarter. Although the company reported strong fourth quarter results with 17% organic gross profit growth and 29% EBITDA growth, its 2023 financial guidance missed Street expectations. We believe Repay's weaker outlook reflects macroeconomic uncertainty, the divestiture of a non-core business, tough comparisons in the B2B segment due to biennial political ad spending at its media clients, and, perhaps, some conservatism on the company's part. We are disappointed that growth has slowed in the core consumer segment but are hopeful that results will return to mid-teens growth. We think the shares are silly cheap, at less than seven times depressed EBITDA, for a well-managed business with unique offerings and a scalable operating platform.

Portfolio Structure & Recent Activity

As of March 31, 2023, we had $4.3 billion under management and held 62 stocks. The top 10 positions made up 32.2% of net assets. Compared to usual levels, we own fewer stocks and are somewhat less diversified than usual. We find ourselves reducing positions we are less enamored with and not adding many new names, given the dearth of new issues, which have historically been a good pipeline to find fresh new investments. Our top 10 holdings are listed below and are similar to those in prior periods. Most all of the stocks have been held for a long time…four over 10 years, three between 5 and 10 years, and three less than 5 years. For the most part, they all have been *big winners* and have appreciated multiple fold. They remain in the top 10 because we still believe that they are special businesses and can continue to perform well in the future.

Table IV.
Top 10 holdings as of March 31, 2023

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$232.9	5.4%
Kinsale Capital Group, Inc.	2019	150.1	3.5
ICON Plc	2013	149.5	3.5
ASGN Incorporated	2012	144.7	3.4
Floor & Decor Holdings, Inc.	2017	137.5	3.2
SiteOne Landscape Supply, Inc.	2016	136.9	3.2
Red Rock Resorts, Inc.	2016	122.6	2.9
Vertiv Holdings Co	2019	109.5	2.6
Guidewire Software, Inc.	2012	100.5	2.4
Chart Industries, Inc.	2022	94.1	2.2

At the end of the quarter, the sectors of highest concentration were Industrials (27.4% of net assets), IT (18.9%), Consumer Discretionary (15.4%), and Health Care (12.8%). Compared to the Benchmark, we are notably overweight in Industrials, meaningfully underweight in Health Care, modestly overweight in Consumer Discretionary, and essentially market weight in IT. We don't own any stocks in the Energy or Utilities sectors and are underweight in Materials and Consumer Staples, which adds to the variance between the Fund and the Benchmark. Our process is to identify and invest for the long term in differentiated, high-quality, well-managed, secular growth companies, and the sector weightings are an outgrowth of this effort. So, we are underweight Health Care because we don't own biotechnology stocks, as small-cap biotechnology companies aren't established enough. We don't invest in Energy and Utilities because we struggle to find exciting special niche businesses whose success isn't too heavily based on the movement of commodity prices. We find an oversized number of terrific companies in the Industrials and Consumer Discretionary sectors, not to express a view on the state of the economy, but because our expertise in those sectors permits us to identify businesses and management teams that meet our high standards.

We are true to our characterization as long-term investors. About a third of the assets in the portfolio are invested in companies that we have owned for over 10 years. Another quarter is in stocks of companies we have owned for between 5 and 10 years. These holdings have appreciated about 20% on an annualized basis since initial purchase*, which is a testament to our ability to benefit from this long-term approach. We have about 60% of the Fund invested in stocks that have doubled or more since their initial purchase and 28.5% in stocks that have appreciated more than five times since our initial purchase. These *big winners* have been the drivers to our strong historic relative returns.... on average 400 basis points better than the Benchmark for over 25 years.

Our turnover is low.... about 16% on average over three years.... because of our long-term approach. Market capitalization is a consideration in our management of the Fund. Our approach is to buy only small-cap stocks, but to hold onto our winners as long as we believe they will continue to be strong performers. We regularly monitor and reduce the position sizes of some of our long-term and successful holdings to manage the overall market cap of the Fund. However, since the Fund is now over 25 years old, and we hold on to our winners (though reducing our exposure along the way), the Fund skews higher in market cap than many other funds of our ilk.

Table V.

Top net purchases for the quarter ended March 31, 2023

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
Clarivate Plc	2019	$6.3	$16.0
Neogen Corp.	2022	4.0	13.0
Chart Industries, Inc.	2022	5.4	12.6
Clearwater Analytics Holdings, Inc.	2021	3.9	1.9
E2open Parent Holdings, Inc.	2021	1.8	0.2

We added to our position in **Clarivate Plc**, a leading global information services provider that serves customers across academia and government, life sciences & health care, and intellectual property. Clarivate goes to market with a collection of well-known brands, including Web of Science, ProQuest One, Alma, Cortellis, Derwent, and CompuMark.

Clarivate has an attractive business model. The company's foundation is its highly valuable proprietary data assets (#1 or #2 player in most markets) that are combined with analytical tools and insights to help users apply the underlying data to everyday business problems. As an important part of the end users' daily workflow, Clarivate's indispensable, mission-critical solutions create a sticky and predictable business model with high levels of recurring revenue (about 80% recurring revenue and over 90% renewal rates). Clarivate has strong operating leverage ("build it once, sell it many times") and should be able to sustain adjusted EBITDA margins in the low to mid-40% range.

We see several areas of opportunity for the business going forward. First, new CEO Jonathan Gear and CFO Jonathan Collins appear to have set attainable financial targets that should lead to an improved execution track record. Second, prior management assembled a collection of great assets via acquisition, but integration proved challenging, leaving the balance sheet stretched. Management is now pausing large-scale M&A and pivoting its operating model to lower net leverage (less than 3 times by 2025) and to drive an improvement in organic growth (from low single digits today up to mid-single digits by 2025) with a renewed operating framework. Third, Clarivate has an attractive underlying FCF profile that will become more apparent this year, as one-time integration costs wind down. We have confidence that the new management team can execute these initiatives, and they also have a prominent activist investor monitoring their progress.

We believe that Clarivate trades at an extremely cheap valuation for such a high-quality, recurring revenue business that operates in resilient end markets. We think Clarivate will show attractive growth in FCF per share in the coming years, which should drive solid returns for the stock.

We also added to **Neogen Corp.** and **Chart Industries, Inc.** at attractive stock prices relative to our long-term estimates of intrinsic value of their businesses.

Table VI.

Top net sales for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Installed Building Products, Inc.	2017	$2.4	$ 3.2	$48.1
Progyny, Inc.	2022	3.9	3.1	21.5
Nuvei Corporation	2020	4.3	4.2	19.6
Americold Realty Trust	2018	2.4	7.7	12.4
Gartner, Inc.	2007	2.2	25.8	12.3

We trimmed **Installed Building Products, Inc.**, **Americold Realty Trust**, and **Gartner, Inc.** to manage their respective position sizes. We exited our position in **Progyny, Inc.**, a leading provider of carve-out employer sponsored fertility benefits. Progyny benefited from a first-mover advantage in a benefit which is growing in popularity, but concerns about increased competition, a weaker employment market, slower growth, and a more capital-at-risk model led us to redeploy funds to other ideas. We sold **Nuvei Corporation** due to a meaningful slowdown in its revenue and earnings growth, while also growing skeptical of the company's competitive advantage.

* Reflects security performance from the date of the Fund's first purchase until 3/31/2023. The return of the investment in Baron Small Cap Fund may be lower or higher than the security performance, depending on the Fund's purchases and sales over the period.

Outlook

We are in the late innings of an interest rate tightening cycle, which has succeeded in slowing down the economy and reducing inflation. However, there is much consternation as to the degree of the slowdown and the time in which rates need to rise or stay elevated to get inflation to levels the Fed is targeting. Since the Fed is data dependent and investors are highly focused on what the Fed will do next, we are living in a world of intense scrutiny of the next data point, which often is capturing somewhat stale information. It is very frustrating.

We find evidence of lower inflation and slowing growth from both economic reports and our discussions with companies, which offers a broad and diverse sample. Our companies relate, for the most part their input costs are declining, except for wages that are now rising modestly. They raised prices on their goods and services over the last two years, after the intense price shocks coming out of supply-chain disruptions and unusual demand of the post-COVID period. Those price increases are running through their P&Ls now, as they have caught up on the price/cost equilibrium and we are seeing those price increases as inflation in the economic data. But our companies are done increasing prices and now hope to hold onto prior hikes as demand slows. A very different scenario. Also, now that labor is available, wages do not have to keep rising to attract new employees or retain present staff. We take this all to bode well for the future path of inflation, which might be a little higher than in the recent past, but not an issue like it has been for the last year.

We also hear that demand is softening. This is more unsettling. Presently, business is pretty good, slowing somewhat but remarkably resilient. However, we do not believe that we or company managements have a good feel on the path of future demand. This is what we are monitoring closest.

To simplify the concern that many strategists and market prognosticators have about the market, the bear case is:

- The market is expensive.
- Earnings estimates are too high, as they don’t take into account negative growth that will be caused by a pending recession.
- Stock multiples will decline if estimates are reduced.

We look at companies and our portfolio on a more granular and micro basis and come to different conclusions.

First, we view our portfolio as cheap not expensive. Based on our estimates of what our companies will earn, we think our stocks are trading at multiples that are at a discount to…often a significant discount to… what we think are the appropriate and likely long-term trading multiples. Of our top 10 stocks, we think 4 are trading at reasonable multiples on our 2023 estimates and six are undervalued. When we look to 2024, all of our top 10 holdings trade at discount multiples.

Second, we believe we will see growth this year. We project that about 85% of our holdings will have up earnings (or EBITDA, FCF….) this year. We are in constant contact with our managements, and we derive our estimates from those conversations and keen understanding of the sectors in which they operate. The growth metrics of our holdings are probably better than the market in general because we invest in leading niche companies benefiting from secular growth, market share gains and pricing power. We acknowledge that growth rates will be slower this year than we would normally expect, since the macro environment is challenging; however, we do expect growth.

Third, we are monitoring our estimates for accuracy. After fourth quarter results, we raised or kept constant our earnings estimates for about two-thirds of our holdings and reduced them for one-third. So, if anything, we deem our earnings estimates as realistic tending toward conservative.

The $64,000 question is are trends going to change for the worse and do we and our companies just not see it yet? If trends do decelerate, how bad can it get and for how long? Time will tell as this will determine the near-term course of the market.

Longer term, we believe strongly that our companies will revert to their historic growth rates and earnings will be considerably higher. Stocks will revert to trading at appropriate multiples, which for the most part, are higher than present, irrespective of where interest rates settle out. And the combination of higher earnings and higher multiples will result in higher stock prices and strong returns for the Fund.

Thanks very much for your interest and investment in the Fund.

Cliff Greenberg
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 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 Small Cap 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.

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).

Dear Baron Opportunity Fund Shareholder:

Performance

During the first quarter, Baron Opportunity Fund® (the Fund) climbed 17.96% (Institutional Shares), outperforming the broader market, including the Russell 3000 Growth Index, which rose 13.85%, and the S&P 500 Index, which gained 7.50%.

Table I.
Performance†
Annualized for periods ended March 31, 2023

	Baron Opportunity Fund Retail Shares[1,2]	Baron Opportunity Fund Institutional Shares[1,2,3]	Russell 3000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	17.85%	17.96%	13.85%	7.50%
One Year	(19.91)%	(19.70)%	(10.88)%	(7.73)%
Three Years	15.07%	15.37%	18.23%	18.60%
Five Years	14.56%	14.87%	13.02%	11.19%
Ten Years	13.74%	14.03%	14.16%	12.24%
Fifteen Years	11.99%	12.26%	11.88%	10.06%
Since Inception (February 29, 2000)	8.15%	8.32%	5.99%	6.90%

MICHAEL A. LIPPERT
PORTFOLIO MANAGER

Retail Shares: BIOPX
Institutional Shares: BIOIX
R6 Shares: BIOUX

Review & Outlook

As I addressed in my quarterly letters last year, we did not make portfolio decisions based on macro or market projections. Instead, we remained focused on our long-term investment mandate (my tag line: *faster for longer*); our in-house research differentiation; powerful and undeniable secular growth trends disrupting industries and driving long-term growth; and identifying exceptional businesses with, among other things, durable competitive advantages, cash-generative business models, and double-digit multi-year projected annual returns. I did emphasize last quarter that, based on our research and analysis, we believed the setting was favorable for our Fund and secular growth stocks. In particular, I highlighted that valuations had compressed to attractive levels and that projected financial metrics (revenues, earnings, and cash flow) had come down significantly to reasonable and even conservative levels. In addition, the inevitable principle of reversion to the mean augured well for growth stocks and the technology-related industry groups, which significantly underperformed

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 1.31% and 1.05%, 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 The Adviser may reimburse certain 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-, 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 **Russell 3000® Index** measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The **Russell 3000® Growth Index** measures the performance of those companies classified as growth among the largest 3,000 U.S. companies and the **S&P 500 Index** 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 indexes and the Fund include reinvestment of dividends, net of 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 in the table 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 May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

since late 2021. While I could not and did not attempt to predict precise timing, reflecting on the first quarter I believe these factors played a major role in our outperformance for the period. The Fund's exposure to the secular trends of artificial intelligence (AI), semiconductors, software, cloud computing, and electric vehicles (EVs) generated the lion's share of our outperformance. Leading the way (in contribution order) were individual investments in **NVDIA Corporation** (up 90%), **Tesla, Inc.** (up 68%), **Microsoft Corporation** (up 21%), **Amazon.com, Inc.** (up 23%), **indie Semiconductor, Inc.** (up 81%), **Alphabet Inc.** (up 16%), **Advanced Micro Devices, Inc.** (up 51%), and **Meta Platforms, Inc.** (up 76%).

The market and economic backdrops have not materially changed, but they have continued to march along the paths we have been discussing and most experts have been predicting. The market dialogue and gyrations continued to revolve around interest rates, inflation, the Federal Reserve, and the (now expected) recession. Stocks rose sharply to start the year on investor hopes that moderating inflation data and weakening economic indicators would convince the Fed to stop raising rates, perhaps enabling them to orchestrate a soft landing. But lagging inflation data proved stubborn, rates and Fed Funds futures rose, and the market retreated in February. In early March, the emergence of a banking crisis, following the sudden failures of Silicon Valley Bank and Signature Bank, amplified market and economic risks. As a result, the Fed raised rates by just 25 bps (when 50 bps had been feared), U.S. Treasury yields collapsed, the yield curve inverted further, and the market sold off. Federal regulators quickly intervened to backstop bank depositors and to prevent contagion from spreading, helping the market end the quarter on a rebound.

As we sit here today – not trying to call the macro but observing the data and consensus expert opinions – it appears that peak rates for U.S. Treasuries (not Fed Funds, where another 25 bps increase is widely anticipated) and peak inflation are now in the rearview mirror. Looking at the road ahead, expectations are consolidating around a likely recession, with the bank failures and rescues and tighter credit conditions bolstering this view.[1] The range of projections is too wide to call if it will be short and shallow or long and deep. Bull and bear debates abound regarding market timing (did we bottom in October or are we in a bear market rally?), whether the negative of a weakening economy or the positive of lower rates on valuations influences stocks more, and which sectors or styles will lead the market's next phase. Yes, again, we stay informed on these issues, but eschew making portfolio decisions based on market or macro projections and continue to *run our play* as highlighted here and detailed in recent quarterly letters. We continue to run a more concentrated portfolio with an emphasis on the secular trends cited above. Among others, during the first quarter we initiated or added to the following positions:

Software: **GitLab Inc.**, **HubSpot, Inc.**, and **Workday, Inc.**

Semiconductors: **Marvell Technology, Inc.** and **Advanced Micro Devices, Inc**.

Digital Media: **Meta Platforms, Inc.**

Electric Vehicles/Autonomous Driving: **Tesla, Inc.** and **Mobileye Global Inc.**,

Health Care Equipment: **DexCom, Inc.**

Biotechnology/Pharmaceuticals: **Rocket Pharmaceuticals, Inc.**

One of our secular themes I would like to emphasize is AI, building on the discussion we started last quarter. AI is transformative technology, just now hitting its inflection point. We believe AI will be the next major secular tectonic shift, like mobile and cloud, and the most compelling force to power technology innovation and impact human life over the next decade. We have been investing in AI for years but appreciate that the current inflection brought about by the launch and adoption of generative AI and large-language transformer models, such as ChatGPT, is a new phase in the AI evolution that will disrupt many industries, strengthening some businesses and weakening others. We are engaged in deep research to gauge who will be disrupted and who will be empowered and to determine where the most significant value and differentiation lies: (1) the semiconductor chip and hardware infrastructure; (2) the generalized, foundational, or domain-specific models; (3) the prompt, chatbox, user interface, or intelligent APIs;[2] or (4) the data, whether public, proprietary, or customer-stored. At this stage of our research, we believe the greatest risk of disruption is in consumer-driven use cases, such as search. Conversational services, like ChatGPT – which exploded onto the scene at an unprecedented pace and now reportedly has over 300 million unique visitors – may become the starting point for people seeking information, entertainment, and products/services. We believe enterprise applications are more defensible for companies that continue to invest, innovate, and launch AI-based products and services, where incumbents may be able to build on their advantages in terms of scale, distribution across large customer sets and embedded workflows, and proprietary and/or customer data. We believe significant value exists across the semiconductor landscape and that most future AI workloads will be built on the infrastructure of cloud service providers. Lastly, at this juncture, we believe a key differentiator for companies will be the ability to capitalize on their unique data assets. The following recent quotes from two technology industry leaders explain the extraordinary potential of AI and its far-reaching implications for business and society:

- Jensen Huang, NVIDIA CEO, GTC Developers Conference, March 21, 2023: "The impressive capabilities of generative AI created a sense of urgency for companies to reimagine their products and business models.... Accelerated computing and AI have arrived.... We are at the iPhone moment of AI. Start-ups are racing to build disruptive products and business models, while incumbents are looking to respond. Generative AI has triggered a sense of urgency in enterprises worldwide to develop AI strategies. Customers need to access NVIDIA AI easier and faster.... ChatGPT is the fastest-growing application in history.... ChatGPT can compose memos and poems, paraphrase a research paper, solve math problems, highlight key points of a contract, and even code software programs.... Generative AI is a new kind of computer, one that we program in human language. This ability has profound implications. Everyone can direct a computer to solve problems. This was a domain only for computer programmers. Now, everyone is a programmer. Generative AI is a new computing platform like PC, internet, mobile, and cloud. And like in previous computing eras, first movers are creating new applications and founding new companies to capitalize on generative AI's ability to automate and co-create.... Generative AI will reinvent nearly every industry."

[1] Our portfolio has no direct exposure to regional banks. While the financial services sector is a relevant customer segment for many of our investments, particularly Endava plc, our companies predominantly serve larger financial institutions and payments businesses, Endava included, and have immaterial exposure to regional banks.

[2] Application Programming Interface, or API, is a mechanism that enables two software components to communicate with each other using a set of definitions and protocols.

- Bill Gates, Microsoft Co-Founder, "The Age of AI Has Begun," GatesNotes blog, March 21, 2023: "In my lifetime, I've seen two demonstrations of technology that struck me as revolutionary. The first time was in 1980 when I was introduced to the graphical user interface – the forerunner of every modern operating system, including Windows.... The second big surprise came just last year.... In September...I watched in awe as [the team from OpenAI] asked GPT, their AI model, 60 multiple-choice questions from the AP Bio exam – and it got 59 of them right.... GPT got a 5 – the highest possible score, and the equivalent to getting an A or A+ in a college-level biology course.... I knew I had just seen the most important advance in technology since the graphical user interface.... The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet, and the mobile phone. It will change the way people work, learn, travel, get health care, and communicate with each other. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it."

Below is a partial list of the secular megatrends we focus on:

- Cloud computing
- Software-as-a-service (SaaS)
- Artificial Intelligence
- Mobile
- Semiconductors
- Digital media/entertainment
- Targeted, people-based digital advertising
- E-commerce
- Genomics
- Genetic medicine
- Minimally invasive surgical procedures
- Cybersecurity
- Electric vehicles/autonomous driving
- Electronic payments

Table II.
Top contributors to performance for the quarter ended March 31, 2023

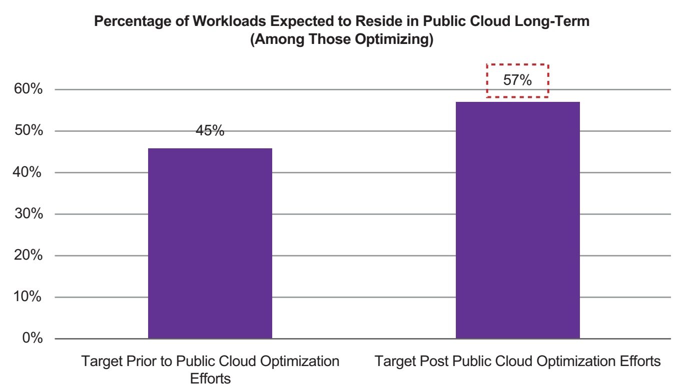
	Percent Impact
NVIDIA Corporation	3.80%
Tesla, Inc.	2.82
Microsoft Corporation	2.69
Amazon.com, Inc.	1.41
indie Semiconductor, Inc.	1.14

NVIDIA Corporation is a semiconductor mega-cap company and global leader in gaming cards and accelerated computing hardware and software. Shares of NVIDIA rose over 90% during the first quarter because of material developments in generative AI evidenced by the release of ChatGPT and other competitive models. On its fourth quarter fiscal 2023 earnings call on February 22, Colette Kress, NVIDIA's CFO said, "AI adoption is at an inflection point.... The opportunity is significant and driving strong growth in data center that will accelerate through the year." On the same call, Jensen Huang, NVIDIA's CEO emphasized: "The accumulation of technology breakthroughs has brought AI to an inflection point. Generative AI's versatility and capability has triggered a sense of urgency at enterprises around the world to develop and deploy AI strategies.... NVIDIA AI is essentially the operating system of AI systems today.... The activity around AI infrastructures...has just gone through the roof in the last 60 days. And so there's no question that whatever our views [were] of this year as we enter[ed] this year has fairly dramatically changed as a result over the last 60, 90 days." Indeed, our research indicates that shortages of NVIDIA GPUs[3] are the biggest gating factor for AI adoption and that about 90% of AI-model training runs are performed on their GPUs. During its annual GTC conference[4] in March, NVIDIA announced new products and services that expand its addressable market and together form a full AI computing platform. These included: (1) new AI training systems (where it is dominant) and inferencing systems (where the field is more wide open), such as specialized chips in the areas of large language models and recommender systems, simulation and graphics rendering, and video use cases; (2) new fully managed AI services in partnership with the major cloud service providers, called NVIDIA DGX Cloud and NVDIA Omniverse Cloud; (3) new domain-specific generative AI foundational models, branded NVIDIA AI Foundations, which NVIDIA customers can harness to build and train custom language models with their own proprietary data to develop differentiated offerings; and (4) industry-specific accelerator libraries, spanning such diverse verticals as genomics analysis and computational lithography. We continue to believe NVIDIA's end-to-end AI platform and leading market share in gaming, data centers, and robotics (including automotive), along with the size of these markets, will enable the company to drive durable growth for years to come.

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Following a sharp decline at the end of 2022, Tesla's stock rebounded in the first quarter of 2023 on investor expectations that Tesla will continue to grow vehicle deliveries and maintain solid gross and operating margins despite a potential recession, competition in China, and vehicle price reductions. We wrote a long piece on Tesla last quarter and refer readers back to it, because for long-term investors not much has changed over the last three months. Tesla did hold its first Investor Day in March, and several Baron analysts and portfolio managers attended. We toured the Austin Gigafactory, drove in a Cybertruck, boarded a Semi truck, and spoke with a wide swath of Tesla senior managers. During the formal presentation, Tesla highlighted, among other things: (1) its broad and deep bench of executive talent supporting CEO Elon Musk; (2) its "Master Plan 3–Sustainable Energy for All of Earth," which featured EVs, renewable power from solar and wind, and stationary electric storage; (3) its vehicle assembly innovations, including massive casted parts (building Model Y bodies with single front and rear castings, replacing a substantial number of parts and fastening steps), a stainless steel exoskeleton (for Cybertruck), and its next-generation highly efficient "unboxed process" for its next-gen $25,000 vehicle; (4) a future permanent-magnet electric motor that will not require any rare earths; and (5) the massive untapped market opportunity for commercial stationary electric storage, branded Megapack, as the world steadily shifts to renewable energy. As long-term shareholders, we have witnessed Tesla exploit its innovative Model 3/Y now-global mass-market platform to increase vehicle deliveries from barely a standing start to over 1.3 million units, while achieving industry-leading margins and reinforcing its iron-clad balance sheet to almost $23 billion in cash (and effectively no recourse debt). We expect Tesla's next-generation EV and Megapack products to have a similar impact on company results.

[3] Accelerated computing chips, known as graphical processing units, or GPUs.
[4] GPU Technology Conference (GTC).

Shares of mega-cap software and cloud vendor **Microsoft Corporation** performed well during the quarter despite mixed fiscal second quarter results. Microsoft's largest consumer business, Windows licensed to computer vendors, decreased sharply year-over-year as last year's results were bolstered by pandemic-related purchases. Its key commercial business, reported as Microsoft Cloud, grew 29% on a constant-currency basis, beating Wall Street expectations. Drilling down, its Azure cloud computing business also beat expectations, growing 38% on a constant-currency basis, but growth slowed in December, and management's forward guidance was for further deceleration to a low 30% level. Since tougher macro trends emerged last year, cloud businesses, like Azure, have faced headwinds from enterprise customers optimizing their cloud workloads and spending, after a brisk pace of expansion over the last two years. Microsoft CEO Satya Nadella addressed this during the last earnings call: "Just as we saw customers accelerate their digital spend during the pandemic, we are now seeing them optimize that spend.... This is an important time for Microsoft to work with our customers, helping them realize more value from their tech spend and building long-term loyalty.... Moving to the cloud is the best way for any customer in today's economy to mitigate demand uncertainty...while gaining efficiencies of cloud-native development.... I fundamentally believe tech as a percentage of GDP is going to be much higher...on a secular basis.... [W]hat [customers] accelerated during the pandemic, they're making sure they're getting most value out of it or optimizing it.... [A]t some point the optimizations will end...[and] the money that they save in any optimization of any workload is what they'll plow into new workloads and those workloads will start ramping up." Our research continues to indicate that the long-term secular trend of cloud computing remains healthy and intact and will only be boosted by the AI inflection. Morgan Stanley recently issued a report titled "Cloud Optimization: Short Term Pain for Long Term Gains." It echoed Nadella's commentary and our own internal research, concluding that today's cloud optimization would ultimately yield "higher cloud adoption, upsizing [the] opportunity by 30% longer term." The key finding of this report, supported by a survey of 80 chief information officers across the U.S. and Europe, was optimization is increasing the expected penetration of the cloud longer term, with 57% of workloads expected to reside in the cloud post-optimization vs. 45% of workloads pre-optimization.



Source: AlphaWise, Morgan Stanley Research.

Moreover, we believe Microsoft is positioned to be a prime beneficiary of AI because of its ownership of and partnership with OpenAI, the inventor of ChatGPT; its Azure AI supercomputing cloud infrastructure, which is the exclusive cloud provider to OpenAI and a leading AI development platform for other enterprises; and Microsoft's own AI innovations across Bing search (a chatbox virtual assistant), GitHub CoPilot software development (automated code suggestions and completion), and its Office suite of worker-productivity software (virtual assistants, branded CoPilot, to draft or summarize an email, enter data into a spreadsheet, prepare slides, etc.). We remain confident Microsoft is well positioned to continue taking share through any economic downturn and emerge stronger on the other side.

Amazon.com, Inc. is the world's largest retailer and cloud infrastructure services provider. Shares were up in the quarter, driven by positive commentary and actions around cost discipline as well as the broader technology rally. We believe Amazon is well positioned in the short to medium term to meaningfully improve core North American retail profit margins to pre-pandemic levels, mainly by rationalizing fulfillment center costs. The focus on cost discipline has expanded to the whole company, with a second major round of layoffs and CEO Andy Jassy declaring, "Over the last several months, we took a deep look across the company, business by business, invention by invention, and asked ourselves whether we had conviction about each initiative's long-term potential to drive enough revenue, operating income, free cash flow, and return on invested capital." From a top-line growth perspective, Amazon has substantially more room to grow in e-commerce, where it has roughly 15% penetration of its total addressable market, and in retail advertising, which is now a $45 billion annualized business with attractive margins, still growing at a 20% constant-currency rate despite the challenging economic backdrop. In addition, Amazon also remains a leader in the vast and growing cloud infrastructure market with Amazon Web Services (AWS). While AWS is facing the same optimization headwinds as Azure, we believe its long-term opportunity is the same and that AWS can grow over 20% in a normalized macro environment. In his recent shareholder letter, Jassy stated: "While these short-term [macroeconomic and optimization] headwinds soften our growth rate, we like a lot of the fundamentals that we're seeing in AWS. Our new customer pipeline is robust, as are our active migrations.... AWS is still in the early stages of its evolution and has a chance for unusual growth in the next decade." Finally, though it has not been as splashy as its peers so far, Amazon is also well positioned to provide computing infrastructure for the forthcoming generative AI wave, announcing services like Amazon Bedrock, which allow customers to use the supported large language model of their choice, and CodeWhisperer, a tool for software developers to autocomplete code using generative AI.

Indie Semiconductor, Inc. is a designer, developer, and marketer of automotive semiconductors for advanced driver assistance systems (ADAS) as well as connected car, user experience, and electrification applications. Shares rose during the quarter after the company announced the acquisition of GEO Semiconductor and met or exceeded revenue and gross margin guidance for the seventh straight quarter since coming public. After raising capital in late 2022 to fund acquisition activity – we increased our position size when the stock traded down on this convertible bond deal – early this year indie announced its buyout of GEO Semiconductor for up to $270 million (including potential earnouts), to round out its ADAS sensor portfolio with a leader in camera processing technology. We find GEO Semiconductor to be a synergistic acquisition that accelerates indie's growth and margin trajectory. The automotive semiconductor vertical remains attractive. We believe indie will continue to deliver on its targeted model of profitability in the second half of 2023, achieving 60% gross margins and 30% operating margins by 2025. We also project indie continues to rapidly increase revenue, as it fulfills its $4.2 billion, and growing, strategic backlog.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
ZoomInfo Technologies Inc.	–0.50%
CoStar Group, Inc.	–0.36
Arrowhead Pharmaceuticals, Inc.	–0.27
Rivian Automotive, Inc.	–0.27
Endava plc	–0.25

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Shares detracted from performance after the company shared a weaker top-line outlook driven by continued macro uncertainty. We have spoken with company management and conducted additional research to validate our longer-term thesis. ZoomInfo is a profitable and cash-generative business with the most comprehensive platform of software and data to improve the go-to-market efforts of its customers, not to mention new products in the marketing and talent-acquisition verticals. When the macro headwinds abate, we believe ZoomInfo will accelerate growth as it continues to penetrate its $70 billion-plus total addressable market.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. After two straight quarters of robust performance, shares detracted during the quarter, likely due to profit taking. Despite the macro backdrop, CoStar's fundamentals remain solid, with net new sales growing 15% in the quarter and margins expanding by 200 bps, excluding growth investments. We expect the company's core businesses to continue to benefit from the migration of real estate market spending to online channels. CoStar has begun to invest aggressively in expanding its residential marketing platform and attacking the substantial residential market opportunity. We estimate CoStar invested around $230 million in this initiative in 2022 and its initial 2023 guidance implies a total investment approaching $500 million. This is a significant upfront commitment, but we believe the residential market represents a transformative opportunity. The company's proprietary data, broker-oriented approach, and best-in-class management all position it to succeed in this endeavor.

Arrowhead Pharmaceuticals, Inc., a biotechnology company specializing in RNA interference (RNAi) medications to treat a variety of diseases, detracted from performance. The company has lacked major wins in recent years, while also tallying some losses. Management's late-stage drug licensing efforts to drive upfront and running royalties to bolster its balance sheet and ensure a longer cash runway have also pressured shares. Reinvigorating the company's strategic story remains a key consideration for Arrowhead going forward. Last year, we reduced our portfolio weighting in Arrowhead but decided to maintain a foothold position. We believe Arrowhead's efforts to target RNAi to the lungs will open a new therapeutic area of exploration. In our view, this initiative may lead to RNAi economies of scale, allow for an expansion of pipeline and collaboration opportunities, and generate a long runway for growth.

Shares of **Rivian Automotive, Inc.**, a U.S.-based EV manufacturer, fell during the quarter. Despite seven-fold growth in its monthly production rate between late 2021 and the end of 2022, production guidance for 2023 missed analyst forecasts because of supply-chain constraints, principally semiconductors. Moreover, notwithstanding an attractive long-term opportunity and favorable product reviews by customers and industry experts, investors remain concerned about liquidity risks as the company burns cash during its early production stage while unit economics remain challenged. Vehicle sales through the end of 2023 will be at Rivian's legacy vehicle pricing, which was set before inflationary and supply-chain pressures emerged last year across the entire automotive space. New pricing and improved unit economics should be realized in 2024, and Rivian is slated to launch its R2 vehicle line in 2026. We have adjusted Rivian to a smaller position in our portfolio. Despite near-term macro and execution risks, we do believe that Rivian's current valuation offers attractive long-term returns. During the year, we will remain focused on Rivian's production ramp, vehicle demand, unit-level economics, and cost controls as well as progress on its R2 vehicle platform, its next-gen Enduro electric motor, and its battery system advancements.

Endava plc provides outsourced software development for business customers. Shares fell after the company reduced financial guidance to reflect slower bookings as macroeconomic uncertainty weighed on client decision making in December. The company reported solid quarterly results, with 30% revenue growth and 26% earnings growth. Management noted that bookings have improved in the first couple of months of 2023, and they expect annualized revenue growth to quickly return to more than 20%. We remain investors because we believe Endava will continue gaining share in a large global market for IT services.

Portfolio Structure

We invest in secular growth and innovative businesses across all market capitalizations, with the bulk of the portfolio landing in the large-cap zone. Morningstar categorizes the Fund as U.S. Large Growth. As of the end of the first quarter, the largest market cap holding in the Fund was $2.1 trillion and the smallest was $1.4 billion. The median market cap of the Fund was $33.9 billion and the weighted average market cap was $566.1 billion.

As of March 31, 2023, the Fund had $871.1 million of assets under management. We had investments in 46 unique companies. The Fund's top 10 positions accounted for 50.7% of net assets.

Given the market backdrop, fund flows continued to be slightly negative to start the year.

Table IV.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$2,146.0	$125.1	14.4%
NVIDIA Corporation	686.1	56.9	6.5
Tesla, Inc.	656.4	54.0	6.2
Amazon.com, Inc.	1,058.4	50.1	5.8
Visa Inc.	475.3	29.6	3.4
Gartner, Inc.	25.8	26.7	3.1
Mastercard Incorporated	346.4	25.4	2.9
Alphabet Inc.	1,330.2	25.3	2.9
ServiceNow, Inc.	94.3	24.2	2.8
CoStar Group, Inc.	28.0	24.1	2.8

Recent Activity

Table V.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Meta Platforms, Inc.	$549.5	$9.9
Marvell Technology, Inc.	37.1	6.8
DexCom, Inc.	44.9	6.6
Tesla, Inc.	656.4	6.1
GitLab Inc.	5.2	5.6

We continued rebuilding our position of **Meta Platforms, Inc.**, the world's largest social network, this quarter. We believe Meta is competitively well positioned to utilize its leadership in mobile advertising and expand further with the generative AI shift, especially given its massive user base, substantial technological scale, and innovative culture. Core engagement has been strong at Meta, especially with the success of Instagram Reels, which is regaining share from TikTok. Across its platforms, Meta has 3.7 billion monthly active users. A U.S. TikTok ban would further materially benefit Meta. In terms of improving monetization, Meta has developed more effective ad targeting in the last few months with its Advantage+ product. Longer term, Meta has invested in generative AI for years and has among the world's best and largest datasets and distribution. We believe generative AI can materially help Meta improve existing products (e.g., instantly generate personalized creative ads) and expand into new areas (e.g., through WhatsApp and Messenger chats). On the profitability front, Meta's management is serious about cost discipline (laying off approximately 21,000 workers) and prioritizing a more efficient environment, led in earnest by CEO Mark Zuckerberg. Valuation remains relatively attractive, especially as we expect double-digit earnings per share growth, and additional growth options remain.

We took advantage of weakness to purchase shares of **Marvell Technology, Inc.**, a leading supplier of infrastructure semiconductor solutions that enable the rapid and efficient movement of data throughout the broader data economy, from the data center core to the network edge. Through both organic development and acquisitions led by CEO Matt Murphy since he took over in 2016, Marvell has built a portfolio of market-leading products and IP across computing, networking, security, electro-optics, and storage. Consequently, the company is a critical partner for hyperscale cloud service provider, data center, enterprise networking, carrier infrastructure, consumer, and automotive/industrial end-market customers. Marvell is targeting 15% to 20% average revenue growth through the semiconductor cycle in the coming years, largely driven by secular trends and company-specific product innovations within the cloud, 5G, and automotive end markets. We believe Marvell can deliver on or exceed this target because, among other growth opportunities, its market-leading optical products are critical to delivering increasing data transmission speeds required by hyperscale customers in AI training and inference. At the same time, the company is simultaneously ramping up a custom silicon business working directly with hyperscale partners. Given the dislocation in the stock on near-term cyclical concerns, we believe we paid an attractive price for the long-term growth of this industry-leading company.

We started a position in **DexCom, Inc.**, a medical device company that sells continuous glucose monitoring (CGM) devices for people with diabetes. DexCom is in the early stages of the launch of its seventh-generation device called the G7, which offers many new features, including 60% smaller size, a disposable transmitter, and 30-minute sensor warmup, among other features. We think the G7 will drive revenue growth acceleration through continued penetration in the core insulin-intensive diabetes population globally. In addition, Medicare recently decided to provide coverage of CGM for people with Type 2 diabetes who are basal insulin users, meaning people with diabetes who use insulin daily but don't need to use insulin intensively at every meal or multiple times daily. This expanded coverage adds millions of people to DexCom's addressable market. Over the long term, we believe DexCom will have an opportunity to expand into the even larger category of non-insulin users with Type 2 diabetes given the benefits of CGM in helping all people manage their diabetes.

We discussed **Tesla, Inc.** above and at length in our prior quarterly letter. To reiterate, despite macro and company-specific short-term concerns, we remain confident in the company's competitive position, growth opportunities, margin profile, and management. Tesla was our top net purchase in the fourth quarter, and we used continued weakness early in the first quarter to add to our position.

We increased our position in **GitLab Inc.** after a sharp pullback in the stock price following its fourth quarter earnings report. GitLab is a software platform that developers, IT professionals, and security teams use to manage all stages of the software development life cycle. While GitLab's fourth quarter performance was solid, with 58% revenue growth, management issued disappointing 2023 revenue guidance. New customer growth was healthy, but GitLab saw lower expansion rates in its base product as some existing customers cut back on paid licenses to account for layoffs in their businesses, while others slowed purchasing in anticipation of lower developer hiring this year. Management is assuming this trend will continue through the remainder of 2023. Longer term, we believe GitLab can continue to gain share in the $40 billion software developer market because its ability to address all stages of the software life cycle in a single, unified application give it an advantage over point solutions. Shorter term, we see upside to the guidance as: (1) customers continue to upgrade to GitLab's higher-priced product tier to add security and compliance features; (2) net new customer growth remains healthy; and (3) GitLab is implementing a price increase that should yield an acceleration in revenues toward the end of 2023 and into 2024. The company also continues to demonstrate solid operating leverage. We believe the price increase will help GitLab achieve profitability sooner than initially projected.

Table VI.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Alphabet Inc.	$1,330.2	$30.8
argenx SE	20.7	12.1
Gartner, Inc.	25.8	11.7
ZoomInfo Technologies Inc.	10.0	8.7
Edwards Lifesciences Corporation	46.0	7.9

As we did last quarter, we continued to decrease our weighting in **Alphabet Inc.** because, as stated earlier, we believe ChatGPT and/or similar AI-based services present a hard-to-measure risk to Google's virtual search monopoly.

Our sales of **Gartner, Inc.** and **argenx SE** were both trims because the stocks performed relatively better than the rest of the portfolio last year and increased in position size. As you can see in Table IV, Gartner remains a top six position in the portfolio; argenx remains just outside of the top 10 and our largest biotechnology investment.

Our sale of **ZoomInfo Technologies Inc.** was for tax-loss purposes, and we repurchased some of our position later in the quarter.

To conclude, despite the current uncertain macroeconomic environment, I remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends. We continue to believe that non-cyclical, durable, and resilient growth should be part of investors' portfolios and that our strategy will deliver solid long-term returns for our shareholders.

Sincerely,

Michael A. Lippert
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: Securities issued by small and medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Companies propelled by innovation, including technology advances and new business models, may present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. 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 managers 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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Dear Baron Partners Fund Shareholder:

Performance

Baron Partners Fund® (the Fund) performed well over the first three months of 2023, despite a volatile equity market. At the start of the year, many quality growth businesses indicated that they were taking appropriate steps to manage the challenging macro environment. Sentiment began to turn as investors believed the rapid rate hikes would slow. A relief rally ensued in January, but it was short-lived. A banking crisis occurred in early March, with the failure of a couple of mid-sized regional banks. Investors again questioned the Fed's rate policy and whether contagion would result throughout the banking industry and impact a wider swath of businesses. An equity sell-off followed.

The Fund rose considerably at the start of the quarter and successfully navigated heightened uncertainty surrounding the banking industry. The Fund increased 23.41% (Institutional Shares) in the quarter. This performance exceeded the Russell Midcap Growth Index's (the Index) and the S&P 500 Index's quarterly returns of 9.14% and 7.50%, respectively. The Morningstar Large Growth Category Average (the Peer Group) increased 11.65%.*

MICHAEL BARON
CO-PORTFOLIO MANAGER

RON BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BPTRX
Institutional Shares: BPTIX
R6 Shares: BPTUX

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Partners Fund Retail Shares[1,2,3]	Baron Partners Fund Institutional Shares[1,2,3,4]	Russell Midcap Growth Index[2]	S&P 500 Index[2]
Three Months[5]	23.32%	23.41%	9.14%	7.50%
One Year	(24.72)%	(24.52)%	(8.52)%	(7.73)%
Three Years	42.91%	43.29%	15.20%	18.60%
Five Years	26.01%	26.35%	9.07%	11.19%
Ten Years	19.63%	19.95%	11.17%	12.24%
Since Conversion (April 30, 2003)	16.52%	16.73%	11.03%	9.98%
Since Inception (January 31, 1992)	14.87%	15.00%	9.66%	9.85%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2022 was 1.69% (comprised of operating expenses of 1.30% and interest expense of 0.39%) and Institutional Shares was 1.44% (comprised of operating expenses of 1.04% and interest expense of 0.40%). 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 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.

1 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth and the **S&P 500 Index** 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 indexes and the Fund include reinvestment of dividends, net of 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.

3 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.

4 Performance for the Institutional Shares prior to May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

5 Not annualized.

* As of 3/31/2023, the annualized returns of the Morningstar Large Growth Category average were (12.67)%, 14.80%, 10.21%, and 12.07% for the 1-, 3-, 5-, and 10-year periods, respectively.

BARON FUNDS 1987

The Fund maintains an exceptional long-term absolute and relative record, as demonstrated by its 3-, 5-, and 10-year annualized returns of 43.29%, 26.35%, and 19.95%, respectively. These figures compare of 15.20%, 9.07%, and 11.17%, respectively, for the Index. Since its nearly 20-year period since conversion to a mutual fund, the Fund's annualized return is 16-73%. We remain very pleased with the Fund's long-term results and relative outperformance.

Baron Partners Fund is a focused and levered portfolio invested in competitively advantaged growth companies. Its top 10 positions account for 85.2% of total investments. We aim to achieve diversification by investing in four categories of companies (**Disruptive Growth**, **Core Growth**, **Financials**, and **Real/Irreplaceable Assets**), which tend to perform differently in various market environments. In the Fund's previous quarterly letter, we deviated from discussing these segments to focus on the largest holding, **Tesla, Inc.**, and its adverse impact on the Fund's performance in that period. In the current quarter, the partial reversal of Tesla's stock price again warrants a deeper discussion.

Tesla gained 68.4% in the quarter and contributed 19.8% to the Fund's overall performance. While not (yet) back to its all-time high of $414 per share, which it briefly achieved in November 2021, the appreciation from its $102 stock price lows was substantial. We did not sell any shares during the late 2022 price decline, nor have we sold during the subsequent partial recovery. (We had sold 4.5 million shares, or 27.0% of the original holding, at an average price of $218.39 from 2020 through 2021.) We maintain our conviction that the company can be many times larger than the current operations, achieve higher profit margins, and capitalize on ancillary businesses that are only just starting to be explored. We believe the company's market capitalization will be higher if these targets are achieved.

As discussed in the prior quarterly letter, Tesla's stock price decline in 2022 was the result of many exogenous factors. CEO Elon Musk's purchase of Twitter was viewed by some as an unwelcome distraction. China's COVID policies and outbreak had disrupted production in this crucial region. And recessionary fears and inflation combating fiscal policies caused U.S. car buyers to delay purchases. Many of these concerns have subsided. Twitter appears to be trending towards profitability and should be both less of a distraction and financial burden for Musk. Tesla's China production and deliveries have nearly returned to record levels. New orders are now nearly twice the level of annual production, demonstrating continued high demand for Tesla vehicles.

While these easing fears led to the current stock price appreciation, we believe the best is still ahead. We are reassured in the company's ability to produce a mass affordable product that can also achieve enviable profitability. At Tesla's recent analyst day, the company presented a strong case for such a next generation vehicle. A deep and impressive team described a collaborative effort on various cost reduction techniques that we believe existing traditional manufacturers cannot duplicate. Production costs could be reduced by more than $15,000 through initiatives in design, battery, powertrain, and manufacturing. Its vertical integration of the supply chain, assembly, and battery has enabled it to realize these savings. Competitors' reliance on third parties for many of these aspects make it more difficult to implement changes. If successful, Tesla's lower cost vehicle would enable it to approach a tremendous market opportunity for mass electric vehicles. It is the largest segment with approximately 40 million vehicles sold annually.

Interestingly, Tesla's stock price declined immediately following the analyst day, as short-term oriented traders were not provided with an imminent product launch that would accelerate growth. We, however, were pleased with the progress the company has made. We continue to believe Tesla is incrementally more likely to achieve its mission *to accelerate the world's transition to sustainable energy* and be handsomely profitable while doing so.

While Tesla was the largest holding, gainer, and contributor in the period, other large positions representing diverse business categories performed well. Real/Irreplaceable Asset **Hyatt Hotels Corporation**, Financials holding **MSCI Inc.**, and Core Growth company **IDEXX Laboratories, Inc.** are all top holdings in the Fund, and each appreciated by more than 20%. Despite tough macroeconomic factors, each of these companies increased prices for their highly demanded or integral products without experiencing a decline in demand. Hyatt has successfully transformed its business to be less reliant on transient business customers and now can better serve. It has increased its product geared towards leisure travelers. Leisure demand is now 20% above 2019 (pre-COVID) levels. Hyatt's net leverage is also below long-term targets. We believe this should enable the company to buy back stock while simultaneously growing its room base by nearly 40% over the coming four years. Room rates are now 14% above 2019 levels.

Despite a tough financial industry backdrop that resulted in fewer net new subscriptions, MSCI had solid organic growth and increased prices for its valuable services. We believe the company can continue to show meaningful and consistent growth in its core public equity index business. We believe the company can also become a vital part of investment departments' risk and analytics, private markets, and climate initiatives.

Finally, IDEXX again demonstrated consistency despite recessionary pressures. While clinical visits declined in the period, the company was able to organically grow its consumables, laboratory, and rapid assay businesses. Its price increases did not deter usage and resulted in higher margins for the business.

However, it was not all good news for the Fund. While the Fund did weather the recent banking crisis, our holdings were not completely immune. The Fund has rarely invested in traditional banks. Those financial companies are heavily tied to an unpredictable macro environment, subject to changing regulation, and provide little insight into balance sheet liabilities and risks. They usually do not satisfy our investment criteria and most Baron Funds tend to have a lower weighting in this segment than their Indexes. However, discount brokerage firm and top 10 holding in the Fund, **The Charles Schwab Corp.**, does have a retail bank division. The company launched its bank approximately 20 years ago to enable the investment broker to deepen client relationships and lower costs for customers. Its bank contributes to this fortuitous cycle of offering increased functionality, lowering costs, and attracting more clients. The banking arm also enhanced its competitive offering over rivals who chose not to bear the upfront cost. However, investors have (unfairly in our opinion) deemed Schwab *at risk* during the current banking crisis. We disagree. Clients primarily use the Schwab bank as a source of funding for investments which makes switching providers by its 34 million customers and account manager unlikely in our opinion. The cash portion of balances has consistently been in a tight range. More than 80% of account balances are below the fully FDIC insured $250,000 level. Cash has continued to enter the bank at very strong rates as Schwab demonstrates organic growth and market share gains. Interest rate increases could have a short-term impact on earnings as the bank's balance sheet assets are marked to market and the company raises higher cost of capital funds. However, we have little concern about the viability of the bank or the company. Over time, the highly profitable net interest income should increase with the combination of higher rates and more client assets on the platform. Schwab gathered $53 billion of net new client assets in March 2023, the month of the banking panic. We incrementally added to our holdings of Schwab during this market decline.

The variety of our holdings enabled the Fund to continue to perform well, and we took advantage of short-term volatility to better position the portfolio for the future. Our portfolio management approach allowed the Fund to maintain its strong absolute and relative returns during this volatile period, and we believe will continue to serve our clients well in the future.

Table II.
Total returns by category for the three months ended March 31, 2023

	% of Net Assets (as of 3/31/2023)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	**60.0**	**44.64**	**21.88**
Tesla, Inc.	42.3	68.42	19.82
Spotify Technology S.A.	0.3	67.24	0.11
Airbnb, Inc.	–	33.50	0.04
Guidewire Software, Inc.	1.3	31.18	0.35
X Holding Corp.	0.9	27.52	0.25
Velo3D, Inc.	–	26.84	0.07
Iridium Communications Inc.	4.2	20.75	1.05
Shopify Inc.	–	16.25	0.09
Northvolt AB	0.1	3.10	0.01
Space Exploration Technologies Corp.	10.0	0.74	0.07
Figs Inc.	0.8	–8.10	0.02
Real/Irreplaceable Assets	**15.1**	**9.36**	**2.00**
Hyatt Hotels Corporation	6.2	23.59	1.61
Red Rock Resorts, Inc.	1.0	12.07	0.15
Gaming and Leisure Properties, Inc.	1.6	1.76	0.03
Marriott Vacations Worldwide Corp.	1.7	0.70	0.10
Vail Resorts, Inc.	4.3	–1.00	0.15
Douglas Emmett, Inc.	0.3	–20.25	–0.03
Russell Midcap Growth Index		9.14	
Core Growth	**21.9**	**2.28**	**1.24**
Krispy Kreme, Inc.	0.3	51.12	0.13
IDEXX Laboratories, Inc.	6.7	22.58	1.83
StubHub Holdings, Inc.	0.4	15.15	0.09
Adyen N.V.	1.5	14.63	0.27
HEICO Corporation	0.6	12.28	0.09
Gartner, Inc.	3.8	–3.09	–0.18
Illumina, Inc.	–	–4.56	–0.01
CoStar Group, Inc.	8.5	–10.91	–0.98
Financials	**19.5**	**–5.73**	**–1.19**
MSCI Inc.	2.1	20.58	0.43
Arch Capital Group Ltd.	7.5	8.11	0.52
Brookfield Asset Management Ltd.	–	7.19	0.01
Brookfield Corporation	–	5.02	0.08
FactSet Research Systems Inc.	5.1	3.69	0.31
Cohen & Steers, Inc.	0.4	–0.26	0.02
The Charles Schwab Corp.	4.4	–37.10	–2.55
Cash	**–16.5**	**–0.00**	**0.00**
Fees	**–**	**–0.52**	**–0.56**
Total	**100.0***	**23.38****	**23.38****

Sources: FactSet PA, BAMCO, and FTSE Russell.

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

** Represents the blended return of all share classes of the Fund.

Table III.
Top contributors to performance for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$21.9	$656.4	68.42%	19.82%
IDEXX Laboratories, Inc.	2013	4.7	41.5	22.58	1.83
Hyatt Hotels Corporation	2009	4.2	11.9	23.59	1.61
Iridium Communications Inc.	2019	3.0	7.8	20.75	1.05
Arch Capital Group Ltd.	2002	0.6	25.2	8.11	0.52

Tesla, Inc. designs, manufactures, and sells electric vehicles, related software and components, and solar and energy storage products. Following a rapid decline at the end of 2022, the stock rebounded in the first quarter of 2023 on investor expectations that Tesla will continue to grow and maintain industry-leading margins despite a potential recession, COVID-related concerns, competition in China, and a price reduction. In addition, after devoting considerable time to reorganizing Twitter post-acquisition, CEO Elon Musk has re-established his commitment to Tesla, while a management presentation during its analyst day provided visibility into the broad quality of talent leading Tesla. We expect Tesla to continue to lead the electrification of the automotive and energy storage markets through its vertical integration, scale, and cost leadership. As long-term shareholders, we have witnessed Tesla increase deliveries from practically zero to over 1.3 million units while proving it can reduce costs and rapidly expand its product line and manufacturing footprint. We expect Tesla's next platform to have a similar impact on company results.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance for the quarter, helped by financial results that beat consensus and multiple expansion. The post-pandemic rate of decline of veterinary visits seems to have stabilized and is poised to return to advancement by the end of 2023. IDEXX's competitive trends are outstanding, and we expect new proprietary innovations and field sales force expansion to be meaningful contributors to growth. We see increasing evidence that secular trends around pet ownership and pet care spending have been structurally accelerated, which should help support IDEXX's long-term growth rate.

Shares of global hotelier **Hyatt Hotels Corporation** increased in the first quarter after it reported growth in revenue-per-available-room above pre-pandemic levels, driven by its strong leisure business, which is now 50% of its room base. We believe the company's business transient business should continue to rebound along with its group business that is now pacing above 2019 levels. Sustained owned margin gains from operating improvements implemented during the pandemic will also help drive EBITDA and cash flow over the next few years. Hyatt expects to complete its transition to an 80% fee-based business through the sale of $2 billion of owned assets by the end of 2024. Its balance sheet remains robust and should be able to withstand any economic slowdown that may impact travel, in our view.

Iridium Communications Inc. is a leading mobile voice and data communications services vendor offering global coverage via satellite. Shares increased following the company's announcement of a strategic partnership with Qualcomm aimed to integrate Iridium's satellite communication technology into Qualcomm's Snapdragon chip series. This partnership should provide a large growth opportunity for Iridium by significantly simplifying the integration of its technology with a slew of new devices including smartphones, laptops, tablets, and other connected devices within the Internet-of-Things ecosystem. The relationship should generate revenue for Iridium not only through subscription services to potentially millions of devices but also through royalty and development payments. In addition, Iridium continued to see healthy growth across all key segments and has accelerated its robust shareholder return program with the announcement of its first cash dividend.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares rose after the company reported strong quarterly results driven by 33% growth in earned premiums, favorable reserve development, below-average catastrophe losses, and higher investment income. Pricing trends in the property and casualty insurance market remain favorable, and rising interest rates are driving higher investment yields. We continue to own the stock due to Arch's strong management team and our expectation of strong growth in earnings and book value.

Table IV.

Top detractors from performance for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
The Charles Schwab Corp.	1992	$ 1.0	$96.5	–37.10%	–2.55%
CoStar Group, Inc.	2005	0.7	28.0	–10.91	–0.98
Gartner, Inc.	2013	5.7	25.8	–3.09	–0.18
Douglas Emmett, Inc.	2015	4.2	2.2	–20.25	–0.03
Illumina, Inc.	2022	36.7	32.1	–4.56	–0.01

Shares of online brokerage firm **The Charles Schwab Corp.** declined during the quarter following the bankruptcy of Silicon Valley Bank (SVB) and the resulting banking crisis that led to weakness in financials generally and particularly in regional banks. Despite running a much different business than SVB, Schwab is facing deposit pressure through cash sorting in the wake of SVB's collapse. As investors continue to move uninvested cash balances into higher-yielding money market funds, with the assets remaining at Schwab, the company must raise high-cost external funding in the short term. Although this is pressuring earnings estimates and contributing to near-term weakness in shares, we retain long-term conviction given accelerating net inflows year-to-date, with Schwab gathering over $75 billion in new assets in just the first two months of 2023. We are encouraged by the firm's exceptional client loyalty levels, robust organic growth, and industry-leading operating expense per client assets. Schwab is well positioned to retain clients and increase long-term earnings growth, in our view.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. After two straight quarters of robust performance, shares detracted during the quarter, likely due to profit taking. The company is generating robust financial performance, with net new sales growing 15% in the quarter, and margins expanding by 200 basis points excluding growth investments. We expect the company's core businesses to continue to benefit from the migration of real estate market spend to online channels. CoStar has begun to invest aggressively in building out its residential marketing platform. We estimate CoStar invested around $230 million in this initiative in 2022, and its initial 2023 guidance implies a total investment approaching $500 million. While this is a significant upfront commitment, we believe the residential market represents a transformative opportunity. The company's proprietary data, broker-oriented approach, and best-in-class management position it to succeed in this endeavor, in our view.

After meaningfully outperforming last year, shares of **Gartner, Inc.**, a provider of syndicated research, gave up some gains in the first quarter. Business conditions have softened modestly, as Gartner's IT vendor customer base is being negatively impacted by layoffs and cost reductions across the sector. Despite this headwind, Gartner is still generating attractive double-digit growth in research contract value. We expect sustained revenue increases and renewed focus on cost control to drive margin expansion and enhanced free-cash-flow generation over time. The company's balance sheet is in excellent shape and can support aggressive repurchases and bolt-on acquisitions, in our view.

Douglas Emmett, Inc. is a REIT that owns and manages office buildings and apartment communities concentrated in West Los Angeles, the San Fernando Valley, and Honolulu. Shares declined due to weak fourth quarter results and full-year guidance. Business fundamentals are challenged, driven by slower leasing activity, elevated vacancies, and diminished pricing power across the company's sub-markets. Higher interest expense is also negatively impacting earnings. We remain optimistic about the company's long-term business prospects, owing to its irreplaceable portfolio in supply-constrained markets and manageable debt levels, and we view the current valuation as highly discounted.

Illumina, Inc., the market leader in DNA sequencing technology, detracted from performance for the period held. During the quarter, activist investor Carl Icahn nominated three directors to the Illumina board and criticized the current management team's decisions with respect to Grail, an acquisition that has developed an early cancer detection test called Galleri. Icahn is urging Illumina to sell the Grail business as soon as possible to eliminate the near-term earnings dilution and allow investors to participate in the core Illumina business. In early April, the FTC ordered the divestment of Grail. We exited our position early in the quarter.

Investment Strategy and Portfolio Structure

We seek to invest in businesses that we believe can double in value within five or six years. We invest for the long term in a focused portfolio of appropriately capitalized, well-managed growth businesses at attractive prices across market capitalizations. We attempt to create a portfolio of approximately 30 securities diversified by GICS sectors, but with the top 10 positions representing a significant portion of net assets. These businesses are identified by our analysts and portfolio managers using our proprietary research. We think these well-managed businesses have sustainable competitive advantages and strong, long-term growth opportunities. We use leverage to enhance returns, which increases the Fund's volatility.

As of March 31, 2023, we held 26 investments. The median market capitalization of these growth companies was $14.8 billion. The top 10 positions represented 85.2% of total investments. Leverage was 16.5%.

Portfolio leverage is slightly below historical levels. We have traditionally managed the portfolio with 20% to 25% leverage (the average leverage over the prior 10 years was 21.4%). At the start of 2020, leverage was 27.0%.

However, due to a combination of a rapidly rising market, higher market volatility, and increased concentration in our top holdings, we managed risk by reducing leverage. Quarterly leverage troughed at 3.3% at the end of March 2021. During the market decline in 2022, we increased leverage as there was lower risk and better investment opportunities. In early 2023, we again lowered leverage slightly because of the rapid rise in some investments and increased volatility.

The long-term absolute and relative performance of the Fund has been very good. The Fund has returned 15.00% annualized since inception as a private partnership on January 31, 1992, beating its benchmark Index by 5.34% per year.

The Fund's performance has also exceeded its Index over the prior 3-, 5-, 10-, 15-, and 20-year periods. In addition to viewing the Fund's returns over various trailing periods, we believe it is helpful to understand how the Fund has performed over economic cycles.

The Fund has appreciated considerably in good times…

There have been two distinct periods over the life of the Fund with significant economic growth. The nearly 8-year period from the Fund's inception through the Internet Bubble (1/31/1992 to 12/31/1999) and the more recent 11-year period Post-Great Recession to the start of the COVID Pandemic (12/31/2008 to 12/31/2019). During both periods, the Index had strong returns; however, the Fund's returns were even better. Baron Partners Fund's annualized return during the most recent robust economic period was 17.44% compared to the Index's 16.84%.

Table V.
Performance in Good Times: Outpacing the Index

	Fund's Inception to Internet Bubble 1/31/1992 to 12/31/1999		Post-Financial Panic to COVID Pandemic 12/31/2008 to 12/31/2019	
	Value $10,000	Annualized Return	Value $10,000	Annualized Return
Baron Partners Fund (Institutional Shares)	$49,685	22.45%	$58,586	17.44%
Russell Midcap Growth Index	$40,316	19.26%	$55,380	16.84%
S&P 500 Index	$42,945	20.21%	$45,104	14.68%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

The Fund has retained value in challenging times…

We believe what sets the Fund apart from other growth funds is its historic ability to outperform in more challenging economic periods. The 9-year period from the Internet Bubble collapse through the Great Recession (12/31/1999 to 12/31/2008) saw lower returns for the Fund. It had annualized returns of 1.54%. However, the Index declined substantially. $10,000 hypothetically invested in the Fund at the start of this period would have been worth $11,479 after those nine years. A $10,000 hypothetical investment in funds designed to track the Index would be worth only $6,488, more than a 35% cumulative decline. The Fund preserved (and slightly grew) capital during this difficult economic time because its investments in a diverse set of high-quality growth businesses were able to weather the environment and enhance their competitive positioning.

The COVID-19 pandemic and its lingering macroeconomic issues have caused great market volatility. Over the course of three years, there have been two sizable market corrections, each with an approximate 33% decline in major indexes. But the Fund has performed admirably in both, protecting and growing clients' capital. During the COVID pandemic and its aftermath (12/31/2019 to 12/31/2022), the Fund had an annualized return of 23.65%. The Index's annualized return was only 3.85%.

Table VI.
Performance in Challenging Times: The Impact of Not Losing Money

	Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		COVID Pandemic and Macro-Downturn 12/31/2019 to 12/31/2022	
	Value $10,000	Annualized Return	Value $10,000	Annualized Return
Baron Partners Fund (Institutional Shares)	$11,479	1.54%	$18,903	23.65%
Russell Midcap Growth Index	$ 6,488	(4.69)%	$11,200	3.85%
S&P 500 Index	$ 7,188	(3.60)%	$12,479	7.66%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

We do not yet know if the challenges caused by the COVID-19 pandemic will persist. Volatility has remained high, but we are hopeful that the interest rate increases, policy measures, and COVID hangovers are nearing an end. So far, we are optimistic that companies will again be valued on their fundamentals rather than on macro concerns.

During periods of strong economic expansion, investors often disregard these more challenging periods. Losing capital during those periods, we believe, makes it nearly impossible to have exceptionally strong returns over the long term. Baron Partners Fund has shown a prior ability to grow capital during challenging periods. We believe the high-quality growth portfolio should be able to perform well again in future difficult economic periods, although there is no guarantee that will be the case.

Over the longer term, this combination has been rewarding for clients. A $10,000 hypothetical investment at the inception of the Fund on January 31, 1992, would have been worth $779,469 on March 31, 2022. That same $10,000 hypothetical investment in a fund designed to track the Index would now be worth $177,057, only about 23% of what it would have been worth if invested in the Fund.

PORTFOLIO HOLDINGS

Table VII.
Top 10 holdings as of March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
Tesla, Inc.	2014	$21.9	$656.4	$2,520.6	36.3%
Space Exploration Technologies Corp.	2017	–	–	597.1	8.6
CoStar Group, Inc.	2005	0.7	28.0	506.0	7.3
Arch Capital Group Ltd.	2002	0.6	25.2	444.5	6.4
IDEXX Laboratories, Inc.	2013	4.7	41.5	400.1	5.8
Hyatt Hotels Corporation	2009	4.2	11.9	371.7	5.4
FactSet Research Systems Inc.	2007	2.7	15.9	303.0	4.4
The Charles Schwab Corp.	1992	1.0	96.5	261.9	3.8
Vail Resorts, Inc.	2008	1.6	9.4	258.2	3.7
Iridium Communications Inc.	2019	3.0	7.8	247.7	3.6

Thank you for joining us as fellow shareholders in Baron Partners Fund. We continue to work hard to justify your confidence and trust in our stewardship of your hard-earned savings. We remain dedicated to providing you with the information we would like to have if our roles were reversed. We hope this letter enables you to make an informed decision about whether this Fund remains an appropriate investment.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager

Michael Baron
Co-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: The Fund is non-diversified which means, in addition to increased volatility of the Fund's returns, it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 48% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. 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 managers 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 Partners 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.

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).

DEAR BARON FIFTH AVENUE GROWTH FUND SHAREHOLDER:

PERFORMANCE

We had a good start to the year.

Baron Fifth Avenue Growth Fund® (the Fund) gained 19.7% (Institutional Shares) during the first quarter, which compares to gains of 14.4% for the Russell 1000 Growth Index (R1KG) and 7.5% for the S&P 500 Index (SPX), the Fund's benchmarks.

Table I.
Performance†
Annualized for periods ended March 31, 2023

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	19.60%	19.67%	14.37%	7.50%
One Year	(25.18)%	(24.99)%	(10.90)%	(7.73)%
Three Years	2.90%	3.16%	18.58%	18.60%
Five Years	4.45%	4.72%	13.66%	11.19%
Ten Years	10.57%	10.85%	14.59%	12.24%
Fifteen Years	8.34%	8.59%	12.11%	10.06%
Since Inception (April 30, 2004)	7.79%	7.99%	10.69%	9.34%

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

The year began with many pundits' expectations of doom and gloom in the midst of a historically aggressive Fed tightening cycle. "*Earnings revisions will push stocks lower in the first quarter…;*" "*We project a U.S. recession is likely to start around the beginning of 2023 and last through mid-year;*" and "*A hard landing is coming… and it's not priced in!*" were some of the experts' predictions we quoted in our last quarterly letter. Because 2022 was by far the worst year for equities (and most other financial assets) since the Great Financial Crisis (GFC) in 2008, we found it hard to tell how much of this doom and gloom was already being priced in. And while companies reported slowing business activity, leading them to lower guidance for 2023, the market seemed to have found its footing and recorded mid-to high single-digit gains across most segments and most geographies in January. The Fund performed even better with a gain of 13.8%, driven by the significant bounce back in many of the worst performing stocks in 2022. **NVIDIA** was up 33.8%, **Shopify** up 41.9%, and **Tesla** up 40.6% in January alone, giving investors a glimpse of how prospective returns tend to be negatively correlated to recent ones.

On February 2, the most watched technical indicator, the Golden Cross, provided the ultimate buy signal, and momentum investors piled on. Then came the January jobs report showing an increase of 517,000 jobs and a drop in the unemployment rate to 3.4%, a 53-year low! Since we are still in the good-news-is-bad-news world, the market went down, declining

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2022 was 1.03% and 0.76%, respectively, but the net annual expense ratio was 1.00% and 0.75% (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, 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-, 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 **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth and the **S&P 500 Index** 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 indexes and the Fund include reinvestment of dividends, net of 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 in the table 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 May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

mid-single digits over the next five weeks. On March 9, we witnessed the collapse of Silicon Valley Bank (SVB), the 16th largest bank in the U.S., followed by the Swiss-government-induced takeover of Credit Suisse by UBS for pennies on the dollar. Also on March 9, the 200-day moving average of the SPX, another widely used market indicator, broke down, sending a "sell-all" signal to the investing public. Forty-eight hours later, just when the situation started to look pretty bleak, the market turned around and went back up. The Fund gained 6.0% in the month of March and ended the quarter with a solid 19.7% gain. A long way to go to recoup our losses from last year, but a good start indeed.

From a performance attribution perspective, stock selection was responsible for 344bps of our 530bps of outperformance as compared to the R1KG Index. From a GICS sector perspective, we had an unusually consistent quarter, with outperformance in all sectors but one – Information Technology (IT). Our two best-performing sectors in the quarter were Consumer Discretionary and Communication Services, which together contributed 334bps to the Fund's relative gains. Industrials and Health Care generated an additional 130bps, while the balance is attributed to not owning any of the worst performing sectors during the quarter, such as Consumer Staples, Energy, Real Estate, Materials, and Utilities. From a sub-industry perspective, within Consumer Discretionary, our most significant contribution came from broadline retail, due mostly to gains from **MercadoLibre** and **Amazon**, which together contributed 157bps of alpha. Within Communication Services, we benefited from our holdings in advertising and interactive media & services, which were responsible for 101bps of outperformance, thanks to our investments in **Trade Desk** and **Meta**, respectively. Within IT, our modest underperformance (Fund up 22.4% vs. 24.9% for the R1KG) was caused by our IT consulting & other services holdings **Endava** and **EPAM**, but even that was partially offset by the Fund's 5.6% overweight to the sector.

From a stock-specific perspective, we had an unusually large number of big winners in the first quarter, with 8 investments that contributed over 100bps each to our absolute returns and 15 that contributed over 45bps each. That's more than *half of the portfolio*. The top five contributors – **NVIDIA**, **Meta**, **Amazon**, **Tesla**, and **MercadoLibre** – generated an impressive 1,241bps, while **Shopify**, **ServiceNow**, and **ASML** added an additional 382bps to quarterly gains. On the other side of the ledger, we had 7 detractors, but just a single investment, **ZoomInfo**, that detracted more than 45bps from our results.

SVB, platforms, and digitization

On Wednesday March 8, SVB's stock was trading at $267 per share, with a market cap of $16 billion. Two days later the price was $0. Despite being headquartered in Silicon Valley with start-ups and world-renowned venture capitalists (VCs) as its clientele, SVB was far from being a start-up. It was a 40-year-old regulated bank with over $200 billion in assets and approximately $175 billion in deposits, making it the 16th largest bank in the U.S. On March 8, after the market close, SVB announced plans to raise $2 billion of capital to *"strengthen its financial position."* In that same investor letter, the company claimed to be *"well-capitalized, with a high-quality, liquid balance sheet and peer-leading capital ratios"* even before the capital raise.

What happened next caught most market participants by surprise and was truly unprecedented. A few large VCs became concerned over the health of SVB and asked each other a logical question: Why would SVB raise capital if they didn't need it? With plenty of scar tissue left from the GFC, they decided it would be prudent to pull their money out of SVB. All of it. Then, they decided to advise all their start-up clients to do the same, and naturally went to social media to share their action and their concerns with the rest of the world. Well…, in the physical world, when everyone tries to run through the same door, there is obviously no door large enough to fit them. It turns out that in the digital world, it is even worse. The ease of pulling large amounts of money out with a push of a button from a smartphone during any and all hours of the day, combined with the network effects of social media, created an old-fashioned run on the bank. Now, while there is nothing unprecedented about a run on a bank, there was no precedent for the *speed of this run on this bank*. On Thursday March 9, SVB's clients withdrew (or attempted to withdraw) $42 billion – or about $500,000 per second! For comparison, the biggest recorded bank run during the 2008 GFC had clients pulling $17 billion from Washington Mutual over the course of 10 days. After SVB went under in early March of 2023, Signature Bank followed within *hours*, and First Republic and Credit Suisse needed to be rescued within days.

In the digital economy, network effects are a double-edged sword. Things can go viral and "blow up" at a pace unseen and unimaginable before. ChatGPT acquired 1 million users in five days and *100 million users in less than two months*. But the other side of this sword is that a couple of nervous VCs can make a 40-year-old multi-billion-dollar business disappear just as fast.

Although we have never owned legacy banks, we were not unscathed by this calamity, experiencing collateral damage now and possibly in the future. A number of our holdings may be negatively impacted as budgets in the financial services industry are likely to be constrained in the short term, which may, in turn, impact their near-term purchasing decisions and spending plans. For example, **Endava**, a provider of outsourced IT services and software development, saw its shares drop roughly 20% after SVB collapsed. Approximately half of its revenues come from customers in the financial services industry even though its exposure to banks is only 10% and its exposure to regional banks is less than 2%. Could banks push out projects because they now have other more pressing concerns? Yeah, they could. Would financial services companies stop digitizing, stop moving to the cloud, or decide not to adopt artificial intelligence (AI) because of this crisis? Highly unlikely in our view. And so, while the uncertainty over 2023 financial targets and results has clearly increased, the long-term future of Endava is unaffected and remains bright in our view.

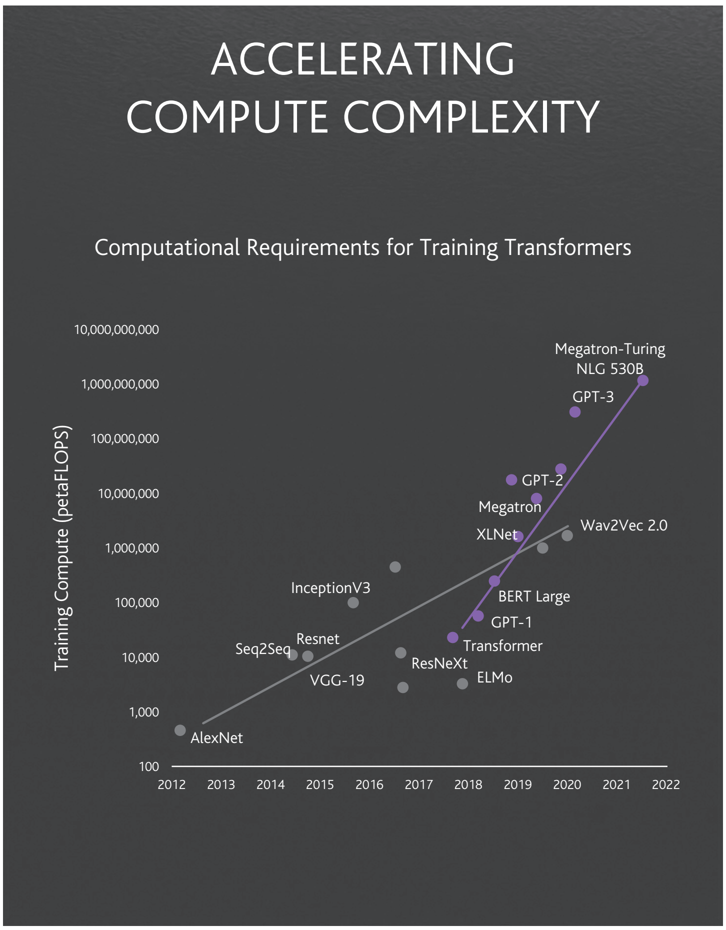
Platforms and AI

In a recent blog post titled *"The Age of AI Has Begun,"*[1] Bill Gates discussed how AI is the second revolutionary technology he has seen in his lifetime (with the first one being in 1980 when he was introduced to the graphical user interface of the PC, which became the basis for Microsoft Windows):

"The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet, and the mobile phone. It will change the way people work, learn, travel, get health care, and communicate with each other. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it."

1 GatesNotes.com, March 21, 2023

We have followed developments in AI for years. The pace of innovation has significantly accelerated since the introduction of the transformer model and self-attention in 2017[2] by AI researchers at Google, whose work significantly improved how AI models learn about common relationships in languages, thus building an understanding of context. These models have become the basis of today's large language models, such as Open AI's GPT-4 (the model behind ChatGPT), which we discussed in some detail in last quarter's letter. While AI development in general has been progressing at a rapid pace (with model size up 8x in two years), transformer models are progressing even faster (275x in two years). The following chart from NVIDIA visually demonstrates this significant acceleration (the purple line shows transformer models):[3]



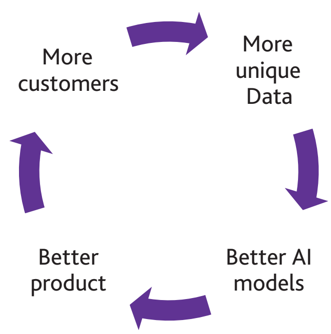
The potential implications of AI could be profound: increasing information-worker productivity from creative professionals to developers; improving decision making at companies of all sizes, making them much more dynamic and data-driven; creating new consumer value propositions with more personalized experiences that are based on data and real-time feedback loops; and creating new markets we can't even dream up today. AI has the potential to drive significant disruption across many industries and entire economies. Similar to how the internet in the late 1990s or the smartphone in the mid-2000s enhanced productivity, shaped new markets, and created trillion-dollar Big Ideas (e.g., Amazon, Apple, Google), we may be in the early stages of the next meaningful platform shift, surfacing new risks and opportunities for businesses. Our initial observations suggest the following:

1) Disruptive change is becoming even more pervasive, increasing the importance of continuously underwriting the investment thesis, which is very different from buy and hold. More than ever, we are now in a world of buy, hold, CONSTANTLY VERIFY, and search for disconfirming evidence.

2) Data IS the new oil. The value of proprietary data will increase; AI models will only be as good as the data that feeds them. As a result, the competitive advantages of companies with proprietary data, with the ability to leverage it, will continue to increase.

3) Digitally transforming a company's business is crucial and will remain management's top priority. Companies unable to remove silos and build architectures and organizational structures that enable them to harness their data will be left behind.

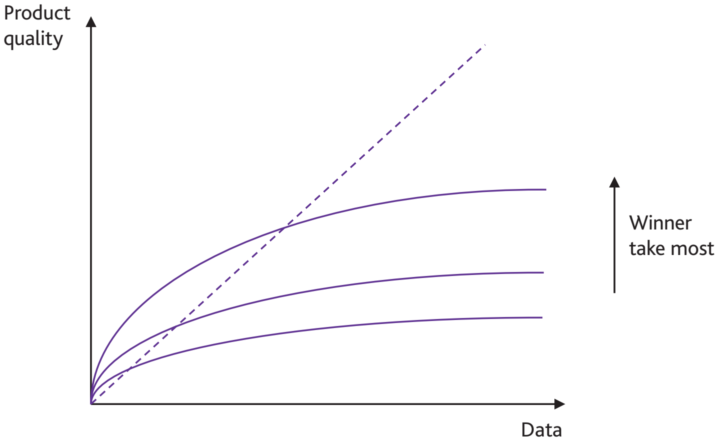
4) Formation of a virtuous AI cycle in which the scale and uniqueness of a company's data could create a virtuous cycle among data, product quality, and go-to-market strategies, leading to winner-take-most competitive dynamics. The first-mover advantage would also matter more, as it could help jump-start this cycle.



[2] Vaswani, A., N. Shazeer, N. Parmar, J. Uszkoreit, L. Jones, A. Gomez, L. Kaiser, and I. Polosukhin, "Attention Is All You Need," arxiv.org, December, 6, 2017.
[3] NVIDIA Investor Day 2022 presentation materials.

5) Go-to-market and referenceability are increasing in importance because companies that are able to attract more users faster than their competitors are in a better position to reach escape velocity as long as they can harness and leverage the data generated to their advantage.

6) Market shares of platform businesses are likely to reach even higher levels in the endgame. We believe this would be the case not only for vertical solution providers who already have high market shares (like **Veeva**, with approximately 80% market share in life-sciences CRM), but also for horizontally focused companies. A key question for each company would be *the extent to which its product can continuously improve with the scale and uniqueness of its data*. If it asymptotes at relatively low scale, the market is likely to be more competitive than if performance improvements would be sustainable for longer, as depicted in the following chart:



The n is more important than the g

As we have described in prior letters, getting the duration of growth right (the 'n') matters much more than getting the rate of growth correct (the 'g'). Many companies have been able to grow very rapidly for a few years. Few are able to sustain high growth rates for long periods of time. Those that do become the Big Ideas we are hunting for. While the current macro slowdown and the banking crisis present/create clear **headwinds to the g** in the near term, we think it also sows the seeds for **tailwinds to the n**. On the one hand, we are hearing from many companies about lengthening sales cycles, optimizations of ongoing expenses, a requirement to get C-level approval for purchases, and just a general increase in the level of uncertainty. On the other hand, history and experience suggest that economic downturns drive market-share gains for the industry leaders, which strengthens their competitive advantage even further. As AI becomes more pervasive, **the leading platforms will likely increase their lead on data, shortening the time to escape velocity**. We are already hearing from our companies (who are the leaders in their industries) about consolidation dynamics, as customers take advantage of this period of uncertainty to consolidate spend away from point solutions and onto the platforms.

We believe the coming commercialization of AI will serve as a tailwind for many of our companies. The increased importance of digitization should benefit digital-first businesses and those that enable digitization, like **Endava** or **EPAM**, who provide outsourced software development services, and **Snowflake**, which helps companies remove data silos and become more data-driven. **CrowdStrike** is another good example of a company whose product directly benefits from data. The more data CrowdStrike acquires, the better it becomes at catching cybersecurity threats, which in turn helps the company win more customers, thus driving more data onto the platform, and the cycle continues.

While near-term uncertainty remains high, we have even greater conviction about the long-term prospects of our companies. We have no insight, or even a view, on whether the economy is headed for a recession, or a prediction on how the market, or the Fund, will perform in the second quarter or for the rest of 2023. Our pattern recognition continues to suggest, however, that this period of time will prove to be a good entry point for investors in the not-too-distant future.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
NVIDIA Corporation	$ 686.1	4.60%
Meta Platforms, Inc.	549.5	2.17
Amazon.com, Inc.	1,058.4	1.93
Tesla, Inc.	656.4	1.92
MercadoLibre, Inc.	66.2	1.78

NVIDIA Corporation is a fabless semiconductor mega-cap company and global leader in gaming cards and accelerated computing hardware and software. Despite subdued demand for gaming cards due to an ongoing PC slowdown and inventory correction, shares of NVIDIA rose 90.2% during the first quarter as a result of material developments in generative AI as evidenced by the release of ChatGPT and GPT-4. These technologies hold the promise of enabling significant productivity gains across domains from content creation, coding, and even biologic discovery. During its annual GTC conference in March, NVIDIA announced new products that expand its addressable market, such as the L4 chip, which opens the opportunity for video processing, representing 80% of internet traffic. We continue to believe NVIDIA's end-to-end AI platform and leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, will enable the company to benefit from durable growth for years to come and therefore remain shareholders.

Shares of **Meta Platforms, Inc.**, the world's largest social network, were up 75.6% this quarter due to decisive cost discipline actions taken by the company (including layoffs of more than 20% of its staff and a reduction in its data center and office footprint), improving adoption of new advertising products, the company's work in generative AI, and the broader rally in technology stocks. On the top line, Meta continues growing its user base with daily average users up 5% year-over-year in the last quarter. Engagement remains healthy with impressions up 23% year-over-year, and newer advertising formats (like Instagram Reels) are reportedly picking up steam as well with 40% of advertisers now using Reels. Longer term, we believe Meta will utilize its leadership in mobile advertising, massive user base, innovative culture, and technological scale to sustain durable growth for years to come, with further monetization opportunities ahead in newer areas such as WhatsApp.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares were up 23.0% in the quarter, driven by solid financial results. Revenues were up 12% year-over-year and AWS (Amazon Web Services) revenues were up 20% year-over-year to a run rate of over $85 billion, even though the company guided to a deceleration as a result of the weaker macro environment, which is driving customer budget optimizations. Shares also benefited from the continued cost discipline, including steps to meaningfully improve core North American retail profitability to pre-pandemic levels. While near-term uncertainty remains, Amazon's growth runway in e-commerce remains long, which is still less than 15% penetrated in the U.S. (with a longer runway internationally). Amazon also remains the clear leader in the vast and growing cloud infrastructure market, with large opportunities in platform offerings and application software, including enabling AI workloads. Additional areas such as advertising (where Amazon still holds less than 5% market share), logistics, and health care further solidify the company's growth durability.

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. After being our top detractor in the fourth quarter when its price fell 53.6%, the stock reversed course and was up 68.5% in the first quarter of 2023. The about-face was driven by a rapid shift in investor sentiment, as investors now expect Tesla to continue growing rapidly while maintaining industry-leading margins despite the potential recession, supply-chain challenges, increased competition in China, and price adjustments. In addition, after devoting considerable time to reorganizing Twitter post-acquisition, CEO Elon Musk has re-established his commitment to Tesla, while a management presentation during its analyst day provided visibility into the broad quality of talented professionals leading Tesla. We expect Tesla to continue leading the electrification of the automotive and energy storage markets through its vertical integration, scale, and cost leadership. As long-term shareholders, we have witnessed Tesla increase deliveries from practically zero to over 1.3 million units while proving it can reduce costs and rapidly expand its product line and manufacturing footprint. We also expect Tesla's next platform to have a significant impact on the company's results. We remain confident in Tesla's fundamentals and management team and believe that, with still less than 2% market share, the company remains well positioned to enjoy a long runway of growth as the market shifts to EVs.

The stock of **MercadoLibre, Inc.**, the dominant e-commerce platform in Latin America, rose 55.8% during the first quarter. The company reported a significant fourth quarter earnings beat, driven by strong performance on essentially all key drivers of operating margins across both the commerce and fintech segments, including higher fulfillment penetration, stronger adoption of advertising solutions, lower loan loss provisions on the credit business, and operating leverage driven by economies of scale. Net revenues grew 57% year-on-year in constant-currency, total payment volume was up 80%, and operating margins reached 11.6%. On its earnings call, the company suggested these drivers will continue to generate sequential margin expansion in the coming quarters and years. We believe retrenchment by some top e-commerce competitors could lead to a possible acceleration of MercadoLibre's market share growth, especially in Brazil. We believe MercadoLibre will be the dominant player in a Latin American e-commerce industry that remains early in its growth lifecycle, driven by the relative low e-commerce penetration in the region. We remain shareholders.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
ZoomInfo Technologies Inc.	$10.0	–0.68%
GitLab Inc.	5.2	–0.40
Endava plc	3.8	–0.37
EPAM Systems, Inc.	17.2	–0.28
Rivian Automotive, Inc.	14.4	–0.25

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Despite reporting 47% year-over-year revenue growth (41% organic), 41% adjusted operating income margins, and 42% free-cash-flow margins for 2022, shares declined 17.9% during the first quarter after the company guided for a slowdown in revenue growth driven by increasing macroeconomic uncertainty, elongating sales cycles, slower upselling to existing customers, and a slowdown in seat expansion. While near-term uncertainty has increased, we believe ZoomInfo's competitive positioning remains strong while the opportunity ahead is significant. We retain conviction and believe that ZoomInfo will benefit from long-duration growth, as it has only about 35,000 customers out of a 700,000 business-to-business opportunity. New products in talent and marketing add optionality.

GitLab Inc. is a provider of a DevOps platform that addresses all stages of the software application life cycle. Despite reporting decent quarterly results with revenue growth of 58% year-over-year and operating losses below expectations with non-GAAP operating margins of –11% compared to expectations of –22%, the company issued below-consensus 2023 revenue growth guidance, calling for a meaningful slowdown to 25% revenue growth. Technology industry layoffs and tighter IT/developer budgets resulted in lower net revenue retention rates in GitLab's Premium Tier, as some existing customers cut back on paid licenses to account for reduced hiring, while others anticipated a lower rate of developer headcount growth in 2023. Management is assuming the trend will continue through the remainder of 2023. Despite the heightened macro-driven near-term uncertainty, we remain shareholders. We believe the company remains well positioned competitively in a duopoly market with a long runway for growth, underpinned by the increasing demand for integrated DevOps platforms that help customers build applications more efficiently. GitLab is also implementing a 25% to 50% price increase on its Premium Tier that should benefit growth into 2024 and 2025, while also helping the company achieve profitability sooner than it initially projected.

Endava plc provides consulting and outsourced software development services for business customers. Shares declined 12.2% during the first quarter as a result of growing investor concerns over the potential near-term demand implications resulting from the banking crisis, given that 50% or more of Endava's revenue comes from financial services firms. In addition, shares were impacted by the company reducing its financial guidance for fiscal year 2023 to reflect slower bookings as macroeconomic uncertainty weighed on client decision making in December. Nevertheless, the company reported solid quarterly results, with 30% revenue growth and 26% EPS growth. Management noted that bookings have improved in the first couple of months of 2023, and it expects annualized revenue growth to return to greater than 20% fairly quickly. While near-term uncertainty has increased, we remain investors because we believe Endava will continue gaining share in a large global market for IT services for years to come.

EPAM Systems, Inc. provides outsourced software development to business customers. Shares declined 8.8% during the quarter after the company provided 2023 financial guidance that was below Street expectations. After growing revenue by 28% and EPS by 20% in 2022, management expects slower growth this year due to near-term client caution around IT spending in an uncertain macroeconomic environment. However, management anticipates only a temporary slowdown as visibility on new projects supports accelerating revenue growth back to 20% by early 2024. We continue to own the stock due to EPAM's long runway for growth, underpinned by the growing demand for digitization and management's strong execution in meeting that demand over the years.

Shares of **Rivian Automotive, Inc.**, a U.S.-based EV manufacturer, fell 16.5% during the quarter. Despite seven-fold growth in its monthly production rate between late 2021 and late 2022, production guidance for 2023 missed analyst forecasts as a result of continued supply-chain constraints, even though they have begun to be alleviated. In addition, production costs are still materially higher than the company's long-term goal due to the underutilization of Rivian's manufacturing facility, which is contributing to cash burn and growing investor concerns during an uncertain macro environment. Finally, despite having close to $12 billion in cash at the end of 2022, the current pace of cash outflows suggests the company will need to either continue adjusting its capital allocation plans or raise more capital. We are closely monitoring Rivian's advancement in key areas and awaiting additional information on its R2 platform, which addresses a larger portion of the market. Similar to Tesla in its early days, we believe a successful ramp up in production will drive economies of scale and improved unit economics through fixed cost leverage and increasing purchasing power as well as broader efficiency gains as the company moves along its learning curve. We remain shareholders and believe that the company's unique product (which continues getting positive reviews), a vertically integrated technology approach, and promising commercial partnerships will drive long-duration growth as the economy remains early in its shift to EVs.

Portfolio Structure

The Fund is constructed on a bottom-up basis with the quality of ideas and level of conviction playing the most significant role in determining the size of each investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative view.

As of March 31, 2023, the top 10 holdings represented 54.2% of the Fund, and the top 20 represented 84.4%. The total number of investments in the portfolio was 29 at the end of the first quarter, unchanged from the end of 2022.

IT, Consumer Discretionary, Health Care, Financials, and Communication Services made up 96.8% of net assets. The remaining 3.2% was made up of GM Cruise and SpaceX, our two private investments classified as Industrials, and cash.

Table IV.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
NVIDIA Corporation	$ 686.1	$31.2	7.7%
Amazon.com, Inc.	1,058.4	29.7	7.4
ServiceNow, Inc.	94.3	25.4	6.3
Mastercard Incorporated	346.4	21.8	5.4
Snowflake Inc.	50.1	20.1	5.0
Tesla, Inc.	656.4	19.6	4.9
Meta Platforms, Inc.	549.5	19.6	4.9
Intuitive Surgical, Inc.	89.5	18.9	4.7
Shopify Inc.	67.7	16.7	4.2
CrowdStrike Holdings, Inc.	32.4	15.7	3.9

Recent Activity

During the first quarter, we added to eight existing positions, including continuing to build several of our newer positions, such as the connected TV (CTV) leader, **Trade Desk**, the EV manufacturers **Tesla** and **Rivian**, the networking and infrastructure platform **Cloudflare**, and the assisted driving and autonomous driving solution provider **Mobileye**. At the same time, we also added to various longer-term holdings such as the leading social network, **Meta** (which was one of our largest purchases during the last quarter as well), and the leading robotic surgery system and consumable provider, **Intuitive Surgical**. We also reduced six existing holdings mostly to generate funds to increase investment in which we saw a more attractive risk-reward profile.

Table V.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
The Trade Desk	$ 29.9	$3.9
Meta Platforms, Inc.	549.5	3.7
Tesla, Inc.	656.4	2.5
Cloudflare, Inc.	20.4	1.8
Rivian Automotive, Inc.	14.4	1.7

Our top two purchases in this quarter were similar to our largest additions during the last quarter, **The Trade Desk** and **Meta Platforms, Inc.**, since we believe the risk–reward remains very attractive for both companies.

Trade Desk is the leading internet advertising demand-side platform, enabling programmatic (automated) buying of digital advertising. The company is benefiting from the growth in CTV, while also expanding its market share as advertisers find its neutral positioning in the market attractive; the company only operates on one side of the market (the buy side) as opposed to Google which also purchases ads for its own assets (such as YouTube). Thus, Google operates under a structural potential conflict of interests: on the one hand, its advertising customers are interested in paying as little as possible for the ads they purchase, but on the other hand, its publishing assets such as YouTube, are interested in getting as much as possible for the ads they sell. Trade Desk's management continues showing excellent performance under an uncertain macro backdrop. In its last quarterly results, the company reported 24% year-over-year revenue growth with 50% adjusted EBITDA margins, while also providing outlook that was slightly above expectations. This revenue growth rate is quite impressive when considered against the negative growth rates reported by most other digital advertisers, including -2% for Google search and -4% for Meta. We believe the company would be a key beneficiary as advertising dollars increasingly shift from linear TV to CTV. We have therefore increased our holding.

During the quarter, we also added to our Meta position. While the business is experiencing a near-term slowdown due to the increased macro uncertainty, which has impacted advertising budgets, the company's long-term prospects remain favorable in our view, especially with an increased focus on profitability, with CEO Mark Zuckerberg calling 2023 *"the year of efficiency."* As part of these efforts, Meta has flattened their organizational structure, *"removing layers of middle management,"* which should not only cut costs, but also improve the velocity of decision making and innovation. Also important, the company continues growing its user base along with user engagement, including on Reels, while also attracting more advertisers to the new format. At the same time, management continues progressing on their AI-based targeting and measurement solution, which could increasingly offset the lost signal from Apple's ATT (App Tracking Transparency) changes from two years ago. While the stock is no longer as undervalued as it was when we added to it during the fourth quarter, we believe the risk-reward is still favorable for long-term investors.

We also added to our **Tesla, Inc.** position during the quarter after visiting the company's manufacturing facility in Texas and spending time with a range of executives, which has further increased our conviction in the company's long-duration growth, underpinned by its innovative culture, decentralized and multi-disciplinary decision making, and scale benefits. While the near term remains uncertain as we expect the company to continue making trade-offs among pricing, market share (production volume), and profitability, we have a lot of conviction in Tesla's ability to maintain its leadership positioning in the market as it transitions to EVs. Its structural cost advantage over competitors would become more evident, in our view, during tougher macroeconomic times, when prices are adjusted lower. Additionally, we believe Tesla is competitively advantaged in its development of autonomous driving, namely, due to its proprietary data advantage (has more real-world miles than other manufacturers, which are key to training AI models). Although we think it presents a significant opportunity, we currently treat it as optionality.

We also added to **Cloudflare, Inc.** during the quarter, the leading cloud-based networking and software infrastructure provider. Despite facing a macro-driven elongation of deal cycles, the company reported solid quarterly results with 42% year-over-year revenue growth, while also guiding to 37% growth for 2023. The company's speed of innovation enables it to continuously grow its opportunity set as it adds more products to its platform, solving additional problems for customers from network services to zero-trust. Its scale-based competitive advantages enable it to be the low-cost provider in the industry, while also having significant volumes of data to power its AI models and improve its product over time. Once it gets customers on board, Cloudflare is then able to cross-sell them additional networking and security solutions at high marginal profitability, as they are served on the same underlying infrastructure and thus the company doesn't need to spend once more on customer acquisition. This creates a virtuous cycle that should enable Cloudflare to become an important part of the infrastructure layer of organizations over time, in our view.

Lastly, we added to our **Rivian Automotive, Inc.** position, an EV manufacturer, after significantly reducing our holdings last year to harvest tax losses, as the stock's correction created a compelling entry point, in our view, for long-term shareholders.

Table VI.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Sold (millions)
argenx SE	$ 20.7	$5.2
Mastercard Incorporated	346.4	3.4
NVIDIA Corporation	686.1	2.4
ASML Holding N.V.	273.3	1.8
EPAM Systems, Inc.	17.2	0.8

We reduced the size of our position in **argenx SE**, a leading autoimmune biotechnology company, to better balance the risk from the upcoming CIDP (Chronic Inflammatory Demyelinating Polyneuropathy, a rare autoimmune neurological disorder) trial readout with the company's long-term prospects and other opportunities we see across the portfolio. While we also slightly rebalanced our **NVIDIA Corporation** position as the stock rose significantly during the first quarter, we remain excited about the company's prospects to be a key beneficiary of the growth in AI. It is now our largest position in the Fund. We also slightly reduced our **Mastercard Incorporated**, **ASML Holding N.V.**, and **EPAM Systems, Inc.** positions to fund redemptions as well as to reallocate to ideas in which we saw a more positively skewed risk–reward profile for the next several years.

Outlook

First Quarter 2020 – For the first time in 100 years, we are reintroduced to a global pandemic.

First Quarter 2021 – The reopening trade leads to significant outperformance for "value" sectors (e.g., energy, legacy banks, and airlines) for the first time in over a decade.

First Quarter 2022 – Russia invades Ukraine and further exacerbates COVID-19-driven supply-chain challenges, pushing up inflation and compressing the pace of the Fed's tightening cycle.

First Quarter 2023 – SVB, the 16th largest bank in the U.S., collapses after a run on the bank, the largest bank crash since 2008. The 167-year-old financial institution, Credit Suisse, is sold for $3.2 billion to UBS in a takeover brokered by the Swiss National Bank.

Care to offer the outlook for the first quarter of 2024? We sure do not.

Skeptical investors often ask, if we have no confidence in forecasting the next three months or the next year, how can we have confidence in forecasting 5 or 10 years into the future? While this skepticism is understandable, we believe it is misplaced. Short-term stock price fluctuations (and company fundamentals) are disproportionately affected by the macro and by factors outside a company's control. We believe most of these factors are impossible to predict accurately with any consistency. However, it turns out that a business's uniqueness, the sustainability of its competitive advantages, its management's ability to prudently allocate capital and to earn high rates of return on the company's investments can be analyzed and therefore forecasted far more accurately over longer periods of time. Sure, qualitative things like a company's culture, the strength of its management team, and even the disruptive change analysis are all subjective; assessing them requires both experience and a healthy margin of safety, but at the end of the day, there are only a handful of variables that go into the intrinsic value equation:

- How big is the opportunity?
- What market share can the company reasonably expect to get?
- How economically profitable would this business over time and at maturity?
- What is the cost of capital?
- And what is the terminal growth rate?

These are the variables that long-term owners of a business care about and spend their time researching. Over the last three months, we believe these variables have been moving in the right direction for most of our portfolio companies. Interestingly, although the Fed's rhetoric remains hawkish with "more inflation fighting left to be done," the 10-Year U.S. Treasury yield has fallen from around 3.9% at year-end 2022 to around 3.4% as we write this letter. Similarly, real rates, as measured by the yield on 10-Year U.S. TIPS have dropped from around 1.6% to around 1.1% over the same period. Just sayin'….

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create.

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe target companies are trading at attractive prices relative to their intrinsic values.

Sincerely,

Alex Umansky
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: The Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. 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. There is no guarantee that these objectives will be met.

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 managers 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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DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

After a difficult fourth quarter last year, Baron Focused Growth Fund® (the Fund) rebounded in the first quarter of 2023. Despite continued macro concerns of a slowdown in spending and investment due to higher interest rates and stubbornly high inflation, the Fund outperformed in a strong start to the new year. The Fund increased 14.49% (Institutional Shares) in the quarter ended March 31, 2023. The Fund's primary benchmark, the Russell 2500 Growth Index (the Index), increased 6.54%. The S&P 500 Index, which measures the performance of domestic large-cap companies, increased 7.50%.

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Focused Growth Fund Retail Shares[1,2,3]	Baron Focused Growth Fund Institutional Shares[1,2,3,4]	Russell 2500 Growth Index[2]	S&P 500 Index[2]
Three Months[5]	14.37%	14.49%	6.54%	7.50%
One Year	(10.79)%	(10.54)%	(10.35)%	(7.73)%
Three Years	37.55%	37.91%	14.75%	18.60%
Five Years	23.67%	23.99%	6.82%	11.19%
Ten Years	15.45%	15.75%	10.05%	12.24%
Fifteen Years	12.54%	12.80%	9.70%	10.06%
Since Inception (May 31,1996)	13.14%	13.28%	7.83%	9.01%

This significant rebound in the first quarter was principally due to the increase in **Tesla, Inc.**'s share price. Despite price cuts by Tesla and questions about demand, the company saw robust orders for its cars after the price reductions. Tesla continues to increase its market share. In addition, Tesla remains the lowest cost provider for its high-quality cars. It continues to find more efficient ways to produce its cars while ramping up its factories in Texas and Berlin. This should mitigate gross margin declines from start-up costs, while still generating strong cash flow for more high-return investments. The company is now building its fifth factory, which will be in Mexico. This will add capacity to meet demand, while helping lower

DAVID BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BFGFX
Institutional Shares: BFGIX
R6 Shares: BFGUX

overhead and logistics costs. Tesla's stock price increased 68.4% in the first quarter and added 640 bps to the Fund's performance.

Tesla should also benefit from the Inflation Reduction Act. Starting April 17, 2023, most consumers will receive a $7,500 credit when they buy an electric vehicle (EV), while Tesla will benefit from a $3,500 tax incentive. Combining its strong 40% EBITDA to cash conversion rate and its robust balance sheet, with over $22 billion in cash and nominal debt, Tesla is in a strong position to weather the current volatile environment.

Appreciation in our consumer and business services companies also added to Fund performance. These businesses benefited from strong demand, pricing power, and cash flow growth, while maintaining strong customer retention. Among these companies were **Hyatt Hotels Corporation**, **Iridium Communications Inc.**, **MSCI Inc.**, and **ANSYS, Inc.**

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 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 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.

1 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The performance is only for the period before the Fund's registration statement was effective, which was December 31, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The **Russell 2500™ Growth Index** measures the performance of small to medium-sized companies that are classified as growth and the **S&P 500 Index** of 500 widely the performance of small to medium-sized U.S. companies that 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 index and the Fund include reinvestment of dividends, net of 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.

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

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

5 Not annualized.

We remain steadfast in our commitment to long-term investing in competitively advantaged growth businesses with large growth opportunities that are taking share and are managed by exceptional executives. We believe such investments are an effective way to protect and increase the purchasing power of your savings. In the past, after wars, pandemics, financial panics, higher-than-normal inflation, and significant market declines, as interest rates stabilize and are ultimately reduced, equity stock prices have increased substantially. We believe that will happen again although the timing remains uncertain.

The Fund also outperformed its Index for the 3-, 5-, 10-, and 15-year periods, as well as since its inception as a private partnership on May 31, 1996. Since its inception nearly 27 years ago, the Fund has increased 13.28% annualized. This compares to a 7.83% annualized return for the Index and a 9.01% annualized return for the S&P 500 Index.

While the Fund's first quarter performance was strong on an absolute and relative basis, we are not taking a victory lap. We believe there are more gains to come and remain steadfast in our approach to continue to find companies with strong competitive advantages and significant pricing power. Our goal is to invest in companies that are investing in themselves at high rates of return. This allows them to either raise prices on goods and services or provide services at the lowest possible cost.

Our portfolio holdings continue to have strong competitive advantages with large market opportunities. Despite market volatility, our companies continue to invest in their businesses to accelerate revenue growth, while using excess cash to return capital to shareholders through increased buybacks and dividends. That is a key differentiator for the Fund, and one that we believe reduces fund volatility, an important factor in a concentrated fund.

The current weighted average return on invested capital for our holdings is 10.9% versus 6.7% for companies in the Index. One of the reasons we believe our companies should continue to grow through any market environment is that they invest for growth through all market environments. In addition, many are starting to accelerate their return of capital to shareholders through increased buybacks and dividends. Those are signs that managements are confident in their businesses' prospects, despite the uncertain macro environment.

We believe many of our stocks have already priced in significant declines in earnings this year. Investors obviously remember operating declines during the 2008/2009 Global Financial Crisis and are pricing in similar declines today. If we do not go into a deep recession this year or if the slowdown and expected decline in earnings are not as bad as feared, we should see significant near-term upside in our investments. We believe our stocks are cyclically depressed, not secularly challenged, and should recover over the next 18 to 24 months. So far, most of our companies have not experienced a slowdown in sales or earnings growth, and their outlooks remain strong. In addition, we believe that even if a downturn were to occur, our companies would still be operating above pre-pandemic levels. Our businesses' balance sheets have been strengthened compared to pre-COVID levels.

As mentioned above, first quarter performance was driven by companies that continue to see strong demand for their products and services despite the uncertain economic environment. These gains were offset slightly by the underperformance of companies that increased investments for future growth. These include **CoStar Group, Inc.** and **Figs Inc.** Our office real estate REITs, **Douglas Emmett, Inc.** and **Alexandria Real Estate Equities, Inc.**, continue to be negatively impacted by the work-from-home transition and higher interest rates.

Shares of global hotelier Hyatt increased 23.6% and helped performance by 148 bps in the first quarter. Hyatt continues to see strong growth in revenue-per-available room above pre-pandemic levels. This is driven by continued strength in its leisure business, now 50% of its room base. We believe the company's corporate business should continue to rebound. Its group business is now running above 2019 levels. Sustained margin gains from operating improvements implemented during the pandemic should also help drive EBITDA and cash flow growth. Hyatt expects to complete its transition to an 80% fee-based business through asset sales of about $2 billion by the end of 2024. We believe Hyatt shares are significantly undervalued. While investor concern that a possible recession will result in slower or even negative growth, we believe this has been priced into its stock at current levels. So far, the company has seen no material slowdown in occupancy levels and continues to increase prices, especially on the leisure side. While leisure may be experiencing peak demand levels, management believes any slowdown in growth would be offset by the continued recovery of its group and business customers. Volumes in these segments are rapidly returning to pre-pandemic levels. Hyatt's balance sheet and cash flow profile remain strong, which, combined with the hotel asset sales mentioned above, should result in more consistent earnings. We believe Hyatt's multiple will increase over the next few years.

Iridium, a leading mobile voice and data communications services vendor offering global coverage via satellite, increased 20.8% and added 99 bps to performance in the quarter. The stock outperformed as the company's revenue growth accelerated, leading to strong profitability and cash flow, which the company used to buy back its stock. The company continues to benefit from its $3 billion investment in its satellite constellation, which is a technologically and capital-intensive effort and a strong barrier to entry. Iridium continues to generate consistent and growing revenue and cash flow, which should lead to a return of capital to shareholders for at least the next 10 years. That is since its satellites last longer than its competitors' satellites, and they offer stronger broadband given their low-Earth orbit positioning.

Shares of MSCI, a leading provider of investment decision support tools, increased 20.6% in the first quarter and helped performance by 97 bps. The company continues to generate resilient earnings and cash flow. It is benefiting from improved performance in the global equity markets, which impacts MSCI's asset-based fee revenue. MSCI owns strong, *all weather* franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community. We believe its core equity index business continues to be a durable double-digit grower, while its climate change tools should offer another avenue for growth. Climate tools help banks and credit providers understand climate emission rates of borrowers and the footprint of their loan books. Climate today is an $80 million revenue business. MSCI believes in 10 years it could be a $1.5 billion business with extremely high margins. Finally, we believe there should be an opportunity in the private markets, especially the fixed income and private credit spaces. The company continues to generate strong cash flow, which it uses to invest in its business and buy back its stock, a sign the company continues to see value in its equity.

ANSYS, a leader in simulation driven product development, increased 37.8% in the first quarter, and helped performance by 91 bps. The company continued to sign new contracts with companies generating low double-digit growth in annual contract values with strength in autos, aerospace and defense, technology, and energy. The company continues to benefit from businesses needing ANSYS' simulation technology for their ever changing and complicated initiatives around electrification, connectivity, driver-assist technology, and programs for drilling, clean energy, and sustainability. ANSYS continues to sign incremental contracts with current clients, a sign its technology is working. The company remains significantly underpenetrated in the $1.2 trillion market for research and development for simulations. ANSYS continues to invest to enhance its products and add new services and technologies.

Real estate data and marketing platform CoStar decreased 10.9% in the quarter and hurt performance by 55 bps. CoStar's share price decline was due to an acceleration in its investment in its residential business. CoStar expects to more than double its residential investment from 2022 levels to approximately $500 million this year. We believe the acceleration in investment should drive organic growth on its Homes.com platform. Homes.com had just 24 million monthly active users in the first quarter versus Zillow's 230 million users. We believe CoStar's additional retail investment should meaningfully accelerate CoStar's revenue growth by expanding its addressable market. We believe other investors are attributing negative equity value to this. Over the next five years, CoStar's residential investment could add at least $1 billion to annualized revenue at a significantly accretive margin. This would result in a 50% increase in today's $2 billion of revenue and an approximate 75% increase in EBITDA. Longer term, we believe this investment opportunity is several multiples of $1 billion of revenue. CoStar continues to see strong new bookings and strength in its retention rates, despite implementing price increases across its suite of products. It continues to have a strong balance sheet, with $5 billion of cash and just $1 billion of debt. We are not concerned with its residential investment and believe it should generate strong returns over time.

Figs is the largest direct-to-consumer supplier of scrubs to the medical industry, and its shares underperformed in the first quarter. This was due to customers pulling back on their frequency of purchases, as they are being hurt by the inflationary environment and higher interest rates. Increased promotions, higher freight and fulfillment costs, and higher shipping rates hurt margins. However, the company is still seeing strong customer additions and record reactivations with the brand. We believe headwinds this year should become tailwinds next year. Continued growth in upselling customers into non-scrubs, greater international penetration, and increasing its customer base through new extended size offerings should contribute to growth. Non-scrubs continue to grow at a brisk pace and should be accretive to margins as this product line scales. The company also continues to expand awareness, by leveraging digital marketing, and remains profitable on a first order basis. Its international business is in its infancy with strong results so far in the U.K. and Canada. We believe Figs' direct-to-consumer model, strong brand, and superior product remain durable competitive advantages. We expect Figs to continue to gain share in the $80 billion global health care apparel market. We continue to believe the company could double its revenue over the next three years and almost triple its EBITDA. The CEO personally bought $5 million of stock recently.

Douglas Emmett is an office REIT that owns and manages buildings in West Los Angeles, the San Fernando Valley, and Honolulu. Its share price declined 20.9% in the first quarter and hurt performance by 41 bps. The company continues to be hurt by challenges due to work-from-home trends and having lots of space to lease as a large number of short-term leases expire. About 15% to 20% of its leases roll off in any given year, and Douglas Emmett has had to negotiate in a tough environment. However, we believe over the long term, the company has significant growth potential driven by occupancy recoupment of 1,000 bps from today's levels, the eventual firming of pricing power that will occur once they reach a lease rate of 90%, and a modest development pipeline. The stock is now significantly below its pre-COVID price and trades cheaply at just 14 times net operating income. Its 6.2% dividend yield is well covered and its share price is below $300 per square foot for an irreplaceable office portfolio. This compares to the over $1,000 per square foot valuation for properties that have traded in the private market pre-COVID. While we expect business conditions to remain challenging, we believe there is compelling upside potential for this stock. This is if its highly discounted multiple re-rates even modestly or the company is able to sell assets at accretive values.

Alexandria, an office REIT for the life sciences industry, declined 14.0% and hurt performance by 27 bps in the first quarter. The decline was due to concerns about bank failures and worries that regional banks were key lenders to many biotechnology companies that could fail if they did not get financing. However, Alexandria has minimal exposure to the biotechnology industry and has no exposure to regional banking troubles. We believe Alexandria is a truly special company with high barriers to entry, numerous other competitive advantages, and an attractive runway for growth. The company has long-term leases of 7 to 10 years. The lease terms escalate every year. Alexandria has an irreplaceable developable land portfolio that has lower development risk since it is tenant driven. The company continues to grow its earnings organically at a high single-digit rate and has development spending of another $3 billion that is already 80% pre-leased. Alexandria's balance sheet is strong – 95% of its debt is fixed rate, and there are no debt maturities for the next two years. Business conditions remain favorable, with continued life science rent growth and institutional appetite for Alexandria's assets at multiples above the company's current valuation. Sales are taking place at over 20 times net operating income, while Alexandria today trades at just 15 times. The stock is trading today at an almost 50% discount to replacement cost. Assets trade today at $1,500 per square foot, while Alexandria is valued in the public market today at just $800 per square foot.

Performance for the quarter was led by our **Disruptive Growth** investments: rapid, earlier-stage growth businesses that are disruptive to their industries. These stocks increased 28.6% in the quarter. The group accounted for 41.4% of net assets as of March 31, 2023. The increase was led by our investments in Tesla, ANSYS, and Iridium (as mentioned above).

Our **Financials** investments also performed better than the Index during the quarter. Rising interest rates help such businesses. These stocks increased 10.6% in the quarter and represented 18.7% of net assets. The outperformance was led by our investment in MSCI (as mentioned above).

Companies we categorize as **Core Growth** can generally grow revenue and earnings steadily, while returning excess cash flow to investors through dividends and share repurchases. They increased slightly less than the Index in the first quarter. These stocks increased 5.8% in the quarter and represented 11.6% of net assets. The slightly worse performance was due to CoStar's stock decline (as mentioned above). We continue to believe that CoStar's accelerated investment in its residential business, while it will penalize earnings in the short term, should significantly expand CoStar's addressable market in the longer term. We believe the investment should yield high returns and enhance the company's growth and free cash flow.

Our **Real/Irreplaceable Assets** are those companies with assets that generally have strong pricing power and are a hedge against inflation. They also increased slightly less than the Index in the first quarter. These stocks increased 5.4% in the quarter and represented 27.3% of net assets. The slightly worse performance was due to our office real estate investments in Douglas Emmett and Alexandria (as mentioned above).

Table II.
Total returns by category for the quarter ended March 31, 2023

	% of Net Assets (as of 3/31/2023)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	**41.4**	**28.57**	**10.29**
Spotify Technology S.A.	1.8	69.12	0.54
Tesla, Inc.	14.1	68.42	6.40
Shopify Inc.	1.1	38.12	0.40
ANSYS, Inc.	3.3	37.78	0.91
Guidewire Software, Inc.	4.3	30.98	0.99
Iridium Communications Inc.	4.4	20.75	0.99
Space Exploration Technologies Corp.	9.6	0.74	0.06
Figs Inc.	2.8	–8.14	–0.00
Financials	**18.7**	**10.64**	**1.88**
MSCI Inc.	4.6	20.61	0.97
Arch Capital Group Ltd.	6.7	8.11	0.53
Interactive Brokers Group, Inc.	1.8	6.02	0.12
FactSet Research Systems Inc.	4.6	3.78	0.24
Jefferies Financial Group Inc.	0.9	2.81	0.02
Russell 2500 Growth Index		**6.54**	
Core Growth	**11.6**	**5.81**	**0.84**
Krispy Kreme, Inc.	2.2	50.39	0.69
IDEXX Laboratories, Inc.	1.5	22.58	0.38
Verisk Analytics, Inc.	3.4	8.89	0.32
CoStar Group, Inc.	4.4	–10.91	–0.55
Real/Irreplaceable Assets	**27.3**	**5.39**	**1.66**
Hyatt Hotels Corporation	6.2	23.59	1.48
Red Rock Resorts, Inc.	3.0	12.07	0.43
American Homes 4 Rent	0.8	5.12	0.07
Choice Hotels International, Inc.	2.0	4.30	0.13
Marriott Vacations Worldwide Corp.	2.3	0.65	0.08
PENN Entertainment, Inc.	1.5	–0.13	0.05
Vail Resorts, Inc.	4.8	–0.78	0.10
MGM Resorts International	2.0	–0.89	0.05
Manchester United plc	1.0	–5.06	–0.06
Alexandria Real Estate Equities, Inc.	1.8	–14.04	–0.27
Douglas Emmett, Inc.	2.0	–20.88	–0.41
Cash	**1.1**	**–**	**0.06**
Fees	**–**	**–0.29**	**–0.29**
Total	**100.0***	**14.44****	**14.44****

Sources: FactSet PA, BAMCO, and FTSE Russell.

* Individual weights may not sum to displayed total due to rounding.
** Represents the blended return of all share classes of the Fund.

Table III.
Performance
Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/1998 to 3/9/2000	12/31/2013 to 12/31/2016
Baron Focused Growth Fund (Institutional Shares)	41.77%	0.45%
Russell 2500 Growth Index	126.53%	5.45%
S&P 500 Index	32.29%	8.87%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

From 2014 through 2016, we invested in several companies whose stocks underperformed while they were investing in their businesses to enable them to grow. CoStar and Iridium were among those businesses. Their stocks outperformed in 2021 and 2022 and Iridium gained further in the first quarter of 2023 as those investments began to generate strong returns.

We believe the Fund's underperformance from 2014 through 2016 is analogous to instances when, after brief periods of underperformance, the Fund subsequently outperformed for an extended period. For example, in the 18-month period from October 1998 through March 2000, the height of the Internet Bubble, the Fund, with no internet stocks held, increased 41.77% annualized, while the Index increased 126.53% annualized. This was immediately prior to the Internet Bubble bursting. The Index fell materially over the next eight years. The Fund increased in value during that period. (Please see Tables III and IV.)

Similar to the Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund to perform well over the next several years. This is despite our expectation that there will be periods when value stocks outperform the growth stocks in which we have invested as was the case in 2022. We can certainly give no assurance this will be the case. So, despite unusually strong balance sheets and favorable growth prospects, we believe the market is giving these businesses little credit for future earnings growth. We believe, even if a recession were to occur, our investments would still be generating earnings above pre-pandemic levels and most of their stocks are already discounting that a decline in earnings will occur this year or next.

Since its inception as a private partnership on May 31, 1996 through March 31, 2023, the Fund's **13.28% annualized performance** has **exceeded** that of its Index by **545 bps per year**!

The Fund's beta is 0.84 since inception, meaning it has only been 84% as volatile as the Index. As a result of the Fund's strong absolute and relative returns and lower risk since inception, the Fund has achieved 6.96% annual alpha, a measure of risk-adjusted performance.

Table IV.
Performance
Millennium Internet Bubble to Post-COVID-19. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 3/31/2023		Millennium Internet Bubble to Present 12/31/1999 to 3/31/2023		Inception 5/31/1996 to 3/31/2023	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Focused Growth Fund (Institutional Shares)	$12,732	2.72%	$92,452	16.89%	$117,710	11.19%	$284,037	13.28%
Russell 2500 Growth Index	$ 6,931	–3.99%	$60,978	13.53%	$ 42,263	6.40%	$ 75,558	7.83%
S&P 500 Index	$ 7,188	–3.60%	$60,504	13.47%	$ 43,490	6.53%	$101,199	9.01%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

We did not make much money from December 31, 1999 to December 31, 2008 (amid the highs of the Internet Bubble and the lows of the Financial Crisis). But…we did make something…which gave investors a much better outcome than if they had hypothetically invested in a passive index fund mirroring either the Index or the S&P 500 Index. Both indexes lost a material amount of money during that period. (Please see Table IV.)

Due to the power of compounding and of not losing money from the Millennium Internet Bubble to the Financial Panic period and outperforming the market during upswings from the Financial Panic to Present, $10,000 hypothetically invested in Baron Focused Growth Fund at the Fund's inception on May 31, 1996, was worth $284,037 on March 31, 2023. That is 3.8 times the value of a hypothetical investment of the same amount in funds designed to track the Russell 2500 Growth Index, and 2.8 times the value of a hypothetical investment of the same amount in funds designed to track the S&P 500 Index. (Please see Table IV.)

Table V.
Top contributors to performance for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$656.4	68.42%	6.40%
Hyatt Hotels Corporation	2009	4.2	11.9	23.59	1.48
Iridium Communications Inc.	2014	0.6	7.8	20.75	0.99
Guidewire Software, Inc.	2013	2.7	6.7	30.98	0.99
MSCI Inc.	2021	53.9	44.8	20.61	0.97

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Following a rapid decline at the end of 2022, the stock rebounded in the first quarter of 2023 on investor expectations that Tesla will continue to grow and maintain industry-leading margins despite a potential recession, COVID-related concerns, competition in China, and a price reduction. In addition, after devoting considerable time to reorganizing Twitter post-acquisition, CEO Elon Musk has re-established his commitment to Tesla, while a management presentation during its analyst day provided visibility into the broad quality of talent leading Tesla. We expect Tesla to continue to lead the electrification of the automotive and energy storage markets through its vertical integration, scale, and cost leadership. As long-term shareholders, we have witnessed Tesla increase deliveries from practically zero to over 1.3 million units while proving it can reduce costs and rapidly expand its product line and manufacturing footprint. We expect Tesla's next platform to have a similar impact on company results.

Shares of global hotelier **Hyatt Hotels Corporation** increased in the first quarter after it reported growth in revenue-per-available-room above pre-pandemic levels, driven by its strong leisure business, which is now 50% of its room base. We believe the company's business transient business should continue to rebound along with its group business that is now pacing above 2019 levels. Sustained owned margin gains from operating improvements implemented during the pandemic will also help drive EBITDA and cash flow over the next few years. Hyatt expects to complete its transition to an 80% fee-based business through the sale of $2 billion of owned assets by the end of 2024. Its balance sheet remains robust and should be able to withstand any economic slowdown that may impact travel, in our view.

Iridium Communications Inc. is a leading mobile voice and data communications services vendor offering global coverage via satellite. Shares increased following the company's announcement of a strategic partnership with Qualcomm aimed to integrate Iridium's satellite communication technology into Qualcomm's Snapdragon chip series. This partnership should provide a large growth opportunity for Iridium by significantly simplifying the integration of its technology with a slew of new devices including smartphones, laptops, tablets, and other connected devices within the Internet-of-Things (IoT) ecosystem. The relationship should generate revenue for Iridium not only through subscription services to potentially millions of devices but also through royalty and development payments. In addition, Iridium continued to see healthy growth across all key segments and has accelerated its robust shareholder return program with the announcement of its first cash dividend.

Shares of property & casualty (P&C) insurance software vendor **Guidewire Software, Inc.** contributed to performance for the quarter. The company has crossed the midpoint of its cloud transition and is now demonstrating more consistent recurring revenue growth and durable gross margin expansion. We believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%. During the quarter, Guidewire's largest competitor was acquired by a private equity firm at a meaningful premium to Guidewire's current valuation. We believe this acquisition will help further enhance Guidewire's win rates and pricing power while also illustrating the significant multiple expansion opportunity embedded in its current share price.

Shares of **MSCI Inc.**, a leading provider of investment decision support tools, contributed to performance. The company reported resilient fourth quarter 2022 earnings results and gave a cautiously optimistic outlook for 2023. MSCI also benefited from improved performance in the global equity markets in the quarter, which most directly impacts MSCI's asset-based fee revenue. We retain long-term conviction, as MSCI owns strong "all weather" franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community.

Table VI.
Top detractors from performance for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2014	$ 6.2	$28.0	–10.91%	–0.55%
Douglas Emmett, Inc.	2022	2.8	2.2	–20.88	–0.41
Alexandria Real Estate Equities, Inc.	2022	23.9	21.7	–14.04	–0.27
Manchester United plc	2022	3.5	3.6	–5.06	–0.06

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. After two straight quarters of robust performance, shares detracted during the quarter, likely due to profit taking. The company is generating robust financial performance, with net new sales growing 15% in the quarter, and margins expanding by 200 basis points excluding growth investments. We expect the company's core businesses to continue to benefit from the migration of real estate market spend to online channels. CoStar has begun to invest aggressively in building its residential marketing platform. We estimate CoStar invested around $230 million in this initiative in 2022, and its initial 2023 guidance implies a total investment approaching $500 million. While this is a significant upfront commitment, we believe the residential market represents a transformative opportunity. The company's proprietary data, broker-oriented approach, and best-in-class management position it to succeed in this endeavor, in our view.

Douglas Emmett, Inc. is a REIT that owns and manages office buildings and apartment communities concentrated in West Los Angeles, the San Fernando Valley, and Honolulu. Shares declined due to weak fourth quarter results and full-year guidance. Business fundamentals are challenged, driven by slower leasing activity, elevated vacancies, and diminished pricing power across the company's sub-markets. Higher interest expense is also negatively impacting earnings. We remain optimistic about the company's long-term business prospects, owing to its irreplaceable portfolio in supply-constrained markets and manageable debt levels, and we view the current valuation as highly discounted.

Alexandria Real Estate Equities, Inc. is the largest pure-play landlord and developer for the life sciences industry. Weak performance during the quarter was driven by investor concerns that tighter lending conditions for the biotechnology sector could lead to diminished leasing activity across Alexandria's real estate footprint. The high number of new life sciences office buildings planned for completion over the next couple of years could also pressure rents across Alexandria's markets. We remain optimistic about Alexandria's prospects given its irreplaceable portfolio of life science clusters that benefits from long-term secular demand tailwinds and meaningful land holdings that support incremental growth. Alexandria's portfolio also has a proven history of resilient performance during challenging economic periods. We view the current valuation as attractive.

Manchester United plc is the best-known team in the English Premier League and generates revenue from broadcasting, sponsorship, and licensing. Shares were down this quarter on uncertainty around the possibility and timing of Manchester United's potential sale following the news in late 2022 that the club was exploring strategic alternatives. We retain conviction and continue to monitor bids and owner demands, with recent transactions of similar clubs suggesting that the stock is comparatively undervalued. In our view, Manchester United is a unique media company with over 1.1 billion fans globally and broad appeal that should compound value over the long term.

Recent Activity

Despite current market volatility, we have continued to manage the Fund the same way we have historically. That is searching for companies with large addressable market opportunities that have the potential to disrupt industries and take market share given strong competitive advantages inherent in their businesses. We search for companies with strong pricing power that have the ability to be a price leader and can raise prices every year without impacting retention rates such as with **FactSet Research Systems Inc.**, **CoStar Group, Inc.**, **MSCI Inc.**, or **Vail Resorts, Inc.** We also look for those companies that are able to be a cost leader and can produce goods and provide services at the lowest possible cost, such as with **Tesla, Inc.** and **Figs Inc.**

In the first quarter, we initiated a new position in **Interactive Brokers Group, Inc.**, a leading securities brokerage company that provides securities brokerage to both retail and professional investors. It focuses on the most sophisticated investors who trade a range of assets across different global markets and make use of tools such as leverage. The company differentiates itself through its low prices, the vast array of markets it serves, and its strong growth from countries outside the U.S., where low-cost brokerage is not well penetrated. The company offers its clients low cost trading due to its high level of automation, while also giving them a highly competitive margin and securities lending rates and paying them attractive yields on their uninvested cash balances. These are all features that set Interactive Brokers apart from its competition. The company continues to hire software and computer engineers with a focus on automating many of the processes that competitors rely on employees to perform.

With its low-priced offering and leading range of capabilities, we believe that Interactive Brokers is well positioned to continue its rapid pace of account growth from just 2 million clients today. The company's focus on automation should enable it to continue being the low-cost provider while earning best-in-class margins, which we believe should lead to double-digit revenue and earnings growth over the long run.

In the first quarter, we also re-initiated a position in **MGM Resorts International**, a casino company with properties in the U.S. and Macau. The company continues to see strong growth in Las Vegas and continued improvement in Macau, with increased market share despite macroeconomic concerns due to investments made during the pandemic. MGM has continued to use its cash flow to repurchase shares and recently increased its share repurchase authorization, a sign it continues to see value in its stock. Its strong balance sheet and net cash position should give it flexibility on the acquisition front should something become available at the right price. At current levels, we believe investors are getting its digital platform, BetMGM, as well as new casino licenses in Japan and New York for free, all of which could result in as much as a 50% increase in cash flow from current levels over time. The stock declined 25% last year, and we believe its valuation and growth prospects remain attractive at current levels.

Investment Strategy & Portfolio Structure

While we have made other changes on the margin, our strategy remains the same. We continue to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, competitively advantaged, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of between 20 and 30 securities diversified by GICS sectors that will be approximately 80% as volatile (as measured by beta) as the market. Since inception, the Fund has generated 99% of the upside when the market rises but just 80% of the downside when the market declines. Businesses in which the Fund invests are identified by our analysts and portfolio managers using our proprietary research and time-tested investment approach.

As of March 31, 2023, we held 28 investments. The Fund's average portfolio turnover for the past three years was 27.9%. This means the Fund has an average holding period for its investments of around four years. This contrasts sharply with the average mid-cap growth mutual fund, which typically turns over its entire portfolio every 17 months. From a quality standpoint, the Fund's investments have stronger sales growth than holdings in the Index, higher EBITDA, operating, and free cash flow margins, and stronger returns on invested capital. We believe these metrics are important factors to limit the risk in this focused portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Index. For example, we are heavily weighted in Consumer Discretionary businesses with 38.0% of net assets in this sector versus 12.9% for the Index. We have no exposure to Energy versus 5.1% for the Index and lower exposure to Health Care stocks at 4.4% of the Fund versus 18.4% for the Index. We believe the performance of stocks in these sectors can change quickly and therefore believe it is undesirable to invest in these stocks in a concentrated portfolio for the long term. The Fund is further diversified by investments in businesses at different stages of growth and development as discussed above and shown below.

Table VII.
Disruptive Growth Companies as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	14.1%	2014	1,142.7%
Space Exploration Technologies Corp.	9.6	2017	435.9
Iridium Communications Inc.	4.4	2014	811.3
Guidewire Software, Inc.	4.3	2013	77.5
ANSYS, Inc.	3.3	2022	36.6
Figs Inc.	2.8	2022	–32.4
Spotify Technology S.A.	1.8	2020	–44.2
Shopify Inc.	1.1	2022	37.7

Disruptive Growth firms accounted for 41.4% of the Fund's net assets. On current metrics, these businesses may appear expensive; however, we think they will continue to grow significantly and, if we are correct, they have the potential to generate exceptional returns over time. Examples of these companies include EV leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, and systems software provider to the insurance industry **Guidewire Software, Inc.** All of these companies have large underpenetrated addressable markets relative to the current size of these competitively advantaged businesses.

Table VIII.
Investments with Real/Irreplaceable Assets as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corporation	6.2%	2009	307.5%
Vail Resorts, Inc.	4.8	2013	355.7
Red Rock Resorts, Inc.	3.0	2017	137.2
Marriott Vacations Worldwide Corp.	2.3	2022	3.0
Choice Hotels International, Inc.	2.0	2010	480.0
Douglas Emmett, Inc.	2.0	2022	–20.8
MGM Resorts International	2.0	2023	0.7
Alexandria Real Estate Equities, Inc.	1.8	2022	–12.9
PENN Entertainment, Inc.	1.5	2019	41.3
Manchester United plc	1.0	2022	4.4
American Homes 4 Rent	0.8	2018	60.0

Companies that own what we believe are **Real/Irreplaceable Assets** represented 27.3% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corporation**, and the largest U.S. regional casino gaming company **PENN Entertainment, Inc.**, are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power over time. PENN's state-granted licenses for its regional casinos provide important protection from competitors. Online sports betting and internet-casino gaming offer large opportunities for future growth.

Table IX.
Financials Investments as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Arch Capital Group Ltd.	6.7%	2003	1,764.0%
MSCI Inc.	4.6	2021	–13.3
FactSet Research Systems Inc.	4.6	2008	849.9
Interactive Brokers Group, Inc.	1.8	2023	3.2
Jefferies Financial Group Inc.	0.9	2023	3.2

Financials investments accounted for 18.7% of the Fund's net assets. These businesses generate strong recurring earnings through subscriptions and premiums that generate highly predictable earnings and cash flow. Those businesses use cash flows to continue to invest in new products and services, while returning capital to shareholders through share buybacks and dividends. These companies include **Arch Capital Group Ltd.**, **FactSet Research Systems Inc.**, and **MSCI Inc.**

Arch, one of the leading P&C insurers, continued to increase premiums written and raise prices. This strong pricing is resulting in robust returns on investments, with increased earnings and cash flow that the company is using to repurchase its shares. We continue to believe that Arch should continue to generate mid-teens returns on capital and that its growth and valuation remain attractive.

FactSet, which offers one of the leading financial intelligence systems for the asset management industry, continues to grow into new areas via fixed income, risk management and, most recently, private equity. This should enable the company to grow and generate a steady stream of recurring cash flow that it uses for acquisitions, dividends, and buybacks. MSCI is a leading provider of investment decision support tools for the global investment community. The company's underlying business largely continued to perform well despite the negative impact of broader market weakness on asset-based fee revenue. We retain long-term conviction, as MSCI owns strong, "all weather" franchises and remains well positioned, in our view, to benefit from numerous secular tailwinds in the investment community.

Table X.
Core Growth Investments as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	4.4%	2014	221.7%
Verisk Analytics, Inc.	3.4	2022	11.2
Krispy Kreme, Inc.	2.2	2021	11.3
IDEXX Laboratories, Inc.	1.5	2022	13.3

Core Growth investments, steady growers that continually invest in their businesses for growth and return excess free cash flow to shareholders, represented 11.6% of net assets. An example would be **CoStar Group, Inc.** The company continues to add new services in the commercial and residential areas of real estate, which have grown its addressable market and enhanced services for its clients. This has improved client retention and cash flow. CoStar continues to invest its cash flow in its business to accelerate growth, which we believe should generate strong returns over time.

Portfolio Holdings

As of March 31, 2023, the Fund's top 10 holdings represented 63.6% of net assets. A number of these investments have been successful and were purchased when they were much smaller businesses. We believe they continue to offer significant appreciation potential, although we cannot guarantee that will be the case.

The top five positions in the portfolio, **Tesla, Inc.**, **Space Exploration Technologies Corp.**, **Arch Capital Group Ltd.**, **Hyatt Hotels Corporation**, and **Vail Resorts, Inc.**, all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior industry expertise, or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth and returns over time.

Table XI.
Top 10 holdings as of March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Tesla, Inc.	2014	$31.2	$656.4	$127.6	14.1%
Space Exploration Technologies Corp.	2017	–	–	87.2	9.6
Arch Capital Group Ltd.	2003	0.9	25.2	61.1	6.7
Hyatt Hotels Corporation	2009	4.2	11.9	55.9	6.2
Vail Resorts, Inc.	2013	2.3	9.4	43.1	4.8
MSCI Inc.	2021	53.9	44.8	42.0	4.6
FactSet Research Systems Inc.	2008	2.5	15.9	41.5	4.6
CoStar Group, Inc.	2014	6.2	28.0	39.9	4.4
Iridium Communications Inc.	2014	0.6	7.8	39.5	4.4
Guidewire Software, Inc.	2013	2.7	6.7	39.0	4.3

Thank you for investing in Baron Focused Growth Fund. We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also continue to try to provide you with information we would like to have if our roles were reversed. This is so you can make an informed judgment about whether Baron Focused Growth Fund remains an appropriate investment for your family.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager

David Baron
Co-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: The Fund is non-diversified which means, in addition to increased volatility of the Fund's returns, it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 27% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with investing in small and medium-sized companies include that the 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 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 managers 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 Focused Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such an offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition.

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

Upside Capture explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

Downside Capture measures how well a fund performs in time periods where the benchmark's returns are less than zero.

Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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).

Dear Baron International Growth Fund Shareholder:

Performance

Baron International Growth Fund® (the Fund) gained 3.75% (Institutional Shares) during the first quarter of 2023, while its principal benchmark Index, the MSCI ACWI ex USA Index, returned 6.87%. The MSCI ACWI ex USA IMI Growth Index gained 8.18% for the quarter. The Fund underperformed both the core benchmark and the all-cap growth proxy in a period marked by high volatility and swings in sentiment and leadership. The quarter began much as 2022 ended: global inflation expectations ebbing, downward pressure on bond yields and the U.S. dollar, and an ongoing recovery in global equities, led by international and EM/China. Then, in early February, resilient economic data coupled with a series of stubborn U.S. inflation readings reversed these trends, as bond yields and central bank rate hike expectations abruptly spiked; the U.S. 2-year Treasury yield briefly surpassed 5% for the first time in over 15 years, while the dollar rose and equities retreated, with international and EM reversing early gains. On March 9, everything changed again as this market-based interest rate repricing shifted the market's attention towards pressures in the banking sector, in particular SVB Financial Group's liquidity and solvency challenges, and then to the aggressive policy response addressing the risk of widespread deposit flight, which spread to several additional institutions including behemoth Credit Suisse. We remain encouraged over the intermediate and longer term and see recent events as confirming our premise that we are passing peak hawkishness and likely entering a period of sustainable international and EM equity outperformance.

European equities were a top global performer during the quarter notwithstanding concerns related to the Financials sector, which represents a disproportionate share of local indexes. China-related equities began the year quite strong on enthusiasm over reopening and policy support, only to peak in late January and retrace most of their gains, though we remain encouraged on the margin and anticipate that recovering demand combined with expense and capital discipline will drive positive earnings surprises and solid equity returns as we move through this year. India stood out during the quarter as one of the only jurisdictions to register negative returns, which we regard as largely attributable to mean reversion after a long period of strong relative performance. We remain optimistic regarding India and our investments there over the long term. As always, we are confident that we have constructed a diversified portfolio of well-positioned and well-managed companies that are also benefiting from the tailwinds of long-term and attractive investment themes.

MICHAEL KASS

PORTFOLIO MANAGER

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

Table I.
Performance†
Annualized for periods ended March 31, 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]	3.66%	3.75%	6.87%	8.18%
One Year	(11.88)%	(11.63)%	(5.07)%	(7.29)%
Three Years	11.08%	11.38%	11.80%	9.97%
Five Years	2.25%	2.51%	2.47%	3.13%
Ten Years	6.44%	6.72%	4.17%	5.11%
Since Inception (December 31, 2008)	8.88%	9.15%	6.52%	7.50%

Performance listed in the above table is net of annual operating expenses. 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, 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 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 **MSCI ACWI ex USA Index** 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** 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.

For the first quarter of 2023, we underperformed our primary benchmark, the MSCI ACWI ex USA Index, while also trailing our all-cap international growth proxy. Roughly one-third of our underperformance during the quarter was related to the announcement in March by **WANdisco plc** management that a rogue senior salesperson had fraudulently recorded several large contract wins, and the company's shares were halted from trading. After having risen by over 200% in the prior six months on the strong outlook, we marked down our investment by 85% on this adverse and shocking news. We cannot recall such a portfolio event in the over 14 years of managing the Fund. Adverse stock selection effect in the Industrials sector was the largest detractor to relative performance this quarter, with much of the weakness coming from investments in our sustainability/ESG (**Hyundai Heavy Industries Co., Ltd.**, **Befesa S.A.,** and **Techtronic Industries Co. Ltd.**), Japan staffing (**SMS Co., Ltd.** and **Recruit Holdings Co., Ltd.**), and digitization (**MonotaRO Co., Ltd.** and **Full Truck Alliance Co. Ltd.**) themes. Poor stock selection in the Information Technology sector, owing largely to WANdisco, and the Heath Care sector, largely driven by our biotechnology/diagnostics related positions (**Genmab A/S**, **argenx SE**, **Eurofins Scientific SE**, and **AstraZeneca PLC**) also hampered relative performance. Partially offsetting the above, good stock selection effect in the Consumer Discretionary sector across multiple themes (**eDreams ODIGEO SA**, **Industria de Diseno Textil, S.A.**, **B&M European Value Retail S.A.**, and **Compagnie Financiere Richemont SA**) was a contributor to relative performance. Our lack of exposure to the Utilities sector also bolstered relative results.

From a country perspective, poor stock selection in the U.K., largely driven by the above-mentioned one-off event, the Netherlands and France, led by a couple of the aforementioned investments, together with negative allocation effect and adverse stock selection in Germany, India, and Brazil, drove the vast majority of relative underperformance this quarter. We believe several of our European holdings, where we have an overweight exposure, were impacted late in the quarter by near-term concerns regarding stability in the Financials sector, as markets began to discount a higher probability of credit tightening and recession. Partly offsetting the above was favorable stock selection combined with our overweight positioning in Spain. In addition, positive stock selection effect in Japan, Switzerland, and China also contributed to relative performance. We believe our European investments are undervalued, particularly after a decade of deleveraging, strengthening of capital buffers and deepening mutualization, and we remain optimistic about a continued recovery in our China holdings, as in our view, current stock prices do not fully reflect fundamental intrinsic value for many of our investments.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
Renesas Electronics Corporation	0.62%
eDreams ODIGEO SA	0.48
Keyence Corporation	0.47
Meyer Burger Technology AG	0.43
Industria de Diseno Textil, S.A.	0.42

Renesas Electronics Corporation, a Japanese semiconductor company, contributed during the quarter, as revenue growth and margins remained resilient despite an industry-wide cyclical slowdown. As a global leader in microcontrollers, analog, and power devices, we believe Renesas will be a major beneficiary of the secular growth of semiconductor content in automotive, industrial, data center, and IoT applications.

EDreams ODIGEO SA is an online travel agency based in Spain that offers a subscription-based travel savings program for flights and hotels. Despite continued macro uncertainty, particularly in Europe, shares of eDreams increased on improved fundamental positioning as it added new subscribers to stay on track with 2025 targets. Given the strong customer acquisition numbers, impressive pipeline of new products, and plans for the attractive hotel market, we retain conviction in the long-term opportunity.

Shares of **Keyence Corporation** rose during the quarter. As a global leader in machine vision and factory automation solutions, the company is well positioned to benefit from rising adoption of industrial automation equipment to enhance productivity. Strong performance was primarily driven by an improving business outlook and a broad rally in international growth equities after a challenging 2022 amid rising global interest rates, Russia's invasion of Ukraine, and earnings disruption owing to the spread of COVID-19 in China. We retain conviction in Keyence due to its dominant market position and believe it can sustain mid-teens earnings growth over the next three to five years.

Meyer Burger Technology AG is a Switzerland-based supplier of solar modules. The share price increased on consensus-beating fiscal year 2022 results, the expansion of solar module capacity at the planned U.S. facility, as well as potential German state-level and EU government support for domestic manufacturing. We continue to like the company. Meyer Burger had strong order momentum for new products and is currently ramping up capacity at both its German and U.S. facilities. Meyer Burger's next generation heterojunction solar modules are more efficient and result in premium prices as well as much higher margins. We believe Meyer Burger is a long-term beneficiary of greater localization of energy supply chains and reduced reliance on China. The recently passed Inflation Reduction Act provides incentives to manufacture solar modules and cells in the U.S. Meyer Burger has announced plans to significantly expand capacity in the U.S., supported by long-term off-take agreements with key customers.

Industria de Disenso Textil, S.A. (Inditex), a vertically integrated designer and global retailer of fast-fashion apparel across several brands (most notably Zara), contributed in the first quarter. The company reported a solid January quarter and disclosed double-digit organic growth in February and the first few weeks of March. Those trends, which are well above consensus estimates, suggest Inditex continues to outperform and decouple from its apparel peers. We believe Inditex's differentiated supply chain will continue to be a source of market share growth and high returns on invested capital; we remain shareholders.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
WANdisco plc	–1.17%
Tenaris S.A.	–0.24
Afya Limited	–0.20
Waga Energy SA	–0.19
Glencore PLC	–0.18

WANdisco plc is an infrastructure software company that develops and sells distributed software solutions for data replication across disparate computing environments. Shares were impacted by an unexpected update on March 9 in which WANdisco disclosed "potentially fraudulent irregularities" in purchase orders, related revenue, and bookings related to a rogue senior sales employee and asked for shares to be suspended from trading. Pending further information and given that the company has temporarily suspended confidence in its recently reported revenues and 2023 guidance, we marked down shares by 85%.

Tenaris S.A. manufactures seamless steel pipe products with large operations in the U.S., Latin America, and the Middle East. Most of its products are oil country tubular goods (OCTG) for the energy industry. Shares fell due to the decline in oil prices and investor expectations of weaker oil demand. We retain conviction. The conflict in Ukraine highlighted the need to reorient supply chains away from politically risky jurisdictions such as Russia. Near term, this focus on energy security will likely result in increased reliance on the domestic supply of hydrocarbons, particularly U.S. shale gas. As one of the lowest-cost OCTG producers, Tenaris should be a major beneficiary of the increase in capital expenditures on U.S. drilling operations. We also expect Tenaris will continue to generate better pricing and higher margins for its OCTG products due to limited supply.

Afya Limited is a Brazilian for-profit education company specializing in medicine, including undergraduate and graduate coursework, residency preparatory and specialization programs, and digital solutions for physicians. Shares declined during the first quarter due to investor concerns over potential regulatory changes in the Brazilian education system. We remain shareholders. Afya reported robust fourth quarter results, with revenue growth of 18% and adjusted EBITDA margins of 41%, and a 2023 outlook above investor expectations, with projected revenue growth of 20% and stable EBITDA margins. We anticipate continued long-term appreciation driven by Afya's pricing power, maturation of its undergraduate program, and expansive digital offerings. We also believe the stock has over-discounted the potential risks of regulatory changes.

Waga Energy SA is an independent biomethane producer, upgrading landfill gas into cost-competitive and grid-compliant biomethane (renewable natural gas). Shares declined as an unusually warm winter in Europe lowered demand for natural gas. We still like the shares and expect biomethane prices to stabilize, and, over time, expand the premium to conventional natural gas. Biomethane contributes to the fight against climate change by reducing methane emissions from landfills and serving as a substitute for natural gas/fossil fuels. The company develops, finances, builds, commissions, and operates purification units using its patented proprietary technology WAGABOX® that allows the capture of biomethane from almost any landfill site. Industry experts forecast the consumption of renewable natural gas to increase by 25 times by 2040 based on stated government policies. The company has 14 WAGABOXes installed and secured contracts for 15 more, for combined fixed price sales of 42 million EUR annually. In addition, it has a pipeline of projects for 111 more sites.

Glencore PLC is a diversified natural resources company operating in metals, mining, and commodities trading. It is a large producer of key metals for batteries enabling the electrification of transportation and energy storage. Shares fell due to a decline in energy prices, particularly thermal coal prices. We remain investors. Glencore has been increasing its net share of battery metals – in particular, copper – in its overall production mix. We expect a multi-year supply deficit for copper driven by a structural demand increase from electrification. Electric vehicles and wind/solar power plants require four to five times more copper than their conventional counterparts. We also like Glencore's commitment to ESG as the first big miner to target net zero emissions by 2050.

Portfolio Structure

Table IV.
Top 10 holdings as of March 31, 2023 – Developed Countries

	Percent of Net Assets
Meyer Burger Technology AG	2.7%
Linde Plc	2.5
Arch Capital Group Ltd.	2.3
Keyence Corporation	2.2
AstraZeneca PLC	2.2
argenx SE	2.2
Constellation Software, Inc.	2.0
Pernod Ricard SA	1.9
eDreams ODIGEO SA	1.9
Industria de Diseno Textil, S.A.	1.9

Table V.
Top five holdings as of March 31, 2023 – Emerging Countries

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	2.1%
Korea Shipbuilding & Offshore Engineering Co., Ltd.	1.4
Alibaba Group Holding Limited	1.3
Suzano S.A.	1.2
InPost S.A.	1.2

Exposure By Country

Table VI.
Percentage of securities in Developed Markets as of March 31, 2023

	Percent of Net Assets
United Kingdom	12.2%
Japan	10.2
France	8.1
Netherlands	6.3
Switzerland	6.2
Spain	4.1
United States	3.7
Canada	3.1
Germany	2.5
Italy	1.9
Sweden	1.1
Hong Kong	1.1
Israel	1.1
Denmark	1.0
Ireland	1.0
Norway	0.8
Australia	0.6

Table VII.
Percentage of securities in Emerging Markets as of March 31, 2023

	Percent of Net Assets
China	10.2%
India	4.7
Korea	2.8
Brazil	2.3
Poland	2.2
Taiwan	2.1
Mexico	0.9
Peru	0.9

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 first quarter of 2023, the Fund's median market cap was $15.7 billion. We were invested 56.7% in large- and giant-cap companies, 20.8% in mid-cap companies, and 13.8% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the first quarter, we added a few 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 **Mitsubishi UFJ Financial Group, Inc.** (MUFG), a Japanese bank-holding company with global operations. The company offers a full range of financial services focused on commercial banking, trust banking, international finance, and asset management. In our view, MUFG's strong balance sheet serves as a competitive advantage, with solid capital ratios and a diversified funding base consisting mostly of widespread deposits. Business operations are well diversified with exposure to multiple products and markets, including fast-growing countries in Asia, such as Thailand and Indonesia. MUFG has been actively investing in a digital transformation to reduce costs and enhance customers' experiences, which we believe will help drive an improvement in efficiency and profitability. In addition, management is committed to maintaining an attractive capital return profile, which should lead to a growing dividend and continuation of its buyback program, further enhancing shareholder returns. Lastly, we believe the company is undervalued relative to its profitability targets, which it can overshoot if revenues accelerate with an eventual normalization of monetary policy in Japan.

As part of our EM consumer theme, we initiated a position in **Wuliangye Yibin Co., Ltd.**, the second largest listed spirits company in China (by market cap) and among the largest in the world. The company's core product is baijiu, which is the national spirit of China and has been produced and consumed in the country for over 1,000 years. Wuliangye is one of only three nationally renowned baijiu brands of significant scale in the ultra-premium price tier (RMB 1,000 to 2,000/bottle), with approximately 60% market share of that segment. As a result of its scale and brand strength, its financial profile more closely resembles that of a luxury goods company than a beverage company, with gross margins exceeding 75%, operating margins exceeding 46%, and returns on incremental capital greater than 100%. The stock sold off last year as severe lockdowns soured investor sentiment on the outlook for high-end consumption in China. Those lockdowns also likely affected sales leading up to Chinese New Year, the peak season for high-end baijiu due to the prevalence of gift-giving and banqueting. Distributors and retailers likely have excess inventory coming out of the first quarter, which could lead to a potential destocking cycle this year. These are legitimate near-term headwinds for sales, but as the company steadily brings on capacity in the coming decade, we believe Wuliangye's earning power remains unchanged. We took advantage of the sell-off on near-term concerns to build a position.

During the quarter, we also increased exposure to our China value-added theme by building a position in **Glodon Company Limited**, a leading Chinese construction software provider. In our view, the company is uniquely positioned to benefit from increasing software penetration in the construction industry, which is the least digitized in China. Glodon's cost estimation solution has a dominant competitive position, with over 70% market share, and is undergoing a successful transition to a subscription, cloud-based model, which enhances earnings visibility. The company is also rapidly expanding in the construction management market, which is at an early growth stage in China. We expect that Glodon's differentiated solutions, which are driving significant productivity gains in China's huge construction and infrastructure markets, and its expanding operating margins from increased scale and operational efficiency improvements, will allow the company to generate strong double-digit earnings growth over the next several years.

We added to several of our existing positions during the quarter, including **WANdisco plc**, **Coupang, Inc.**, **eDreams ODIGEO SA**, **Alibaba Group Holding Limited**, **Lloyds Banking Group plc**, **Endava plc**, **Taiwan Semiconductor Manufacturing Company Limited**, and **Meyer Burger Technology AG**.

During the quarter, we also exited several positions, the largest being **Hong Kong Exchanges and Clearing Limited**, **GDS Holdings Limited**, and **Mister Spex SE**. In our endeavor to increase concentration in holdings where we have highest conviction in quality and return potential and eliminating lower conviction or smaller positions over time, we also exited positions in **J D Wetherspoon plc**, **Hapvida Participacoes e Investimentos S.A.**, **DLocal Limited**, **Similarweb Ltd.**, and **Innovid Corp.**

Outlook

In our year-end 2022 letter, we surmised that U.S./global markets and economies were likely moving past peak hawkishness, but also entering an extended period of slowing growth and earnings vulnerability, while China stood out as the jurisdiction with the greatest likelihood of earnings recovery and outperformance. While we maintain this outlook, the first quarter was quite volatile with a series of twists and turns in expectations, sentiment, and market leadership. The quarter began much as 2022 ended: inflation expectations ebbing, downward pressure on bond yields and the U.S. dollar, and an ongoing recovery in global equities, led by international and EM/China. Then, in early February, resilient economic data coupled with a series of stubborn inflation readings reversed these trends, as bond yields and central bank rate hike expectations abruptly spiked; the U.S. 2-year Treasury yield briefly surpassed 5% for the first time in over 15 years, while the dollar rose and equities retreated, with international and EM reversing early gains. On March 9, everything changed again as this market-based interest rate repricing shifted the market's attention towards the banking sector, in particular SVB Financial Group's liquidity and solvency challenges, and then to the aggressive policy response addressing the risk of widespread deposit flight, which had spread to several additional institutions including behemoth Credit Suisse.

Stepping back, we view the global banking sector crisis as confirmation that further material central bank tightening would be a policy error, as the scenario that has unfolded is an unintended and direct consequence of previous central bank behavior (both aggressive easing and tightening). We propose that central banks prioritize financial stability at times of crisis. In this sense, we believe the episode also confirms our premise above – that we are passing peak hawkishness and that a dollar bear market and an international and EM equity relative bull market lie ahead. In recent weeks, investors appear to have embraced the administration of emergency liquidity measures as a bullish signal for equities, while the abrupt cooling of bond yields, a symptom of anticipated bank credit tightening, has also supported equity valuations. From current levels, the pricing-in of several rate cuts likely represents a near-term challenge for global equities. While such easing is likely what the Fed *should* do, we take the under, meaning that the Fed may be too patient with rate cuts, which will deepen or prolong a period of earnings vulnerability, particularly for U.S./global equities. For several international/EM jurisdictions that began a rate hike cycle well ahead of the U.S., and/or have also experienced a much less pronounced rise in inflation, we believe the confirmation of peak hawkishness may act as a signal that they can soon begin to ease as the tail risks of currency depreciation and inflation have ebbed, which would support outperformance.

We are encouraged by the strength of European equities in general during a period of financial stress and uncertainty, and we believe this supports our view that after more than a decade of austerity, rebuilding of capital buffers, and strides toward deeper mutualization, the Eurozone has emerged stronger and more stable than appreciated. China-related equities indeed began the year quite strong on enthusiasm over reopening and policy support, only to peak in late January and retrace most of their gains. While we believe some conflicting and volatile economic and consumption signals are to be expected given the abrupt end to zero-COVID policies, we remain encouraged on the margin in the near term and anticipate that a recovering revenue environment combined with a substantial shift towards cost and capital discipline over the past several quarters will lead to material earnings outperformance versus subdued expectations. India stood out during the quarter as one of the weakest performing equity markets, in part owing to its strong previous outperformance, but also due to the allegations that emerged regarding aggressive practices by Adani Enterprises Limited and related companies, just in front of a high-profile and large equity offering. We continue to believe that India represents perhaps the most attractive long-term global investment jurisdiction, and after mean-reverting back to its long-term median relative valuation over the past two quarters, we remain enthusiastic regarding the potential of our investments in this market. Finally, we reiterate that over the longer term, we anticipate a marked improvement in relative earnings expectations for ex-U.S. jurisdictions, which will trigger sustained and unexpected outperformance. We believe the fundamental drivers of enhanced earnings momentum are already falling into place, including a global capital investment cycle related to deglobalization; supply-chain diversification; sustainability; energy, commodity, and agricultural security; Europe's deepening mutualization; India's productivity initiatives and virtuous investment cycle; and China's pivot to value-added economic activity. We expect that the reversal of the extended U.S. dollar bull market will prove stimulative to consumption, investment, and corporate earnings in foreign jurisdictions. 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 1-800-99BARON or visiting www.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.

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

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).

Dear Baron Real Estate Fund Shareholder:

Performance

Baron Real Estate Fund® (the Fund) increased 7.07% (Institutional Shares) in the first quarter of 2023, outperforming the MSCI US REIT Index (the REIT Index), which increased 2.39%, and the MSCI USA IMI Extended Real Estate Index (the MSCI Real Estate Index), which increased 4.73%.

We are pleased to report that as of March 31, 2023, the Fund has maintained its:

- **#1 real estate fund ranking for each of its 10-year, 5-year, and 3-year performance periods**
- **5-Star Morningstar Rating™ for each of its 10-year, 5-year, and 3-year performance periods**
- **5-Star Overall Morningstar Rating™**

We will address the following topics in this letter:

- Our current top-of-mind thoughts
- Is a commercial real estate crisis on the horizon? (*preview*: in our opinion, no!)
- The prospects for real estate in the public markets (*preview*: we remain bullish)
- Portfolio composition and key investment themes
- Examples of best-in-class real estate companies that are attractively valued
- A review of recent activity managing the Fund
- Concluding thoughts on the prospects for real estate and the Fund

Our bottom-line message:

- Though we are mindful of key risks to the equity and real estate market outlook, we remain optimistic about the near-term and long-term prospects for public real estate.
- We believe there is a strong case to include an allocation to an actively managed public real estate strategy with a strong long-term track record in a diversified investment portfolio.
- We believe the Baron Real Estate Fund – with the demonstrated merits of our broader, more flexible, and actively managed investment approach – is a compelling real estate mutual fund choice.

JEFFREY KOLITCH

PORTFOLIO MANAGER

Retail Shares: BREFX
Institutional Shares: BREIX
R6 Shares: BREUX

As of 3/31/2023, the Morningstar Ratings™ were based on 233, 209, 153, and 233 share classes for the 3-year, 5-year, 10-year, and Overall periods, respectively. The Baron Real Estate Fund received 5 stars for each period. The Morningstar Ratings are for the Institutional Share Class only; other classes may have different performance characteristics. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

As of 3/31/2023, the Morningstar Real Estate Category consisted of 257, 233, 209, and 153 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Real Estate Fund Institutional Share Class in the 6th, 1st, 1st, and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund Institutional Share Class as the 14th, 2nd, 2nd, and 1st best performing share class in its Category, for the 1-, 3-, 5-, and 10-year periods, respectively.

As of 3/31/2023, Morningstar ranked Baron Real Estate Fund R6 Share Class in the 6th, 1st, and 1st percentiles, for the 1-, 3-, and 5-year periods, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund R6 Share Class as the 14th, 1st, and 1st best performing share class in its Category for the 1-, 3-, and 5-year periods, respectively.

Morningstar calculates the Morningstar Real Estate Category Average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The **Morningstar Rating™** for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10- year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

BARON FUNDS® 1987

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Real Estate Fund Retail Shares[1,2]	Baron Real Estate Fund Institutional Shares[1,2]	MSCI USA IMI Extended Real Estate Index[1]	MSCI US REIT Index[1]
Three Months[3]	7.00%	7.07%	4.73%	2.39%
One Year	(14.38)%	(14.15)%	(10.34)%	(20.17)%
Three Years	19.40%	19.71%	16.81%	10.76%
Five Years	10.07%	10.35%	6.85%	4.79%
Ten Years	9.37%	9.66%	8.00%	4.66%
Since Inception (December 31, 2009) (Annualized)	12.98%	13.26%	10.38%	7.79%
Since Inception (December 31, 2009) (Cumulative)[3]	403.69%	420.84%	270.02%	170.17%

Our Current Top-of-Mind Thoughts

Following an eventful and volatile first three months of 2023, our current views can be summarized as follows:

We remain optimistic about the prospects for the stock market, public real estate securities, and the Baron Real Estate Fund.

Though the first three months of 2023 have been full of negative developments – bank failures, the likelihood of a further slowdown in bank lending, and the possibility of a sooner-than-expected economic recession – and there are valid reasons for being cautious about the 2023 outlook, our views regarding the prospects for the stock market, public real estate securities, and the Baron Real Estate Fund remain the same.

Despite our expectation for ongoing stock and bond market volatility, we remain optimistic about the full-year prospects for the stock market, public real estate securities, and the Baron Real Estate Fund, and bullish looking out two to three years.

We continue to believe that 2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 reverse course (e.g., multi-decade high inflation and rising interest rates) and become tailwinds in 2023, thereby contributing to solid full-year returns.

For our more complete thoughts on the prospects for real estate, please refer to "The prospects for real estate in the public markets" later in this letter.

We do not believe that a commercial real estate crisis is on the horizon.

In the last few months, there have been several sensationalized news articles and television reports predicting a forthcoming commercial real estate crisis. We do not agree with this view.

We agree with the perspective of *Bridgewater Associates, LP*, a highly respected money manager founded by Ray Dalio, who said the following on March 30, 2023:

"We don't think commercial real estate (CRE) is a systematic risk, in large part because the sector lacks the problems that existed in (mostly residential) real estate in the late 2000s: bad lending standards, lots of leverage, and a supply glut following a construction boom. CRE is a highly diverse sector that includes one troubled sub-sector in offices (about 15% of the market), but also apartments, hospitals, warehouses, data centers, nursing homes, retail, and more. Commercial construction activity is also quite subdued relative to the early 1990s, when a CRE bust led to a wave of losses. While there are strains at some regional banks, the better underwriting practices and the run-up in prices over the last decade will mute the loss cycle."

Please refer to "Is a commercial real estate crisis on the horizon?" later in this letter for our more complete thoughts on this topic.

The valuations of several real estate companies are cheap.

We believe the correction in real estate share prices in 2022 and the ongoing share price weakness for several real estate companies in the first three months of 2023 have created several compelling investment opportunities.

- A good portion of public real estate – including both REITs and non-REIT real estate-related companies – is attractively valued relative to historical averages.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.33% and 1.07%, 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 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.

1 The **MSCI USA IMI Extended Real Estate Index** is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The **MSCI US REIT Index** is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. 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 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 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.

- Public real estate securities are currently highly discounted relative to private real estate alternatives.

Jon Gray, President of **Blackstone Inc.**, one of the largest and most respected real estate investors in the world, said the following on the company's quarterly earnings call in the summer of 2022:

"The best opportunities today are clearly in the public markets on the screen and that's where we're spending a lot of time."

More recently, in January 2023, Nadeem Meghji, Blackstone's Head of Americas Real Estate, said the following:

"We have ample capital to play offense in a world where we think there's going to be some interesting deployment opportunities. [Blackstone] is targeting publicly traded real estate investment trusts (REITs), which are trading at discounts."

In a March 2023 report, *Green Street Advisors*, a highly regarded third-party real estate research firm, said the following regarding the relative valuations of public REITs versus private real estate:

"Listed REITs trade at a sizable discount to the private market."

Our real estate team continues to work hard to take advantage of the "sell now and ask questions later" mentality that has been pressuring several public real estate stocks by purchasing best-in-class real estate companies at highly discounted valuations. We believe several of our recent purchases are "on-sale gifts" that we expect will contribute to strong long-term real estate returns.

Several of the best real estate purchases we made in the last 17 years have occurred during periods of financial and real estate market distress when real estate stocks correctly sharply, in many cases, with little regard to value – during the Global Financial Crisis (GFC) of 2007 to 2009 and the early days of COVID-19 from March to May of 2020. We believe similar opportunities to purchase discounted real estate shares have surfaced more recently in 2022 and 2023.

For examples of attractively valued REITs and non-REIT real estate-related companies, please refer to "Examples of best-in-class real estate companies that are attractively valued" later in this letter.

Is a Commercial Real Estate Crisis on the Horizon?

Ever since the March 2023 collapse of Silicon Valley Bank, Signature Bank, and Credit Suisse, news reports predicting an impending commercial real estate crisis have been rampant. **In our opinion, forecasts of widespread distress in commercial real estate are unduly alarming, sensationalized, and unlikely to materialize.**

Though we are cognizant of the reasons to be cautious about the outlook for certain segments of commercial real estate, our preliminary sense is:

- The likelihood of a widespread commercial real estate crisis is low.
- The majority of real estate distress will be limited to a manageable portion of class B and C office buildings.
- The risks to most banks and commercial real estate companies are likely to be earnings issues, which should lead to a slowdown in growth – a further contraction in lending and more restrictive financing terms in the form of higher interest rates and lower loan amounts for construction, land development, and real estate acquisitions – rather than solvency issues (reports suggest that most banks and commercial real estate companies are appropriately capitalized).

Near-term bank credit and commercial real estate outlook

Though we do not have a crystal ball into the macroeconomic, banking, and commercial real estate outlook, we anticipate:

- A tightening of bank credit conditions

  We expect a reduction in lending – in part due to the possibility of some banks hoarding deposits, a higher bar for incremental capital outlays, increased scrutiny of existing loan books, tighter bank regulations, and lower commercial real estate values – but we believe the likelihood of a widespread credit crunch is low. We anticipate that the tightening in credit will be focused in challenged commercial real estate segments and geographic markets – namely, class B and C office buildings.

  In our opinion, a further pullback in credit is likely to result in similar outcomes to those that the Fed's interest rate increases were intended to achieve – that is, slower economic growth, more job losses, and lower inflation. In fact, current credit conditions could expedite the Fed achieving its inflation goal, potentially allowing it to not go as far as is currently anticipated. Ultimately, we continue to believe that many of the 2022 headwinds (higher interest rates and multi-decade high inflation) and tailwinds (economic growth) are likely to reverse course.

- A rise in commercial real estate delinquency rates, though largely contained to certain office buildings

  Higher debt service and refinancing costs and a moderation in growth are likely to lead to an ongoing uptick in commercial real estate delinquency rates. However:

  - Delinquency rates remain well below historical levels for most commercial real estate.
  - We expect commercial real estate challenges to be largely isolated to class B and C office real estate, and, to a lesser extent, retail real estate.
  - We expect losses to banks will be smaller than feared because lending standards have been more conservative than in the past (e.g., GFC) – higher debt service coverage ratios and lower loan-to-values – and property prices have mostly increased in the last 5 to 10 years.
  - As of February 2023, commercial real estate delinquency rates remained at only 3.12%, which compares favorably to the 10.32% delinquency rate during the COVID pandemic and the 10.34% delinquency rate during the GFC. (*Source: Trepp, Goldman Sachs Global Investment Research – Goldman Sachs Research: State of CRE, March 13, 2023*)

- A moderation in commercial real estate growth

  We expect commercial real estate growth to slow due to our expectations of tighter credit conditions, increased unemployment, moderating economic growth, and slowing growth real estate leasing activity, real estate development, and acquisitions.

A comparison of current conditions versus the GFC

In our opinion, **the likelihood of systemic risk to the economy from certain commercial real estate challenges is low**. This stands in stark contrast to the U.S. housing collapse that contributed to the GFC.

We agree with Lloyd Blankfein, former CEO of Goldman Sachs, who said the following on *CNBC* on March 22, 2023, when comparing today's bank challenges to the challenges that occurred during the GFC:

"It's a lot different. In 2008, you had bad assets and people did not know if the assets were very valuable or valueless. It turned out to be more valueless than valuable. Here you have the best assets in the world in most cases – sound mortgages and U.S. Government debt, best credits in the world – but it's obviously a duration problem. The problem is not as widespread. The banking system is in much better shape than it was before. Much more highly capitalized. Does not involve the biggest banks. Which, of course, was much more systemic at the time."

We are also encouraged by the findings of a recent analysis completed by **CBRE Group, Inc.** which estimates the future debt refinancing shortfall for various commercial real estate categories.

In the last few years, a large portion of commercial real estate was financed with historically low interest rates, which contributed to a rise in commercial real estate property values. Now, following the Federal Reserve's 2022/23 aggressive campaign to raise interest rates and lower inflation, portions of commercial real estate face refinancing headwinds in the form of higher borrowing costs and lower loan availability, in some cases due to lowered commercial real estate building values.

According to CBRE, the sharp rise in interest rates and more restrictive lending conditions may result in a *debt-funding gap* for certain real estate borrowers when refinancing debt. A debt-funding gap may occur when a borrower seeks to refinance real estate debt at a time when the expected value of a real estate property has declined and/or less debt is provided by the lender (lower loan-to-value). New loan proceeds may not be sufficient to repay the debt coming due.

CBRE analyzed 5-year commercial real estate loans originated in 2018, 2019, and 2020 and the cumulative 2023 to 2025 debt-funding gap upon refinancing. CBRE also compared the coming debt-funding gap to that of the GFC. Overall, we view CBRE's key commercial real estate findings as much better than feared:

- Between 2023 and 2025, CBRE forecasts that the debt refinancing gap will be almost entirely limited to office owners. Office owners are expected to have a debt refinancing gap of $53 billion (in our opinion, this amount is not alarming). Retail real estate is expected to have a modest debt refinancing gap of only $3 billion. Apartment and industrial owners are not forecasted to have any debt refinancing gap.
- Regarding the office sector, if a debt-funding gap exists, some office landlords may choose to add more equity and/or other financing sources (mezzanine debt) to pay off the existing loan. They may also negotiate a discounted payoff with the lender or an extension and modification of loan terms if property income conditions are expected to improve. Some office building borrowers may default on the loan and *hand back the keys* of the building to the lender.
- The heavy concentration of expected debt-funding gaps in the office sector differentiates the current funding gap from the GFC when large funding gaps were prevalent across all major commercial real estate sectors (office, retail, multi-family, and industrial).

We think the likelihood of a commercial real estate crisis is low

Despite our expectation for a more restrictive real estate lending environment and moderating growth, we remain optimistic about the prospects for most commercial real estate categories and believe the likelihood of a commercial real estate crisis is low.

Our perspective is as follows:

- Commercial real estate business prospects (expectations for occupancy, rent, and cash-flow growth), though slowing, are still expected to be positive in most cases.
- New construction activity has been and is expected to remain low. The dearth of new real estate construction compares favorably versus past real estate cycles when the overbuilding of commercial and residential real estate contributed to a deterioration in real estate business prospects. Today, the lack of overbuilding of real estate and the lack of new construction activity planned for the next few years should help to mitigate any weakness in real estate fundamentals should economic conditions deteriorate.
- Real estate debt profiles – the amount of debt relative to cash flow, the mix of fixed versus floating rate debt, annual debt maturity schedules – are, in most cases, manageable. Most of the debt coming due in the next few years was originated with good lending standards and no big oversupply of real estate.
- We believe the odds of a banking crisis and a deep recession are low. Unlike the period during the GFC, the banking system today is well capitalized and has ample liquidity. We believe the banking system is resilient and sound.
- Regarding the possibility of real estate loan defaults, our view is that it will be mostly isolated to a manageable portion of class B and C office real estate and many lenders will choose to work with their borrowers to modify loan terms rather than *hand back the keys* to the office buildings.
- Should economic, bank, and real estate distress emerge, we suspect the Federal Reserve will reverse course and lower interest rates thereby nullifying near-term headwinds.

For our more complete thoughts on the outlook for real estate, please see "The prospects for real estate in the public markets" below.

The Prospects for Real Estate in the Public Markets

We continue to believe the near-term and long-term prospects for real estate in the public markets remain compelling.

Near-Term Case for Real Estate

- Share prices and valuation multiples have corrected.

  Following 2022's sharp correction in real estate share prices (in many cases by 30% to 60%), share price weakness for several real estate companies in the first three months of 2023 and the broad-based contraction in valuation multiples, we believe several real estate companies have largely repriced for a higher cost of capital, and, more recently, for expectations of slowing growth.
- We believe the Fund's two- to three-year return prospects are compelling.

  Our real estate team evaluates the prospective returns for each company we own and for real estate companies we are researching but do not own.

We refer to an individual company's prospective return prospect as the "upside versus downside" share price return ratio. Currently, we believe the two- to three-year upside versus downside return profile for the Fund is attractive. At current prices, we believe the aggregate two- to three-year return prospect for the Fund offers a modest 10% to 15% downside scenario versus an attractive upside case of 40% to 50%, resulting in a compelling upside/downside return ratio of approximately 3.6 to 1. This upside/downside ratio is superior to most other expected return ratios since the inception of the Fund on December 31, 2009.

- Historically, real estate has rebounded sharply following periods of large declines.

		Cumulative Returns (%)			
		MSCI US REIT Index	iShares U.S. Home Construction ETF	MSCI USA IMI Extended Real Estate Index	S&P 500 Index
Global Financial Crisis	Drawdown Period (1/31/2007 to 2/28/2009)	–70.20	–81.93	–64.67	–46.43
	Recovery Period (2/28/2009 to 4/30/2013)	256.73	235.94	206.80	137.49
COVID-19 Pandemic	Drawdown Period (10/31/2019 to 3/31/2020)	–29.00	–34.96	–27.94	–14.16
	Recovery Period (3/31/2020 to 4/30/2021)	47.04	154.29	74.66	64.70
Inflation Induced Rate Hike Economic Slowdown	Drawdown Period (12/31/2021 to 9/30/2022)	–28.86	–36.80	–29.94	–23.87
	Current Recovery Period (9/30/2022 to 3/31/2023)	7.41	35.62	13.85	15.62

Sources: MSCI Inc., S&P Dow Jones Indices, and FactSet Prices.

- Several real estate companies are cheap.

We continue to believe the correction in REITs and non-REIT real estate-related companies in 2022 and the ongoing weakness for some companies in the first three months of 2023, has created several compelling investment opportunities. Real estate companies that we consider best-in-class are rarely valued at discounted prices, but now is one of those rare occasions.

We are identifying real estate companies that offer prospects for both valuation multiple expansion (or cap-rate compression) and two- to three-year earnings or cash-flow growth. We prioritize real estate companies that have this two-pronged return profile because they have the potential to generate better returns.

For examples of attractively valued REITs and non-REIT real estate-related companies, please refer to "Examples of best-in-class real estate companies that are attractively valued" later in this letter.

- The current real estate environment is far superior relative to prior real estate cycles.

In the past, trouble for real estate surfaced following the excessive use of leverage and overbuilding (i.e., the historical curse of real estate). This occurred in the 1980s, which then precipitated the recession in the 1990s with a severe correction in real estate occupancy and rents. The housing crash of 2008 was triggered by cheap credit, lax lending standards, extreme use of leverage, and overbuilding.

Today, real estate is in a good place relative to prior economic slowdowns and recessions.

In most cases, the use of debt has been disciplined relative to history. Companies, households, real estate landlords, developers, banks, and other financial institutions generally maintain balance sheets that are liquid with appropriate levels of leverage, fixed-rate debt, and staggered debt maturities. According to Citi Research, REITs have leverage ratios (net debt divided by cash flow) of only 5.5 times, on average, versus a peak of more than 8.5 times during the GFC of 2008-2009.

Commercial and residential real estate are not overbuilt, and expectations for new supply are not concerning. Expectations for construction activity are modest due to elevated land, material, and labor costs and expectations for a slowdown in economic growth. According to data provided by *Green Street Advisors*, expectations for commercial real estate construction (annual construction completions as a percent of existing inventory) from 2023 to 2026 are expected to be only 1.5% for apartments, 1.0% for wireless towers and hotels, 0.8% for office buildings, 0.3% for shopping centers, and 0.1% for retail malls. In December 2022, the Chairman of **Lennar Corporation**, a premier U.S. homebuilder company, stated that he expects U.S. new home construction in 2023 will decline by 25% to 33%.

Based on research by *Green Street Advisors*, recent occupancy rates for several real estate categories compare favorably relative to prior periods. For example, industrial real estate occupancy is currently 96%, on average, versus 88% in 2009. Self-storage facilities average occupancy levels are 94% versus 81% in 2009. The average occupancy rate for manufactured housing is 97% versus 87% in 2009.

Should a recession unfold, we expect declines in commercial occupancy and rents and most residential home prices to be modest and short lived given the broadly favorable relationship between demand and supply of commercial and residential real estate.

- Substantial private capital is still in pursuit of real estate ownership.

We believe that real estate merger and acquisition activity will re-emerge when the debt markets stabilize, and economic prospects improve.

According to *Preqin Pro*, more than $400 billion of capital has been raised by private equity sources to invest in real estate. This amount equates to more than $1.3 trillion of total real estate purchasing capacity, assuming typical 70% financing. The aggregate buying potential of $1.3 trillion is more than 85% of the enterprise value of all publicly traded U.S. REITs!

We anticipate that large amounts of capital from private equity investors such as Blackstone and **Brookfield Corporation**, sovereign wealth funds, endowments, pension funds, and others will look for opportunities to step in and capitalize on the opportunity to buy quality public real estate when it is valued at a discount relative to the private market. This embedded put scenario should limit downside for public valuations and stock prices.

Long-Term Case for Real Estate

- Real estate has generated solid historical long-term returns, and we believe it can continue to do so.

  For the 25-year period ended March 31, 2023, U.S. equity REITs, as measured by the REIT Index, have delivered a better cumulative return than the S&P 500 Index, fixed income alternatives, international equities, and commodities.

  Since the Fund's inception on December 31, 2009 through March 31, 2023, Baron Real Estate Fund, which owns REITs and non-REIT real estate-related companies, has delivered a cumulative return of 421% (Institutional Shares), which compares favorably to the 170% return of the REIT Index.

  We remain optimistic about the potential for real estate to continue to generate solid long-term absolute and relative performance.

  – Real estate continues to offer diversification benefits.

    According to FactSet, over the last 25 years through March 31, 2023, REITs have provided diversification benefits due to their modest correlation versus stocks (0.63 versus S&P 500 Index) and low correlation versus bonds (0.26 versus Bloomberg Barclays U.S. Aggregate Index).

  – Real estate offers valuable inflation protection.

    Historically, certain real estate businesses have had the ability to raise prices to provide inflation protection. Real estate property owners in supply-constrained areas are often able to pass along higher operating costs by raising rents in periods of rising inflation. Some leases include annual fixed upward lease rent escalators. Real estate owners with short-lease durations in supply-constrained markets are well equipped to raise rents to combat inflation.

    Additionally, the price of a property can be measured in relation to the current cost of land, materials, and labor that would be required to build a replacement. Since replacement costs tend to rise with inflation, real estate is often viewed as a partial hedge against inflation and a good store of value.

Portfolio Composition and Key Investment Themes

The Fund currently has investments in REITs, plus eight additional real estate-related categories. Our percentage allocations to these categories vary, and they are based on our research and assessment of opportunities in each category (See Table II below).

Table II.
Fund investments in real estate-related categories as of March 31, 2023

		Percent of Net Assets
REITs		28.4%
Non-REITs		65.7
Casinos & Gaming Operators	15.9%	
Homebuilders & Land Developers	13.4	
Building Products/Services	11.0	
Real Estate Operating Companies	10.6	
Real Estate Service Companies	8.9	
Hotels & Leisure	4.4	
Unclassified	0.9	
Tower Operators	0.7	
Cash and Cash Equivalents		5.9
Total		100.0%*

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

A few observations regarding the composition of the Fund include:

Cash: As of March 31, 2023, cash and cash equivalents stood at 5.9%, down from 11.0% of the Fund's assets on December 31, 2022. In the first quarter, we took advantage of the opportunity to buy fine companies at highly discounted prices. We will continue to look for opportunities to deploy this cash given the sharp correction in the share prices of certain real estate companies and as other special buying opportunities emerge.

Number of holdings: We have decreased the number of real estate companies held in the Fund from a peak of 61 companies on June 30, 2021, to 40 companies on March 31, 2023. During this period, we have prioritized our highest conviction best-in-class real estate companies. Conversely, we have trimmed or exited holdings in real estate companies that have more leveraged balance sheets, are small and less liquid, or are geographically exposed to real estate markets that face headwinds.

Secular growth real estate companies: Our long-term focus is on real estate companies that benefit from secular tailwinds where cash-flow growth tends to be durable and less sensitive to a slowdown in the economy. Examples include our investments in data centers, wireless tower, industrial logistic, and life science REITs.

Short-lease duration real estate with pricing power: We have continued to emphasize real estate companies that are able to raise rents and prices on a regular basis to combat inflation. Examples include our investments in self-storage, single-family home rental, hotel, and casino real estate companies.

Cyclical real estate companies: Despite expectations for a further slowdown in economic growth and a recession, we maintain an allocation to economically sensitive and cyclical real estate companies. The share prices of several of these types of real estate companies have corrected sharply in advance of the economic slowdown and are now attractively valued. Examples include our investments in select homebuilding and travel-related real estate companies.

Investment Themes

We have continued to prioritize four long-term high conviction investment themes or real estate categories:

1. REITs
2. Residential-related real estate
3. Travel-related real estate
4. Other real estate-related opportunities

REITs

Since the Fund's inception on December 31, 2009, REITs have been an important part of our real estate-related portfolio. We have tended to limit our REIT allocation to 25% to 35% of the portfolio so that the Fund is differentiated from other REIT funds.

Following a 25% correction in the REIT Index in 2022 and ongoing relative underperformance in the first three months of 2023, we believe the valuations of several REITs are attractive. Business fundamentals and prospects for many REITs remain solid although slower growth is expected in 2023. Balance sheets are in good shape. Several REITs have inflation-protection characteristics. Dividend yields are well covered by cash flow and are growing.

Should the contraction in economic growth evolve into no worse than a mild recession and the path of interest rates peaks in 2023 at levels not much higher than current rates, we believe the shares of certain REITs may perform relatively well given the contractual nature of cash flows that provide a high degree of visibility into near-term earnings growth and dividend yields. Should long-term interest rates begin to decline and credit spreads compress, REIT return prospects may also benefit from an improvement in valuations as valuation multiples expand (e.g., capitalization rates compress).

We believe the Fund comprises compelling REIT companies and categories. A few examples include:

Industrial REITs that we expect to benefit from ongoing robust warehouse demand and increased rents fueled by the growth in e-commerce and the buildout of logistics' supply chains.
Examples: **Prologis, Inc.**, **Rexford Industrial Realty, Inc.**, **EastGroup Properties, Inc.**, and **Terreno Realty Corporation**

Self-Storage REITs that offer a compelling combination of scale and cost of capital advantages, low capital expenditure requirements, strong balance sheets, and monthly leases that provide an opportunity for landlords to increase rents to combat inflation.
Examples: **Public Storage Incorporated** and **Extra Space Storage Inc.**

Technology-centric wireless tower and data center REITs that we believe have prospects for strong and enduring cash-flow growth driven by rising data consumption, the buildout of 5G, the growth in cloud computing, and other secular growth demand opportunities.
Examples: **American Tower Corp.** and **Equinix, Inc.**

Residential-related REITs that provide partial inflation protection given the short duration of leases, relatively affordable shelter, and solid long-term growth prospects.
Examples: **Invitation Homes, Inc.**

For a more detailed discussion of the investment case for REITs and the various REIT categories, we encourage you to read our March 31, 2023, Baron Real Estate Income Fund shareholder letter.

As of March 31, 2023, we had investments in seven REIT categories representing 28.4% of the Fund's net assets. Please see Table III below.

Table III.
REITs as of March 31, 2023

	Percent of Net Assets
Industrial REITs	13.4%
Self-Storage REITs	5.6
Data Center REITs	3.4
Wireless Tower REITs	2.8
Life Science/Health Care REITs	1.9
Single-Family Rental REITs	1.2
Triple Net REITs	0.1
Total	28.4%*

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

Residential-related real estate

In the first three months of 2023, we traveled and spent several hours meeting with the management teams of leading homebuilding companies, **Lennar Corporation** and **Toll Brothers, Inc.** We also continued our ongoing dialogue with the largest U.S. homebuilder, **D.R. Horton, Inc.**, and other U.S. homebuilding companies and residential contacts. Though it is early in 2023 and the economic and housing outlook could disappoint in the months ahead, we are encouraged by what we have learned year-to-date:

- There has been a meaningful uptick in demand to buy homes that started in January and appears to have continued for much of the first three months of 2023. Redfin Corporation, a residential brokerage company, recently reported that requests to tour homes, make an offer to buy a home, and/or start a search for a home with a Redfin sales agent jumped to its highest level since May 2022 during the week ended March 26, 2023.
- Home buyers are coming off the sidelines and once again buying homes despite 30-year mortgage rates remaining in the 6.5% to 7.0% range. It appears that several factors are contributing to the recent strength, including pent-up demand to buy homes and fears that mortgage rates could move higher. The sticker shock of rapidly rising mortgage rates appears to have cooled down. Incentives to convince potential buyers to purchase a home have moderated.
- A dearth of inventory in the existing home market and an overall housing supply shortage is driving home buyers to "stretch their wallet" due to fears that they could miss out on the opportunity to buy a home.
- Public homebuilders are gaining market share versus the existing home sale market because many homeowners are choosing to remain in their homes and maintain their below market mortgage rates.

We agree with the thoughts expressed by Stuart Miller, Chairman of Lennar Corporation, who said the following on the company's first quarter conference call on March 15, 2023:

"It seems that the homebuilding industry has been skating on a very thin edge between some very strong headwinds and some equally strong tailwinds that have required careful navigation and refined adjustment along the way. The headwinds have been defined by Federal Reserve driven interest rate increases driven by stubbornly high inflation. The consumer has attempted to adjust. The tailwinds have been defined by housing shortages across the country as well as production deficits over the past decade. And while the consumer remains challenged by affordability concerns, they are adjusting to the new normal of higher interest rates and opting to purchase their homes."

We remain bullish long term on the prospects for the U.S. housing market.

We believe the long-term structural underinvestment in the construction of residential real estate relative to the demographic needs of our country bodes well for long-term housing construction activity, sales, rentals, pricing, and repair and remodel activity.

Ever since the housing crisis from 2007 to 2010, housing supply has not kept pace with housing demand, household formation, and population growth. This has led to a structural shortage of housing. According to the U.S. Census, 12.3 million American households were formed from January 2012 to June 2021, but just 7 million new single-family homes were built during that time. The result? The U.S. is short more than 5 million homes.

We continue to agree with the findings of a report published by *Evercore ISI Research* on October 4, 2022, which further illuminates the constrained inventory of the U.S. housing market:

> "After briefly reaching above 2 million total (housing) starts way back in 2005, the U.S housing industry entered the longest sustained period of under-building since the modern homebuilding industry began in the late 1940s. On a trailing fifteen-year basis, housing starts have averaged just over 1 million annually, well below the industry's 1.5 million long-term average. Since housing starts include both for-sale and rental units, this accumulated shortfall is visible in both record low levels of existing homes for sale and rental vacancy rates. And just as this deficit was more than a decade in the making, it cannot dissipate quickly. Even after a brief rise in inventory this summer, combined with a sharp pullback in sales, homes for sale sit at just 3.2 months, well below the 6.0 months level that is associated with home price declines."

Long-term housing-related demand prospects are also encouraging, especially from the approximately 72 million millennials – ages 25 to 40 – many of whom have been looking to buy or rent a home. Millennials are the largest generation in the workforce, their wages are increasing, and their multi-year delay of household formation is reversing. There are clear signs that millennials are debunking the view that the American Dream to own or rent a home is over.

The large imbalance between pent-up housing demand and low construction levels bodes well, long term, for new single-family home purchases. It also bodes well for home and apartment rentals.

We believe the valuations of several housing-related companies reflect a good portion of the slowdown in the U.S. housing market and offer compelling multi-year return prospects.

We believe certain homebuilder valuations, currently in the 1.0 to 1.3 times share price to book value range, are cheap and erroneously reflect an expectation for a sharp decrease in home prices and land impairments, which we believe are unlikely due to the housing inventory shortfall in the U.S.

Following the sharp decline in housing-related share prices in the first half of 2022, we increased our exposure to homebuilders, building products/ services companies, and home centers in the second half of 2022 and have continued to acquire shares in some companies in the first three months of 2023. Though business conditions may be challenging in the months ahead, we believe valuations are attractive and the two- to three-year return prospects are compelling.

As of March 31, 2023, residential-related real estate companies represented 24.4% of the Fund's net assets. Please see Table IV below.

Table IV.
Residential-related real estate companies as of March 31, 2023

	Percent of Net Assets
Homebuilders	13.4%
Building Products/Services	8.2
Home Centers	2.8
Total	24.4%[1]*

[1] Total would be 25.6% if residential-related housing REIT Invitation Homes, Inc. is included.

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

Travel-related real estate

We are long-term bullish about the prospects for travel-related real estate companies.

We believe several factors are likely to contribute to multi-year tailwinds for travel including a favorable shift in consumer preferences, a growing middle class, and other encouraging demographic trends.

In the last week of March, we met with Chris Nassetta, the President and CEO of **Hilton Worldwide Holdings Inc.**, one of the largest and most diversified hotel companies in the world. He noted that global hotel demand remains robust, and Hilton has yet to witness any weakness in 2023.

Though we are mindful that travel-related business conditions may moderate in the year ahead given the likelihood of an economic slowdown, which may negatively impact consumer discretionary leisure spending and business travel, we maintain an allocation to select travel-related real estate companies because **we believe the long-term investment case for travel is compelling**:

- *Demand for services over goods:* We have seen an increased wallet share going to travel. The 72 million millennials are increasingly driving this shift aided by their preference for experiences such as travel over durable goods.
- *Demographic trends:* Delays in marriage and having children has led to the millennial cohort having more disposable income than prior generations at this age.
- *Work-from-home:* Flexible job arrangements have led to an increase in travel bookings and lengths of stay, leading to the emergence of a new category of travel (hush trips).
- *Certain travel-related businesses remain cyclically depressed, not secularly challenged, and should rebound as economic strength*

re-emerges. For example, the business operations of Macau-centric casino and gaming companies such as **Wynn Resorts, Limited** and **Las Vegas Sands Corporation** have yet to fully recover due to the COVID-19 restrictions and challenges in China from 2020 through 2022. We expect business to rebound sharply when economic growth recovers just as it did in Las Vegas.

- *Healthy balance sheets:* Our investments in travel-related real estate companies maintain well-capitalized and liquid balance sheets and should be able to comfortably withstand any slowdown in economic growth just as they did during the early days of COVID-19.
- *Private equity companies such as Blackstone have a long history of investing in travel-related companies and have continued to highlight the travel segment as an important investment opportunity.* Given the highly discounted share prices and valuations of certain travel-related companies, we would not be surprised if private equity firms take advantage of the favorable valuation arbitrage between the public and private markets and acquire public travel companies.

As of March 31, 2023, travel-related real estate companies represented 20.3% of the Fund's net assets. Please see Table V below.

Table V.
Travel-related real estate as of March 31, 2023

	Percent of Net Assets
Casinos & Gaming Operators	15.9%
Hotels	2.0
Timeshare Operators	1.5
Ski Resorts	0.9
Total	20.3%[1]*

[1] Total would be 20.4% if travel-related gaming REIT Gaming and Leisure Properties, Inc. is included.

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

Other real estate-related opportunities

Our *other real estate-related opportunities* category includes companies that do not fit neatly in more traditional real estate categories of REITs, residential-related real estate, and travel-related real estate. They currently include:

- Commercial real estate services companies
  Examples: **CBRE Group, Inc.** and **Jones Lang LaSalle Incorporated**
- Real estate-focused alternative asset managers
  Examples: **Brookfield Corporation** and **Blackstone Inc.**
- Real estate data analytics/property technology companies
  Example: **CoStar Group, Inc.**

Commercial real estate services companies: We remain bullish on the long-term growth opportunity for the commercial real estate brokerage category because of structural and secular tailwinds that should benefit leading global companies such as CBRE and Jones Lang LaSalle.

Tailwinds include:

- *The outsourcing of commercial real estate:* A growing number of companies are increasingly looking to outsource their commercial real estate needs. CBRE estimates that the overall facilities management market will be $1.9 trillion by 2024, representing a massive growth opportunity for large global commercial real estate services companies.
- *The institutionalization of commercial real estate:* Institutional allocations to real estate continue to increase, in part due to real estate's diversification, inflation protection, and relatively stable long-term growth attributes.
- *Opportunities to increase market share:* The commercial real estate industry remains highly fragmented and is likely to continue to consolidate. Customers tend to prefer commercial real estate companies that can provide a broad set of services. We believe CBRE and Jones Lang LaSalle are best positioned to drive market share gains given that they are the clear #1 and #2 commercial real estate services firms, respectively, and they have the capability to provide the full array of real estate offerings on a global scale.

CBRE and Jones Lang LaSalle have scale, product breadth, and leadership positions across their diversified real estate business segments. They continue to gain market share and are well positioned to capitalize on ample attractive acquisition opportunities in the years ahead given strong and liquid balance sheets. Though we acknowledge that growth in certain segments of their businesses has slowed and is likely to remain under pressure in the months ahead due to the global economic slowdown, higher interest rates, and the likelihood of more restrictive bank lending, we believe both are attractively valued and present compelling return potential over the next few years.

Real estate-focused alternative asset managers: We are optimistic about the long-term prospects for Brookfield and Blackstone because we believe both companies are likely to increase market share in a secular growth opportunity for alternative assets.

Institutional allocations to alternative investment assets such as real estate, infrastructure, and private equity are likely to continue to grow significantly in the years ahead because alternatives have a long track record of generating attractive relative and absolute returns with less volatility than several other investment options.

We are bullish on the long-term prospects for Brookfield and Blackstone. Both companies are led by exceptional management teams that attract and retain exceptional talent. They are two of the largest real estate managers in the world with impressive investment track records. Both Brookfield and Blackstone have global franchises, strong brands, and loyal customers.

We believe the shares of both companies are attractively valued and are optimistic about the long-term potential for the Fund's investments in both companies.

Real estate data analytics/property technology companies: The real estate industry, which represents approximately 17% of U.S. GDP according to the National Association of Realtors, has eschewed decades of technological innovation while many other industries have evolved rapidly. We are seeing evidence of that trend beginning to change as real estate companies are increasingly adopting technology as a source of competitive differentiation and evolution across property sectors.

This collision of real estate and technology has led to a new category within real estate–real estate technology, also referred to as *proptech*. Proptech is the usage of technology and software to assist in meeting real estate needs.

The emergence of proptech and the digitization of real estate is an exciting and promising new development for real estate. We believe we are in the early innings of a technology-driven investment cycle centered on data and digitization that allows real estate-related businesses to drive incremental revenue streams and lower costs.

CoStar, the leading provider of information, analytics, and marketing services to the real estate industry and a top holding in the Fund, is well positioned to capitalize on this burgeoning secular growth trend.

As of March 31, 2023, other real estate-related companies represented 21.0% of the Fund's net assets. Please see Table VI below.

Table VI.
Other real estate-related companies as of March 31, 2023

	Percent of Net Assets
Real Estate-Focused Alternative Asset Managers	10.6%
Commercial Real Estate Services Companies	4.9
Real Estate Data Analytics Companies/Property Technology Companies	4.9
Wireless Tower Operators	0.7
Total	21.0%*

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

Examples of Best-in-Class Real Estate Companies that are Attractively Valued

We believe several best-in-class public REITs and non-REIT real estate-related companies are *on sale* relative to history and relative to private real estate alternatives. We believe the favorable arbitrage between public and private real estate valuations bodes well for the return prospects of public real estate companies in the next few years.

In our judgment, characteristics of a best-in-class real estate company are:

– Owns unique and well-located real estate assets in markets with high barriers to entry combined with attractive long-term demand demographics
– Enjoys strong long-term growth prospects together with a leading competitive position
– Maintains a conservative and liquid balance sheet
– Employs an intelligent and motivated management team that is an excellent allocator of capital and has interests aligned with shareholders

Our view is that special "best-in-class" real estate companies should generate superior returns over the long term.

The Fund is chock full of best-in-class companies that are *on sale* and offer prospects for strong returns in the years ahead. Examples include:

REITs

Invitation Homes, Inc. is the largest institutional owner of single-family rental homes concentrated across high-growth markets and in-fill neighborhoods with access to good schools, transportation corridors, and robust employment opportunities.

It is valued at an implied capitalization rate of 6.0% versus private market transactions in the 5% range. The public market implied valuation of its owned homes is only $320,000 per home versus acquisition costs of approximately $430,000 per home.

Equinix, Inc. is the premier global carrier and cloud-neutral data center operator with 250 data centers in 70 metropolitan areas and 30 countries.

Equinix is currently valued at only 20.5 times 2024 estimated cash flow versus private market data center transactions that have occurred at 25 to 30 times cash flow. The shares are valued at a small premium to REITs, despite superior and more durable cash-flow growth prospects.

Prologis, Inc. is the world's largest industrial REIT. The company owns a high-quality real estate portfolio that is concentrated in major global trade markets and large population centers across the Americas, Europe, and Asia. Prologis has an unmatched global platform, strong competitive advantages (scale, data, and technology), and attractive embedded growth prospects. The company is the only industrial REIT with an 'A' credit rating.

Following a decline in its shares of more than 30% in 2022, we believe Prologis' current implied capitalization rate of 4.2% is compelling given that the company's rents on its in-place leases are more than 65% below current market rents, thus providing a strong runway for growth in the next three to five years.

Public Storage Incorporated is the world's largest owner, operator, and developer of self-storage facilities. Public Storage has achieved the #1 market position in 14 of its top 15 markets and is widely recognized as the leading self-storage company with a premier brand.

It is currently valued at a 5.7% implied capitalization rate or a 20% discount to its estimated net asset value.

Alexandria Real Estate Equities, Inc. is the leading landlord and developer for the life science industry. Alexandria is a best-in-class company with several competitive advantages including an irreplaceable life science office portfolio concentrated in the premier life science markets in the U.S. and deep customer relationships.

Alexandria is valued at a 6.4% implied capitalization rate versus recent life science real estate transactions that have been valued in the 4% to 5% range. Alexandria's real estate is attractively valued at approximately $500 per square foot versus private market transactions for life science real estate in the $1,000 to $1,500 per square foot range.

Residential-Related Real Estate Companies

Toll Brothers, Inc. is a leading luxury homebuilder in the U.S. with capable management and a large, valuable owned land real estate portfolio. Toll Brothers is more insulated than its peers from elevated mortgage rates because approximately 25% of Toll home buyers pay 100% in cash.

The company is valued at only 1.0 times tangible book value versus its long-term average of approximately 1.4 times book value and a peak multiple of approximately 2.0 times tangible book value.

Lennar Corporation is the second-largest U.S. homebuilder with competitive scale advantages (including materials procurement and labor), an increasingly capital-light business model, a strong balance sheet, a strategic and forward-looking focus on technology investments, and an exceptional management team.

It is valued at only 1.3 times tangible book value versus its more typical historical valuation range of 1.5 to 2.5 times tangible book value.

Lowe's Companies, Inc. is the second-largest home improvement center in the U.S. The company has several competitive advantages including scale, distribution efficiencies, interconnected retail through stores/internet, excellent management, and a strong balance sheet.

The company's P/E multiple is only 14 times versus its long-term average P/E multiple of 18 times.

SiteOne Landscape Supply, Inc. is the only national wholesale distributor of landscape supplies. The company is more than five times the size of its next closest competitor and has many opportunities to make acquisitions and consolidate a highly fragmented industry.

The company is currently valued at only 13.6 times 2024 estimated cash flow versus its historical valuation range of 15 to 20 times cash flow prior to COVID-19.

Other Real Estate-Related Companies

Brookfield Corporation is a leading global owner and operator of real assets such as real estate and infrastructure. We believe the company's global reach, capital, and the synergies among its businesses provide significant opportunities for growth.

We believe the shares are unsustainably cheap. Brookfield's management team, who in our opinion is credible and conservative, believes the company is worth $74/share today – more than double its recent price of only $32/share!

Brookfield has investments in publicly traded and private real estate-related businesses. Brookfield's ownership interests in four publicly listed Brookfield companies (Brookfield Asset Management, Brookfield Infrastructure Partners, Brookfield Renewable, and Brookfield Business Partners) are currently valued in the public market at $32 per share or the same public price as the public share price for the entire company. The public market is currently ascribing zero value to Brookfield's non-public investments, which we believe are also worth at least $32 per share. (The total book value of the company's unlisted investments is $24 per share and the company's estimate of the value of its carried interest is $8 per share for a total value of Brookfield's non-listed business (most at only book value) also of $32!)

Blackstone Inc. is the world's largest alternative asset manager with $1 trillion in assets under management and the largest real estate manager in the world. Blackstone has a premier brand, a global franchise, loyal customers, an exceptional balance sheet, and an excellent management team.

It is currently valued at a modest premium to the S&P 500 Index multiple despite far superior long-term growth prospects. The company's current dividend yield is 5.2%.

CBRE Group, Inc. is the largest commercial real estate services firm in the world. It maintains a #1 worldwide market share position in each of its key business lines and has a pristine balance sheet.

Its P/E multiple is only 13 times based on 2024 earnings versus its long-term average P/E multiple of 15 to 16 times.

Jones Lang LaSalle Incorporated is one of the leading commercial real estate services firms in the world with scale, product breadth, and leadership positions across its diversified real estate business segments.

Its P/E multiple is less than 9 times 2024 earnings versus its long-term average P/E multiple of 14 times.

Travel-Related Real Estate Companies

MGM Resorts International is a leading global casino and entertainment company with 29 unique hotels and casinos including some of the most recognizable resort brands such as Bellagio, MGM Grand, ARIA, and Park MGM.

At its recent price of only $44 per share, we believe MGM's domestic valuation is compelling at a sizeable discount to our estimate of the company's sum-of-the-parts value of approximately $60 per share.

Red Rock Resorts, Inc. is a leading real estate casino gaming company that owns and operates 100% of its real estate assets. Almost all the company's cash flow is generated in the Las Vegas locals market, a real estate market that possesses highly favorable long-term demand and supply characteristics. The company has the capacity to double in size in the next five to seven years and maintains a strong balance sheet. Insiders own more than 40% of the company.

With shares valued at only 10 times 2024 EBITDA and a double-digit free-cash-flow yield, we think Red Rock's share price is compelling.

A Review of Recent Activity Managing the Fund

In the first quarter, we maintained our active approach managing the Fund due to:

- The emergence of tailwinds and headwinds in certain segments of real estate
- Company-specific considerations
- Unusually elevated stock market volatility

We believe our actions continue to position the Fund for strong long-term performance.

Table VII.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Wynn Resorts, Limited	$12.7	$40.4
Caesars Entertainment, Inc.	10.5	39.8
Brookfield Corporation	53.4	32.4
EastGroup Properties, Inc.	7.2	27.6
Las Vegas Sands Corporation	43.9	27.0

In the first quarter of 2023, we re-acquired shares in Macau-centric casino gaming companies **Wynn Resorts, Limited** and **Las Vegas Sands Corporation** with the following considerations in mind:

- Since the early days of the COVID-19 pandemic in 2020 through mid-2022, the shares of Wynn and Las Vegas Sands significantly underperformed the share price performance of other U.S.-centric casino gaming and lodging companies due in large part to extremely limited travel mobility to Macau during China's Zero-COVID policy. Just as business activity and the shares of U.S.-centric casino gaming companies rebounded sharply once people felt comfortable to travel to Las Vegas and other U.S. regional gaming markets, we have felt that Macau business activity and the shares of Macau-centric casino gaming companies would follow in the footsteps of Las Vegas-centric and other U.S. gaming and lodging companies and inflect positively once people were permitted to travel to Macau more freely.
- China recently abandoned it's Zero-COVID policy and removed travel restrictions in January 2023. We now believe both Wynn and Las Vegas Sands are well positioned to capitalize on China's reopening.

- As of late 2022, business activity in Macau languished at only 10% to 15% of pre-pandemic levels compared to Las Vegas business activity which had already exceeded pre-pandemic levels. Macau visitation and business activity has rebounded sharply in the first few months of 2023, yet remains approximately 50% below activity levels in 2019
- For Wynn, we believe additional drivers for future value creation beyond a re-emergence in Macau business activity include: (i) our expectation for long-term growth opportunities in the company's U.S.-centric markets of Las Vegas and Boston, including an expansion of Wynn's Encore Boston Harbor resort; (ii) Wynn's plans to develop an integrated resort in the United Arab Emirates with 1,500 hotel rooms and a casino that is similar in size to that of its Encore Boston Harbor; (iii) opportunities to improve cash-flow margins by rightsizing labor and achieving lower staff costs in Macau; (iv) the possibility that Wynn is granted a New York casino license in 2023; and (v) an expansion in the company's valuation multiple to levels achieved prior to the pandemic.
- For Las Vegas Sands, we believe additional drivers for future value creation beyond a re-emergence in Macau business activity include: (i) our expectation for a continued positive inflection in visitation and cash flow at Marina Bay Sands, Singapore; (ii) Las Vegas Sands' plans to invest $4.5 billion in Macau and Singapore in the next 10 years; (iii) the company's plans to pursue a New York casino and its prioritization of Texas as a new market; and (iv) the possibility that Las Vegas Sands reinstates its dividend in the next few years.
- Despite strong share price performance in the last few months, we believe the shares of Wynn and Las Vegas Sands remain attractively valued relative to the price at which we believe they will reach when the stock market fully discounts a complete recovery to 2019 business levels. At current prices, the valuation multiples of both Wynn and Las Vegas Sands remain below the levels that were achieved prior to the pandemic.

Following a 50% decline in its share price in 2022, we re-acquired shares of **Caesars Entertainment, Inc.** in the first quarter. Caesars is the largest casino-entertainment company in the U.S. and one of the world's most diversified casino-entertainment providers. The company operates primarily under the Caesars, Harrah's, Horseshoe, and Eldorado brand names. The company generates approximately 50% of its cash flow from Las Vegas and 50% of its cash flow from regional destination markets. The company owns approximately half of its real estate and leases the other half from gaming REIT companies – **Gaming and Leisure Properties, Inc.** and VICI Properties Inc.

We recently met with CEO Tom Reeg, who we hold in high regard. Tom has a long and impressive track record of synergistic acquisitions, maximizing the value of casino and gaming companies, and deleveraging. Most recently, since acquiring Caesars in 2019, Tom and his management have implemented operational improvements that have led to an increase in cash flow (EBITDA) from $2.9 billion to more than $4 billion on a similar revenue base of approximately $11 billion.

We are optimistic about the long-term prospects for Caesars for the following reasons:

- *We are optimistic about the long-term prospects for Las Vegas and Las Vegas represents approximately 50% of Caesars' cash flow:* Near term, we expect the Las Vegas Strip to generate strong cash-flow growth in 2023 reflecting an improvement in business group and convention activity, international visitation, and various events throughout the year that should attract large crowds including a Formula 1 racing event that will occur in Las Vegas in November 2023. We believe that Las Vegas has structurally changed and has a year-round business and event calendar that has effectively eliminated off-peak months or lulls in business activity.
- *Management is focused on improving its balance sheet:* Early in 2023, the company opportunistically refinanced and extended the maturity on $4.5 billion of its debt. Management is also focused on improving Caesars' overall leverage profile and believes there is a path to lowering its current lease-adjusted net debt to cash flow from approximately 5.5 times to less than 4 times in the next two years through cash flow generated from asset sales and the company's business operations.
- *The company has an online sports betting and casino business that management believes will turn profitable and generate more than $500 million of cash flow by 2025*.
- *We believe the shares are attractively valued.* At its recent price of only $46 per share, the shares are highly discounted versus our assessment of fair value of $75 per share or more than 50% above its recent price. Caesars is currently valued at only 7.3 times enterprise value to cash flow versus a historical average of approximately 9 times.

In the most recent quarter, we acquired additional shares in **Brookfield Corporation**, a leading global owner and operator of real assets.

We first acquired shares in Brookfield shortly after we launched the Fund at the end of 2009, and Brookfield was the Fund's largest holding on March 31, 2010. Fast forward more than 13 years to March 31, 2023, and Brookfield remains one of the largest holdings in the Fund. Although its shares have performed well over the long term, we believe the valuation of its shares are unsustainably cheap and we remain bullish about Brookfield's long-term prospects.

Our enduring enthusiasm for Brookfield's long-term prospects is due to four key considerations:

1. Secular growth opportunity for alternative assets

   Institutional allocations to alternative investment assets such as real estate, infrastructure, and private equity, are expected to continue to grow in the years ahead because of expectations that alternatives will continue to generate attractive relative and absolute returns with less volatility than many other investment options.

2. Brookfield is well positioned to increase its market share of the growing pool of alternative assets

   Institutional investors are consolidating the number of asset managers with whom they invest. We believe Brookfield is poised to remain a major beneficiary of this consolidation trend because of its strong long-term investment results and its three key competitive advantages:

   (i) Scale advantages: Brookfield's large-scale and strong balance sheet position the company to be involved in multi-billion dollar transactions where the competitive buyer pool is relatively narrow.

   (ii) Global capabilities: The company's presence in over 30 countries affords Brookfield the ability to cast a wide net for sourcing potential acquisitions and pursue opportunities in geographic markets where valuations are most attractive.

(iii) Operating expertise: Brookfield has a team of more than 100,000 operating employees in over 30 countries – a key differentiator versus many of its asset management peers. Brookfield's financial and operating capabilities are, at times, the tie breaker that results in the company being chosen to participate in complex transactions across multiple geographies that require a heavy operating component.

3. Attractive valuation

   At its recent price of only $32 per share, Brookfield's share price is highly discounted versus management's assessment of the company's intrinsic value of $74 per share!

4. Excellent management team with interests aligned with shareholders

   CEO Bruce Flatt and his deep leadership team are on our short list of most impressive management teams. They are, in our view, a highly talented group of executives who are astute allocators of capital and excellent operators of businesses. Management's interests are aligned with its shareholders given that officers and directors own approximately 20% of the company.

Following a sharp correction in its share price in 2022 and several discussions with CEO Marshall Loeb, we initiated a position in **EastGroup Properties, Inc.**, a REIT that is a leading developer, acquirer, and operator of industrial properties in major Sunbelt markets throughout the U.S.

The company has assembled a high-quality real estate portfolio and management has a strong track record of delivering consistent gains in occupancy and rent growth and maintaining strong expense controls. Looking forward, we believe in-place rents on leases signed remain well below current market rents thereby providing visibility into strong embedded growth potential. Further, management maintains a conservative balance sheet.

We believe the shares are attractively valued and the company could be targeted as a takeover candidate should its valuation remain depressed.

Table VIII.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Trex Company, Inc.	$ 5.3	$34.1
SBA Communications Corp.	26.6	33.5
Vulcan Materials Company	22.8	20.4
SiteOne Landscape Supply, Inc.	6.2	18.7
Gaming and Leisure Properties, Inc.	13.7	18.2

In the most recent quarter, we significantly reduced our investments in the following companies due to expectations of near-term business headwinds and modest growth prospects, elevated valuations, and our view of superior investment opportunities for other real estate-related companies:

- **Trex Company, Inc.** is the largest manufacturer of wood-alternative (composite) outdoor decking and railing in the U.S.
- **Vulcan Materials Company** is a real estate-related company that is the largest construction aggregates producer in the U.S.
- **SiteOne Landscape Supply, Inc.** is the only national wholesale distributor of landscape supplies (outdoor lighting, fertilizers, grass seeds, turf care equipment, etc.) in the U.S.
- **Gaming and Leisure Properties, Inc.** is a triple net REIT that owns a portfolio of 59 geographically diversified casino gaming and related facilities in the U.S.

In the most recent quarter, we exited our investment in **SBA Communications Corp.**, a global wireless cell tower REIT that owns a portfolio of wireless tower sites heavily concentrated in the U.S. We had been long-term shareholders of SBA due to our respect for CEO Jeff Stoops, who we have known for several years. We believe Jeff has been an astute allocator of capital and has created tremendous shareholder value over the long term. Jeff will be retiring from SBA at the end of 2023.

We believe a series of issues are likely to temper SBA's growth in the next few years, including higher debt refinancing costs, wireless carrier decommissioning, headwinds from the company's Latin American operations, and perhaps foreign exchange headwinds. Our sense is that the company's annual cash flow growth will decelerate from 14% in 2022 to just 3% in 2023 and remain at modest annual growth rates over the next few years. The company's high leverage, approximately 6.9 times net debt to cash flow, will limit the company's ability for share repurchases and external growth opportunities.

Table IX.
Top contributors to performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
Toll Brothers, Inc.	$ 6.6	1.09%
Floor & Decor Holdings, Inc.	10.5	1.00
Prologis, Inc.	115.2	0.64
MGM Resorts International	16.6	0.64
Lennar Corporation	29.7	0.58

The shares of homebuilding companies **Toll Brothers, Inc.** and **Lennar Corporation** performed well in the first quarter due to encouraging business activity early in 2023. As noted earlier in this letter, both companies have witnessed a meaningful uptick in demand to buy homes that started in January and appears to have continued for much of the first quarter. Homebuyers appear to be adjusting to higher mortgage rates and opting to purchase homes, in part, to fears that they could miss out on the opportunity to buy a home due to limited housing inventory and the possibility that mortgage rates could move higher. We continue to believe the shares of Toll Brothers and Lennar are attractively valued and offer strong long-term return potential.

Following a sharp decline in its shares in 2022, **Floor & Decor Holdings, Inc.**'s share price increased 40% in the first three months of 2023 due to better-than-expected fourth quarter business results and indications that 2023 growth expectations may be better than feared.

The company is a leading and high-growth specialty retailer of hard-surface flooring offering the industry's broadest in-stock selection of tile, wood, laminate, vinyl, and natural stone flooring.

We remain optimistic about the long-term, multi-pronged growth prospects for the company. They include the potential to grow its store count in the

U.S. from 191 stores to more than 400, strong comparable store sales growth, growth in the company's online business, growth opportunities with professional and commercial customers, and designer services. The company is also well positioned to benefit from the cyclical and secular tailwinds that should aid the U.S. housing market in the years ahead. Despite its strong share price performance in the first three months of 2023, we continue to believe the shares offer strong long-term return potential over the next few years.

Following strong quarterly results, the shares of **Prologis, Inc.**, the world's largest industrial REIT, performed well in the first quarter of 2023. The company owns a high-quality real estate portfolio that is concentrated in major global trade markets and large population centers across the Americas, Europe, and Asia. Prologis has an unmatched global platform, strong competitive advantages (scale, data, and technology), and attractive embedded growth prospects. The company is the only industrial REIT with an 'A' credit rating.

We continue to believe the appreciation potential for the shares of Prologis remain compelling given that the company's rents on its in-place leases are more than 65% below current market rents, thus providing a strong runway for growth in the next three to five years.

MGM Resorts International is a global casino and entertainment company that has properties in Las Vegas, high-end U.S. regional destinations, and Macau. Shares performed well in the first quarter following strong year-end business results and expectations for strong growth in 2023.

We remain optimistic about the prospects for MGM because:

- We expect growth prospects in Las Vegas, which represent approximately 65% of the company's cash flow, to remain strong due to strength in business group and convention activity, an increase in international visitation, and events throughout the calendar year (concerts, shows, and sports such as Formula 1 racing), which should appeal to leisure travelers.
- In the last few years, MGM management has done an excellent job improving its balance sheet and allocating capital. Recently, management indicated that the company's $5 billion of excess cash above its desired minimum cash of approximately $2 billion may be used for share repurchases, given the company's compelling valuation and strong fundamental business outlook.
- In addition to our expectation for ongoing strength in Las Vegas, we expect MGM's cash flow to also benefit from Macau's business recovery in 2023 and 2024 (approximately 10% of cash flow) and an improvement in cash flow for the company's BetMGM iGaming business, which is the clear leader in the U.S. with 30% market share.
- The company's largest shareholder, IAC Inc., has two members on the Board of MGM (IAC's Chairman Barry Diller and CEO Joey Levin). IAC owns more than 17% or approximately $2.9 billion of MGM shares.
- At its recent price of only $44 per share, we believe MGM's shares remain 35% below estimate of the company's sum-of-the-parts value of approximately $60 per share.

Table X.
Top detractors from performance for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
CoStar Group, Inc.	$28.0	–0.44%
Jones Lang LaSalle Incorporated	6.9	–0.30
CBRE Group, Inc.	22.6	–0.22
Alexandria Real Estate Equities, Inc.	21.7	–0.16
Sun Communities, Inc.	17.1	–0.12

Shares of **CoStar Group, Inc.** declined 11% in the first quarter of 2023 after performing well on a relative basis last year. We attribute the stock's decline to management announcing a dramatic increase in its investment to grow its residential business. Despite the decline, we remain optimistic about the long-term prospects for CoStar and acquired additional shares late in the first quarter.

CoStar is the leading provider of information, analytics, and marketing services to the real estate industry. CoStar initially focused on serving the domestic commercial real estate industry and built a comprehensive proprietary database of essential data to help participants buy, sell, and lease properties. The company has since expanded its focus to offer products and services to multi-family, industrial, commercial land, mixed-use and hospitality end-markets across North America and Western Europe.

Today, the company's non-residential operations generate over $2 billion of recurring revenue with cash flow (EBITDA) margins above 40%. We expect this portion of the business to grow its revenue at a mid-teens rate for several years as the company launches new products, upsells existing customers, and raises prices. We expect profit and cash flow to grow at an even faster rate given the low marginal costs inherent in CoStar's business model. We think that cash flow from this business can double over the next five years, which implies a similar return for the stock.

The company undertook an audacious expansion plan and invested approximately $230 million in 2022 to enter the domestic residential real estate market. We believe management's initial 2023 guidance included a $500 million investment in its residential business. We suspect that management set expectations conservatively and is unlikely to spend the full $500 million, leading to likely earnings upside over the year. Notwithstanding our view of management's conservatism, we believe CoStar's residential investment is nominal relative to the company's $4 billion net cash balance and significant annual free cash flow generation capability. We think that the residential market is vast, and that CoStar is well positioned to build a compelling and differentiated business serving this market. If successful, we think that CoStar could generate almost $1 billion of incremental revenue over the next 5 to 10 years at 40% EBITDA margins. If unsuccessful, CoStar can easily throttle back on its investment and redeploy resources towards other markets without having impacted the fundamentals of its non-residential business.

Based on the current valuation of its shares and our expectation for future growth, we believe CoStar's shares have the potential to appreciate by 100% in the next three to four years.

Following strong share price performance in the first two months of 2023, the shares of **CBRE Group, Inc.** and **Jones Lang LaSalle Incorporated** reversed course in March on fears that a significant slowdown in bank lending and economic growth would negatively impact their 2023 leasing and property sales businesses.

Though we do expect commercial transaction and leasing headwinds may negatively impact 2023 business results, we remain bullish on the long-term growth opportunity for both companies and believe CBRE's and Jones Lang LaSalle's share prices are attractively valued and reflect a good portion of the possible 2023 growth headwinds.

CBRE and Jones Lang LaSalle are the two leading commercial real estate services companies in the world. Both companies have scale and product breadth advantages and have attained leading market share positions across their diversified real estate business segments. Both companies continue to gain market share and are well positioned to capitalize on ample attractive acquisition opportunities in the years ahead given their strong and liquid balance sheets.

As noted earlier in this letter, we are optimistic about the long-term growth opportunity for the commercial real estate brokerage category because of structural and secular tailwinds that should benefit leading global companies such as CBRE and Jones Lang LaSalle.

Tailwinds include:

- *The outsourcing of commercial real estate:* A growing number of companies are increasingly looking to outsource their commercial real estate needs. CBRE estimates that the overall facilities management market will be $1.9 trillion by 2024, representing a massive growth opportunity for large global commercial real estate services companies.
- *The institutionalization of commercial real estate:* Institutional allocations to real estate continue to increase, in part due to real estate's diversification, inflation protection, and relatively stable long-term growth attributes.
- *Opportunities to increase market share:* The commercial real estate industry remains highly fragmented and is likely to continue to consolidate. Customers tend to prefer commercial real estate companies that can provide a broad set of services. We believe CBRE and Jones Lang LaSalle are best positioned to drive market share gains given that they are the clear #1 and #2 commercial real estate services firms and have the capability to provide the full array of real estate offerings on a global scale.

The shares of **Alexandria Real Estate Equities, Inc.**, the only pure-play publicly traded landlord and developer to the life science industry, declined in the first quarter of 2023, alongside most traditional office REITs.

Factors that weighed on the company's share price performance include: (i) concerns that a more challenged economic and capital market environment could lead to distress for some of the company's biotechnology and health care tenants; (ii) the possibility of tenant defaults; and (iii) the possibility that competitive supply will increase from the conversion of traditional office buildings to life science buildings.

Though we believe the magnitude of these concerns are worse than the likely reality, we decreased the Fund's investment in Alexandria, but may look for an opportunity to add to our position in the future.

The shares of **Sun Communities, Inc.**, a REIT that owns a portfolio of manufactured housing properties, recreational vehicle parks, and marinas, declined in the first quarter due to worse-than-expected 2023 growth expectations brought on by elevated costs and higher interest expense. We exited the Fund's investment in Sun Communities and reallocated the capital to other real estate companies that we believe will generate superior shareholder performance.

Concluding Thoughts on the Prospects for Real Estate and the Fund

Real Estate

We remain mindful that the economic and stock market backdrop may remain challenging in the months ahead given the expectation that economic growth will slow.

We continue to believe last year's stock market recalibration wiped away much of the froth in valuations and has set the stage for a favorable multi-year outlook for public real estate companies and the Fund.

We maintain our view that 2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 (higher inflation, a sharp increase in interest rates, aggressive Fed tightening, widening credit spreads, valuation compression) reverse course and become tailwinds in 2023, thereby contributing to solid full-year returns.

We suspect the spillover effect from recent bank challenges will do some of the work for the Federal Reserve in combating inflation as credit availability is likely to contract, unemployment increases, and economic growth further moderates. These developments would be deflationary. As such, we suspect the Fed is near the end of its interest rate hiking cycle.

We believe prospective two- to three-year returns could be strong should a severe economic slowdown be avoided and 2024 emerges as a solid rebound year for economic and corporate profit growth.

Many public real estate companies now offer compelling return prospects that, in some cases, may include a trifecta combination of growth, dividends, and an improvement in valuation.

Baron Real Estate Fund

We remain optimistic about the prospects for the Fund because we believe we have assembled a portfolio of best-in-class competitively advantaged real estate companies with compelling long-term growth and share price appreciation potential. We have structured the Fund to capitalize on high conviction investment themes. Valuations and return prospects are attractive.

We continue to believe the benefits of our flexible approach, which allows us to invest in a broad array of real estate companies including REITs and non-REIT real estate-related companies, will shine even brighter in the years ahead.

For these reasons, we remain positive on the outlook for the Baron Real Estate Fund.

Table XI.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Toll Brothers, Inc.	$ 6.6	$96.8	6.8%
Prologis, Inc.	115.2	93.3	6.5
Brookfield Corporation	53.4	90.6	6.3
CoStar Group, Inc.	28.0	57.0	4.0
Lennar Corporation	29.7	53.7	3.7
Rexford Industrial Realty, Inc.	11.7	51.2	3.6
Equinix, Inc.	66.9	49.3	3.4
MGM Resorts International	16.6	47.2	3.3
Wynn Resorts, Limited	12.7	46.1	3.2
Public Storage Incorporated	53.1	44.6	3.1

I and the rest of our Baron real estate team – David Kirshenbaum, George Taras, and David Baron – remain energized, focused, and busy meeting with and speaking to real estate management teams. We continue our comprehensive research. We speak to a broad swath of real estate companies – both owned and not owned – a few times each quarter to make sure our research remains current. We believe our corporate relationships, access to management, and our real estate research are critical elements that contribute to competitive advantages for our real estate team versus many of our peers. Broadly, we remain comforted by what we continue to learn from most real estate management teams regarding current business trends and business prospects.

I, and our team, remain fully committed to doing our best to deliver outstanding long-term results, and I proudly continue as a major shareholder, alongside you.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
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: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The 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.

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 managers 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 Real Estate Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such an offer or solicitation.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Enterprise value (EV)** is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. EV includes in its calculation the market capitalization of a company but also short-term and long-term debt as well as any cash on the company's balance sheet.

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).

Dear Baron Emerging Markets Fund Shareholder:

Performance

Baron Emerging Markets Fund® (the Fund) gained 2.68% (Institutional Shares) during the first quarter of 2023, while its principal benchmark Index, the MSCI EM Index, returned 3.96%. The MSCI EM IMI Growth Index gained 4.27% for the quarter. The Fund modestly underperformed the core benchmark and the all-cap growth proxy in a period marked by high volatility and swings in sentiment and leadership. The quarter began much as 2022 ended: global inflation expectations ebbing, downward pressure on bond yields and the U.S. dollar, and an ongoing recovery in global equities, led by EM/China and international. Then, in early February, resilient economic data coupled with a series of stubborn U.S. inflation readings reversed these trends, as bond yields and central bank rate hike expectations abruptly spiked; the U.S. 2-year Treasury yield briefly surpassed 5% for the first time in over 15 years, while the dollar rose and equities retreated, with EM and international reversing early gains. On March 9, everything changed again as this market-based interest rate repricing shifted the market's attention towards pressures in the banking sector, in particular SVB Financial Group's liquidity and solvency challenges, and then to the aggressive policy response addressing the risk of widespread deposit flight, which spread to several additional institutions including behemoth Credit Suisse. We remain encouraged over the intermediate and longer term and see recent events as confirming our premise that we are passing peak hawkishness and likely entering a period of sustainable EM and international equity outperformance.

China-related equities began the year quite strong on enthusiasm over reopening and policy support, only to peak in late January and retrace most of their gains, though we remain encouraged on the margin and anticipate that recovering demand combined with newfound expense and capital discipline will drive positive earnings surprises and solid equity returns as we move through this year. India stood out during the quarter as one of the only jurisdictions to register negative returns, which we regard as largely attributable to mean reversion after a long period of relative strength. We remain optimistic regarding India and our investments there over the long term. As always, we are confident that we have constructed a diversified portfolio of well-positioned and well-managed companies that are also benefiting from the tailwinds of long-term and attractive investment themes.

MICHAEL KASS

PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Emerging Markets Fund Retail Shares[1,2]	Baron Emerging Markets Fund Institutional Shares[1,2]	MSCI EM Index[1]	MSCI EM IMI Growth Index[1]
Three Months[3]	2.63%	2.68%	3.96%	4.27%
One Year	(11.58)%	(11.32)%	(10.70)%	(11.96)%
Three Years	6.96%	7.23%	7.83%	7.18%
Five Years	(2.60)%	(2.34)%	(0.91)%	(0.47)%
Ten Years	2.86%	3.14%	2.00%	3.10%
Since Inception (December 31, 2010)	2.67%	2.93%	1.19%	2.21%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 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 reimburse certain 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.

1 The **MSCI EM (Emerging Markets) Index** is designed to measure equity market performance of large and mid-cap securities across 24 Emerging Markets countries. The **MSCI EM (Emerging Markets) IMI Growth Index** 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; 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 Not annualized.

BARON FUNDS 1987

For the first quarter of 2023, we modestly underperformed our primary benchmark, the MSCI EM Index, while also trailing our all-cap growth proxy. From a sector or theme perspective, weak stock selection in the Financials sector, most notably investments in our India wealth management/ consumer finance theme (**Bajaj Finance Limited**, **JM Financial Limited**, **SBI Life Insurance Company Limited**, **ICICI Bank Limited**, **Nippon Life India Asset Management Limited**, and **Edelweiss Financial Services Limited**) detracted the most from relative performance this quarter. In addition, adverse stock selection in the Energy sector, driven by select holdings in our global security theme (**Tenaris S.A.**) and digitization theme (**Reliance Industries Limited**), also weighed on relative results. As explained in previous letters, we think classifying Reliance in the Energy sector is a misnomer, as we remain excited about Reliance not for its energy assets, but as a play on *Digital India*. The company is well positioned to emerge as the *Amazon/Netflix* of India. Partially offsetting the above was good stock selection in the Industrials sector, primarily attributable to our China value-added theme (**Estun Automation Co., Ltd.** and **Zhejiang Dingli Machinery Co., Ltd.**). Our lack of exposure to the Utilities sector also stood out as a key contributor to relative performance.

From a country perspective, adverse stock selection effect combined with our overweight positioning in India drove the vast majority of underperformance this quarter. Weak stock selection and our lower weighting to Korea also was a detractor. Partly offsetting the above was solid stock selection effect in China. Favorable stock selection and our underweight positioning in South Africa, together with active exposure to Japan through our single investment in **Keyence Corporation** also bolstered relative results. Despite the recent underperformance in India, we remain excited about our investments in the country as landmark economic reforms implemented by the Modi administration are now supporting higher sustainable GDP growth while also accelerating the formalization and digitization of the economy. Relative valuations for Indian equities, which became extended during a phase of impressive outperformance throughout much of a difficult 2022, have also broadly mean reverted to long-term averages, which in our view sets the stage for earnings-led outperformance for our India holdings. We are also encouraged by the recent performance of our China investments and remain optimistic about a continued recovery driven by an improving outlook after the dismantling of the zero-COVID policy late last year. In our view, despite the initial rally, current prices still do not reflect fundamental intrinsic value for many of our investments, especially within the digitization theme and select positions in our China value-added and EM consumer themes.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
Taiwan Semiconductor Manufacturing Company Limited	1.18%
Tencent Holdings Limited	0.59
Kingsoft Corporation Ltd.	0.59
Alibaba Group Holding Limited	0.54
Samsung Electronics Co., Ltd.	0.42

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** contributed in the first quarter due to easing geopolitical concerns and expectations for end-demand recovery later in 2023. We retain conviction that Taiwan Semi's technological leadership; pricing power; and exposure to secular growth markets, including high-performance computing, automotive, 5G, and IoT; will allow the company to sustain strong earnings growth over the next several years.

Tencent Holdings Limited operates the leading social network and messaging platforms (QQ, WeChat), the largest online entertainment and media business, and the largest online gaming business in China. Shares of Tencent were up this quarter, given improving macroeconomic conditions, the post-COVID reopening of China, and more friendly regulatory activity, particularly around game approvals. We retain conviction that Tencent can durably grow earnings given its track record of execution, scale, and unique and diversified online assets.

Shares of **Kingsoft Corporation Ltd.**, a leading Chinese office software, interactive entertainment, and cloud computing company, increased during the quarter, driven by strong growth in office software subscription revenue and investor expectations that new generative AI features will increase long-term demand for productivity tools. We expect Kingsoft will be the primary beneficiary of the rapid growth of China's office software market and shift towards domestic software vendors, and we remain shareholders.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares of Alibaba were up this quarter, given meaningful margin expansion, guidance to stabilize core commerce market share in China, and an announced plan to split the company into six units which could further unlock value. We retain conviction that Alibaba is well positioned to benefit from China's reopening and the ongoing growth in online commerce and cloud in China.

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** increased during the quarter due to an improving outlook for memory semiconductors in the second half of 2023, driven by DRAM and NAND inventory normalization and price stabilization. We are confident Samsung will remain a global leader in semiconductors and 5G smartphones.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
Bajaj Finance Limited	–0.33%
JD.com, Inc.	–0.28
Tenaris S.A.	–0.25
Kingdee International Software Group Company Limited	–0.23
Suzano S.A.	–0.22

Bajaj Finance Limited is a leading non-banking financial corporation in India. The stock detracted during the quarter due to a near-term slowdown in business activity amid rising competition and moderating consumer spend in India. We believe Bajaj is well positioned to benefit from growing demand for consumer financial services including mortgages, personal and credit card loans, and vehicle financing. We retain conviction in Bajaj given its best-in-class management team, robust long-term growth outlook, and conservative risk management framework.

JD.com, Inc. is one of the three largest e-commerce platforms in China. Shares declined after the company reported a slowdown in fourth quarter sales and commented that deliberate culling of unprofitable SKUs would also be a drag on headline revenue growth in the first half of 2023. We believe the slowdown was driven by the peak in Chinese COVID lockdowns, which have since ended, and the elimination or reduction of unprofitable business is better for long-term margins and returns on capital. We remain investors.

Tenaris S.A. manufactures seamless steel pipe products with large operations in the U.S., Latin America, and the Middle East. Most of its products are oil country tubular goods (OCTG) for the energy industry. Shares fell due to the decline in oil prices and investor expectations of weaker oil demand. We retain conviction. The conflict in Ukraine highlighted the need to reorient supply chains away from politically risky jurisdictions such as Russia. Near term, this focus on energy security will likely result in increased reliance on the domestic supply of hydrocarbons, particularly U.S. shale gas. As one of the lowest-cost OCTG producers, Tenaris should be a major beneficiary of the increase in capital expenditures on U.S. drilling operations. We also expect Tenaris will continue to generate better pricing and higher margins for its OCTG products due to limited supply.

Shares of **Kingdee International Software Group Company Limited**, a leading Chinese Enterprise Resource Planning (ERP) provider, decreased during the quarter due to investor concerns that Chinese technology giant Huawei may enter the ERP market. Given the industry's high barriers to entry and Kingdee's decades of technological accumulation, we do not consider Huawei to be a major threat and continue to believe Kingdee will be a key beneficiary of the digital transformation and software localization of Chinese businesses. We expect Kingdee will continue taking market share from foreign ERP providers while transiting to a subscription, cloud-based model that should lead to increased recurring revenue and earnings visibility.

Suzano S.A. is the world's largest and lowest-cost producer of pulp, which is primarily used in paper, tissue, and packaging. Shares declined due to falling pulp prices as a result of weaker global demand. 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 multiple positive re-ratings for Suzano.

Portfolio Structure

Table IV.
Top 10 holdings as of March 31, 2023

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	6.7%
Samsung Electronics Co., Ltd.	4.4
Alibaba Group Holding Limited	3.8
Tencent Holdings Limited	3.2
HDFC Bank Limited	2.0
Yum China Holdings Inc.	1.8
Suzano S.A.	1.7
Bajaj Finance Limited	1.7
Delta Electronics, Inc.	1.7
Kingsoft Corporation Ltd.	1.7

Exposure by Country

Table V.
Percentage of securities by country as of March 31, 2023

	Percent of Net Assets
China	30.6%
India	21.0
Korea	9.4
Taiwan	8.7
Brazil	4.5
Hong Kong	3.3
Mexico	2.7
Indonesia	2.1
Philippines	2.0
South Africa	1.8
Japan	1.3
Peru	1.2
Poland	1.1
United Kingdom	1.0
Italy	0.9
France	0.8
Norway	0.5
United Arab Emirates	0.2
Spain	0.1
Russia	0.0*

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

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing world companies of all sizes can exhibit attractive growth potential. At the end of the first quarter of 2023, the Fund's median market cap was $12.7 billion, and we were invested 50.2% in giant-cap companies, 30.6% in large-cap companies, 10.1% in mid-cap companies, and 2.2% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

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

We were most active in adding to our EM consumer theme by initiating positions in **Wuliangye Yibin Co., Ltd.**, **Pernod Ricard SA**, and **Hindustan Unilever Limited** (HUL). Wuliangye is the second largest listed spirits company in China (by market cap) and among the largest in the world. The company's core product is baijiu, which is the national spirit of China and has been produced and consumed in the country for over 1,000 years. Wuliangye is one of only three nationally renowned baijiu brands of significant scale in the ultra-premium price tier (RMB 1,000 to 2,000/bottle), with approximately 60% market share of that segment. As a result of its scale and brand strength, its financial profile more closely resembles that of a luxury goods company than a beverage company, with gross margins exceeding 75%, operating margins exceeding 46%, and returns on incremental capital greater than 100%. The stock sold off last year as severe lockdowns soured investor sentiment on the outlook for high-end consumption in China. Those lockdowns also likely affected sales leading up to Chinese New Year, the peak season for high-end baijiu due to the prevalence of gift-giving and banqueting. Distributors and retailers likely have excess inventory coming out of the first quarter, which could lead to a potential destocking cycle this year. These are legitimate near-term headwinds for sales, but as the company steadily brings on capacity in the coming decade, we believe Wuliangye's earning power remains unchanged. We took advantage of the sell-off on near-term concerns to build a position.

Pernod is a France-based global spirits company whose brands include Jameson, Martell, Chivas, and Glenlivet, among many others. This is a company we have owned in Baron International Growth Fund for several years, so we know the business well. Premium spirits is an industry characterized by secular growth, premiumization, and pricing power that drives high and rising returns on capital for superior brands. That pricing power is increasingly important in an environment of sticky global inflation. Although the business is listed in Europe, its primary growth drivers and differentiators are skewed to emerging markets, particularly Asia, which is expected to represent approximately two-thirds of global spirits industry growth in the coming decade. Pernod has the best and most profitable local premium whisky business in India, the #1 Cognac brand (Martell) in China, and a strong international whisky portfolio that should continue to participate in secular growth of western spirits across Asia. As competent brand owners/incubators, we believe management can expand margins over the next three to five years and drive above-industry earnings growth.

HUL is the largest fast-moving consumer goods (FMCG) company in India. As a subsidiary of Unilever PLC, HUL leverages the parent's world-class trademarks, innovation, technology, and central services through a royalty agreement. This, in our view, is a key competitive advantage that enables the company to offer superior quality products at affordable prices, resulting in market share gains over the past several years. According to HUL, 9 out of 10 Indian households use at least one of its brands. The company is strategically over-indexed in rural markets, which makes us believe it could benefit disproportionately from rural demand recovery in the near to medium term. Over the long term, we believe HUL's wide range of product offerings and strong innovation capabilities positions it to benefit from several structural drivers, including rising FMCG penetration in India, increasing per capita spending, and premiumization trends. We expect HUL to sustain mid-teens earnings growth over the next three to five years, while continuing to gain share in various product categories.

During the quarter, we also increased exposure to our digitization theme by initiating a position in **Tata Consultancy Services Limited** (TCS), which is India's largest IT services company. In our view, TCS is uniquely positioned to benefit from structural growth opportunities arising from a multi-year cloud migration journey by global enterprises. Given its large scale and R&D capabilities, we believe TCS will continue to develop value-added software products and capture share from smaller players as customers increasingly consolidate their IT services vendor base. Backed by the Tata Group, TCS enjoys best-in-class corporate governance and a strong leadership bench. In our view, TCS also stands out from the competition owing to its best-in-class employee retention metrics, which is one of the key drivers of its industry-leading profitability and return profile. We expect TCS to sustain low double-digit earnings growth over the next three to five years, and to consistently return at least 80% of profit to shareholders through dividends and share buybacks.

As part of our sustainability/ESG theme, we invested in two leading Korean electric vehicle (EV) lithium-ion battery manufacturers, **Samsung SDI Co., Ltd.** and **LG Chem, Ltd.** Samsung SDI manufactures rechargeable batteries for EVs, Energy Storage Systems (ESS), and consumer electronics such as power tools. The company is well managed with a conservative cost structure and strong pricing power. The company is also a global leader in the development of high energy density performance batteries including next generation, larger sized cylindrical batteries. Samsung SDI protects its profitability and return on invested capital by signing multi-year supply agreements, allowing it to pass on raw material inflation and other external risks to OEM customers. As a result, Samsung SDI generates industry-leading margins and return metrics among battery cell manufacturers. We are bullish on growth for EV/ESS batteries over the next decade and expect large-scale battery demand to grow at a compounded annual rate of over 20%. We also expect Samsung SDI to gain market share both in the U.S. and Europe owing to investments in local EV battery plants, which will benefit from fiscal and regulatory support for domestic manufacturing under U.S. and European legislation. In our view, the company will also benefit from growing OLED panel sales of its sister entity, Samsung Display.

LG Chem is a global chemicals company and one of the largest producers of PVC and ABS petrochemicals in Korea. Over the past few years, the company has transformed its business into a leading manufacturer of EV batteries and advanced battery materials components. LG Chem is the parent company of LG Energy Solutions (LGES), the world's #1 EV/ESS battery manufacturer outside of China with strong pricing power and a diversified global customer base with leading OEMs such as Tesla. The company is currently trading at a meaningful discount to the sum-of-its-parts value. LG Chem's 82% stake in LGES alone is worth more than twice its current market cap with no value assigned to its advanced materials or petrochemical segments. Even after applying a 50%-plus holdco discount to the value of its LGES stake, we see significant upside from strong growth and high margins in its advanced battery materials segment. LG Chem is a key supplier to LGES of mission critical battery materials, particularly high energy density cathodes. We are bullish on growth for EV/ESS batteries over the next decade and expect industry demand to grow over 20% annually over the next several years. The company, together with LGES, is investing in U.S. battery manufacturing facilities and should benefit from U.S. domestic production credits under the recently passed Inflation Reduction Act. We also expect LG Chem's market share to grow over time due to increased vertical integration within the captive LGES supply chain as well as third-party customer wins. The petrochemical segment, where product spreads are at cyclical lows, should also be less of a detractor to LG Chem's earnings going forward, in our view.

We added to several of our existing positions during the quarter, including **Taiwan Semiconductor Manufacturing Company Limited**, **Coupang, Inc.**, **HDFC Bank Limited**, **Samsung Electronics Co., Ltd.**, **Alibaba Group Holding Limited**, **Galaxy Entertainment Group Limited**, **Glodon Company Limited**, **JD.com, Inc.**, and **Tencent Holdings Limited**.

During the quarter, we also exited several positions, the largest of which were **ICICI Bank Limited**, **Beijing Oriental Yuhong Waterproof Technology Co., Ltd.**, **Wuxi Biologics Cayman Inc.**, **PT Merdeka Copper Gold Tbk**, and **Zhejiang Dingli Machinery Co., Ltd.** In our endeavor to concentrate capital in holdings for which we have the highest conviction around their quality and return potential and eliminate lower conviction or smaller holdings over time, we also exited positions in **GDS Holdings Limited**, **Han's Laser Technology Industry Group Co., Ltd.**, **Hapvida Participacoes e Investimentos S.A.**, **Asian Paints Limited, China Conch Venture Holdings Ltd.**, **ICICI Lombard General Insurance Company Limited**, **Hua Hong Semiconductor Limited**, **China Conch Environment Protection Holdings Limited**, **ACM Research, Inc.**, and **Azul S.A.**

Outlook

In our year-end 2022 letter, we surmised that U.S./global markets and economies were likely moving past peak hawkishness, but also entering an extended period of slowing growth and earnings vulnerability, while China stood out as the jurisdiction with the greatest likelihood of earnings recovery and outperformance. While we maintain this outlook, the first quarter was quite volatile with a series of twists and turns in expectations, sentiment, and market leadership. The quarter began much as 2022 ended: inflation expectations ebbing, downward pressure on bond yields and the U.S. dollar, and an ongoing recovery in global equities, led by EM/China and international. Then, in early February, resilient economic data coupled with a series of stubborn inflation readings reversed these trends, as bond yields and central bank rate hike expectations abruptly spiked; the U.S. 2-year Treasury yield briefly surpassed 5% for the first time in over 15 years, while the dollar rose and equities retreated, with EM/international reversing early gains. On March 9, everything changed again as this market-based interest rate repricing shifted the market's attention towards pressures in the banking sector, in particular SVB Financial Group's liquidity and solvency challenges, and then to the aggressive policy response addressing the risk of widespread deposit flight, which spread to several additional institutions including behemoth Credit Suisse.

Stepping back, we view the banking sector crisis as confirmation that further material central bank tightening would be a policy error, as the scenario that has unfolded is an unintended and direct consequence of previous central bank behavior (both aggressive easing and tightening). We propose that central banks prioritize financial stability at times of crisis. In this sense, we believe the episode also confirms our premise above – that we are passing peak hawkishness and that a dollar bear market and an EM/international equity relative bull market lie ahead. In recent weeks, investors appear to have embraced the administration of emergency liquidity measures as a bullish signal for equities, while the abrupt cooling of bond yields, a symptom of anticipated bank credit tightening, has also supported equity valuations. From current levels, the pricing-in of several rate cuts likely represents a near-term challenge for global equities. While such easing is likely what the Fed *should* do, we take the under, meaning that the Fed may be too patient with rate cuts, which will deepen or prolong a period of earnings vulnerability, particularly for U.S./global equities. For several international/EM jurisdictions that began a rate hike cycle well ahead of the U.S., and/or have also experienced a much less pronounced rise in inflation, we believe the confirmation of peak hawkishness may act as a signal that they can soon begin to ease as the tail risks of currency depreciation and inflation have ebbed, which would support outperformance.

China-related equities indeed began the year quite strong on enthusiasm over reopening and policy support, only to peak in late January and retrace most of their gains. While we believe some conflicting and volatile economic and consumption signals are to be expected given the abrupt end to zero-COVID policies, we remain encouraged on the margin in the near term and anticipate that a recovering revenue environment combined with a substantial shift towards cost and capital discipline over the past several quarters will lead to material earnings outperformance versus subdued expectations. India stood out during the quarter as one of the weakest performing equity markets, in part owing to its strong previous outperformance, but also due the allegations that emerged regarding aggressive practices by Adani Enterprises Limited and related companies, just in front of a high-profile and large equity offering. We continue to believe that India represents perhaps the most attractive long-term global investment jurisdiction, and after mean-reverting back to its long-term median relative valuation over the past two quarters, we remain enthusiastic regarding the potential of our many investments in this market. We believe the fundamental drivers of enhanced earnings momentum are already falling into place, including a global capital investment cycle related to deglobalization; supply-chain diversification; sustainability; and energy, commodity, and agricultural security; Europe's deepening mutualization; India's productivity initiatives and virtuous investment cycle; and China's pivot to value-added economic activity. We expect that the reversal of the extended U.S. dollar bull market will prove stimulative to consumption, investment, and corporate earnings in foreign jurisdictions. We look forward to our next communication.

Thank you for investing in the Baron Emerging Markets Fund.

Sincerely,

Michael K

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 its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

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.

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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Dear Baron Global Advantage Fund Shareholder:

Performance

Baron Global Advantage Fund® (the Fund) gained 9.4% in the first quarter of 2023, which compares to returns of 7.3% for the MSCI ACWI Index (the Index) and 13.8% for the MSCI ACWI Growth Index, the Fund's benchmarks.

Table I.
Performance†
Annualized for periods ended March 31, 2023

	Baron Global Advantage Fund Retail Shares[1,2]	Baron Global Advantage Fund Institutional Shares[1,2]	MSCI ACWI Index[1]	MSCI ACWI Growth Index[1]
Three Months[3]	9.34%	9.41%	7.31%	13.78%
One Year	(31.57)%	(31.39)%	(7.44)%	(10.02)%
Three Years	1.02%	1.27%	15.36%	14.67%
Five Years	4.44%	4.70%	6.93%	9.01%
Ten Years	9.94%	10.19%	8.06%	9.92%
Since Inception (April 30, 2012)	9.67%	9.92%	8.46%	10.03%

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX
R6 Shares: BGLUX

The first quarter was a roller coaster ride. At the risk of being accused of succumbing to confirmation bias, it demonstrated again how little value there is in trying to forecast the market, let alone in attempting to position a portfolio to align with those forecasts. The year began with many pundits' expectations of doom and gloom in the midst of a historically aggressive Fed tightening cycle. "*A hard landing is coming... and it's not priced in!*"; "*Earnings revisions will push stocks lower in the first quarter...*"; "*We project a U.S. recession is likely to start around the beginning of 2023 and last through mid-year*" – were some of the experts' predictions we quoted in our last quarterly letter. Because 2022 was by far the worst year for equities (and most other financial assets) since the Great Financial Crisis (GFC) in 2008, we found it hard to tell how much of this doom and gloom was already being priced in. While business activity continued to slow in the first quarter of 2023, and many companies reported challenging environments and lowered guidance for the year ahead, the market seemed to have found its footing and recorded mid-to high single-digit gains across most segments and most geographies. The Fund performed well in January with a gain of 11.2%. On February 2, the most watched technical indicator, the Golden Cross, provided the ultimate buy signal, and momentum investors piled on. That was the top. Then came the January jobs report showing an increase of 517,000 jobs and a drop in the unemployment rate to 3.4%, a *53-year low*! Since we are still in the good-news-is-bad-news world, the market went straight down. The Fund lost 3.8% in the month of February, roughly in line with its benchmarks and other equities. On March 9, the 200-day moving average on the S&P 500 Index, another widely used market indicator, broke down, sending a "sell-all" signal to the investing public. Forty-eight hours later the market turned around and went back up. The Fund gained 2.3% in the month of March, ending with a 9.4% gain for the first quarter. We would characterize this as "meh...," but as Randy Gwirtzman, a colleague and a PM of the Baron Discovery Fund likes to point out – it's better than a stick in the eye!

Historically, from a performance attribution perspective, stock selection has driven the returns of the Fund. That was true in good times and bad. This quarter, sector allocation was behind the wheel, contributing 565bps to the

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.20% and 0.94%, respectively, but the net operating expense ratio was 1.15% and 0.90% (net of the Adviser's fee waivers of 0.04% and 0.03% and interest expense of 0.01% and 0.01%), 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, 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-, 5-, and 10-year historical performance was impacted by gains from IPOs. 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 Index** is designed to measure the equity market performance of large and midcap securities across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The **MSCI ACWI Growth Index** is designed to measure the equity market performance of large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries 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 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.

Fund's relative returns, while stock selection detracted 353bps. Health Care and Consumer Discretionary were the Fund's two best-performing sectors, accounting for nearly 100% of outperformance. Not having any investments in Energy, Consumer Staples, Utilities, and Real Estate contributed an additional 134bps, however it was more than offset by the underperformance in Communication Services. This result is better understood when analyzed through the market cap lens. We are and have almost always been underweight large- and giant-cap stocks. The underweight is not due to a top-down decision to allocate more capital to a particular segment of the market. We simply tend to find more Big Ideas among small and mid caps than in mega caps. This hurt our results in the first quarter. While we owned the right large caps, significantly outperforming the Index and generating 445bps of relative outperformance, we did not own enough of them, being 30% underweight. Had we owned more of the tech mega caps that had big bounce backs in the first quarter after meaningful declines in 2022, such as Meta (up 76%), Apple (up 27%), Amazon (up 23%), and Microsoft (up 20%), our excess returns would have been even better.

From a geographic perspective, the quarter was equally unusual. Our developed-market holdings contributed 280bps to our relative results, although in this case, driven entirely by stock selection, while our emerging market investments detracted 292bps. The Fund outperformed the Index thanks entirely to Argentina (namely, **MercadoLibre**), which contributed 247bps to relative returns. Our best-performing countries in the quarter were the U.S., Argentina, and Canada, which combined to contribute 655bps of relative outperformance. This was partially offset by our investments in India, the U.K., Brazil, and China, which detracted a combined 426bps.

In terms of individual investments and their contributions to absolute returns, we had 24 contributors and 17 detractors. We had a large number of significant winners in the quarter, with five holdings contributing over 100bps each: the Latin-American e-commerce leader, **MercadoLibre**; the leading artificial intelligence (AI) company, **NVIDIA**; the leading e-commerce platform, **Shopify**; the leading electric vehicle (EV) manufacturer, **Tesla**; and the leading cybersecurity platform, **CrowdStrike**. Nine additional holdings contributed over 30bps each to absolute returns. In total, 16 of our investments were up double digits or more during the first quarter. This strong performance was partially offset by 11 double-digit decliners, 4 of which detracted between 50bps and 90bps each from performance: **Endava**, **Bajaj**, **Afya**, and **ZoomInfo**. The good news is that we believe these stocks' price declines are unlikely to result in permanent loss of capital.

Silicon Valley Bank (SVB), platforms, and digitization

On Wednesday March 8, SVB's stock was trading at $267 per share, with a market cap of $16 billion. Two days later the price was $0. Despite being headquartered in Silicon Valley with start-ups and world-renowned venture capitalists (VCs) as its clientele, SVB was far from being a start-up. It was a 40-year-old regulated bank with over $200 billion in assets and approximately $175 billion in deposits, making it the 16th largest bank in the U.S. On March 8, after the market close, SVB announced plans to raise $2 billion of capital to *"strengthen its financial position."* In that same investor letter, the company claimed to be *"well-capitalized, with a high-quality, liquid balance sheet and peer-leading capital ratios"* even before the capital raise.

What happened next caught most market participants by surprise and was truly unprecedented. A few large VCs became concerned over the health of SVB and asked each other a logical question: Why would SVB raise capital if they didn't need it? With plenty of scar tissue left from the GFC, they decided it would be prudent to pull their money out of SVB. All of it. Then, they decided to advise all their start-up clients to do the same, and naturally went to social media to share their action and their concerns with the rest of the world. Well…, in the physical world, when everyone tries to run through the same door, there is obviously no door large enough to fit them. It turns out that in the digital world, it is even worse. The ease of pulling large amounts of money out with a push of a button from a smartphone during any and all hours of the day, combined with the network effects of social media, created an old-fashioned run on the bank. Now, while there is nothing unprecedented about a run on a bank, there was no precedent for the *speed* of this run on this bank. On Thursday, March 9, SVB's clients withdrew (or attempted to withdraw) $42 billion – or about $500,000 per second! For comparison, the biggest recorded bank run during the 2008 GFC had clients pulling $17 billion from Washington Mutual over the course of 10 days. After SVB went under in early March of 2023, Signature Bank followed within *hours*, and First Republic and Credit Suisse needed to be rescued within days.

In the digital economy, network effects are a double-edged sword. Things can go viral and "blow up" at a pace unseen and unimaginable before. ChatGPT acquired 1 million users in five days and *100 million users in less than two months*. But the other side of this sword is that a couple of nervous VCs can make a 40-year-old multi-billion-dollar business disappear just as fast.

Although we have never owned legacy banks, we were not unscathed by this calamity, experiencing collateral damage now and possibly in the future. A number of our holdings may be negatively impacted as budgets in the financial services industry are likely to be constrained in the short term, which may, in turn, impact their near-term purchasing decisions and spending plans. For example, **Endava**, a provider of outsourced IT services and software development, saw its shares drop roughly 20% after SVB collapsed. Approximately half of its revenues come from customers in the financial services industry even though its exposure to banks is only 10% and its exposure to regional banks is less than 2%. Could banks push out projects because they now have other more pressing concerns? Yeah, they could. Would financial services companies stop digitizing, stop moving to the cloud, or decide not to adopt AI because of this crisis? Highly unlikely in our view. And so, while the uncertainty over 2023 financial targets and results has clearly increased, the long-term future of Endava is unaffected and remains bright in our view.

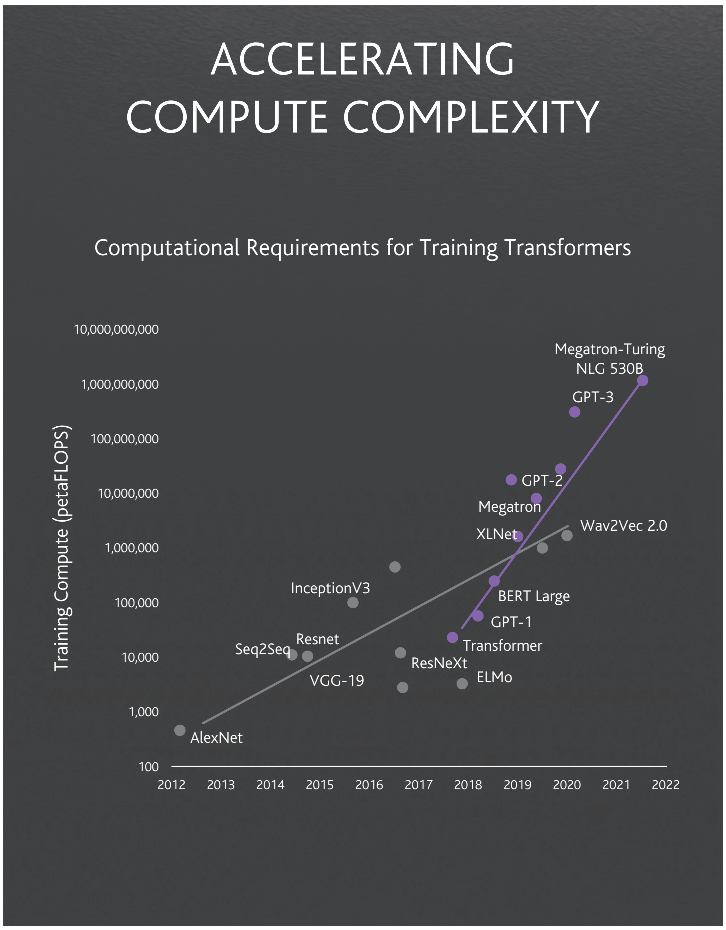
Platforms and AI

In a recent blog post titled "The Age of AI Has Begun,"[1] Bill Gates discussed how AI is the second revolutionary technology he has seen in his lifetime. The first was the graphical user interface of the PC in 1980, which became the basis for Microsoft Windows.

"The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet, and the mobile phone. It will change the way people work, learn, travel, get health care, and communicate with each other. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it."

[1] GatesNotes.com, March 21, 2023

We have followed developments in AI for years. The pace of innovation has significantly accelerated since the introduction of the transformer model in 2017[2] by AI researchers at Google. Their work significantly improved how AI models learn about common relationships in languages, thus building an understanding of context. These models have become the basis of today's large language models such as Open AI's GPT-4 (the model behind ChatGPT), which we discussed in some detail in last quarter's letter. While AI development in general has been progressing at a rapid pace (with model size up 8 times in two years), transformer models are progressing even faster (275 times in two years). The following chart from NVIDIA[3] visually demonstrates this significant acceleration (the purple line shows transformer models):[4]



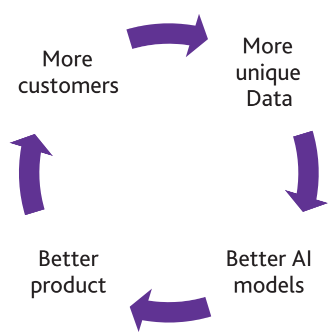
The potential implications of AI could be profound: increasing information-worker productivity from creative professionals to developers; improving decision making at companies of all sizes, making them much more dynamic and data driven; creating new consumer value propositions with more personalized experiences that are based on data and real-time feedback loops; and creating new markets we can't even dream up today. AI has the potential to drive significant disruption across many industries and entire economies. Similar to how the internet in the late 1990s or the smartphone in the mid-2000s enhanced productivity, shaped new markets, and created trillion-dollar Big Ideas (e.g., Amazon, Apple, Google), we may be in the early stages of the next meaningful platform shift, surfacing new risks and opportunities for businesses. Our initial observations suggest the following:

1) Disruptive change is becoming even more pervasive, increasing the importance of continuously underwriting the investment thesis, which is different from buy and hold. More than ever, we are now in a world of buy, hold, CONSTANTLY VERIFY, and search for disconfirming evidence.

2) Data IS the new oil. The value of proprietary data will increase; AI models will only be as good as the data that feeds them. As a result, the competitive advantages of companies with proprietary data, with the ability to leverage it, will continue to increase.

3) Digitally transforming a company's business is crucial and will remain management's top priority. Companies unable to remove silos and build architectures and organizational structures that enable them to harness their data, will be left behind.

4) Formation of a virtuous AI cycle in which the scale and uniqueness of a company's data could create a virtuous cycle among data, product quality, and go-to-market strategies, leading to winner-take-most competitive dynamics. The first-mover advantage would also matter more, as it could help jump start this cycle.

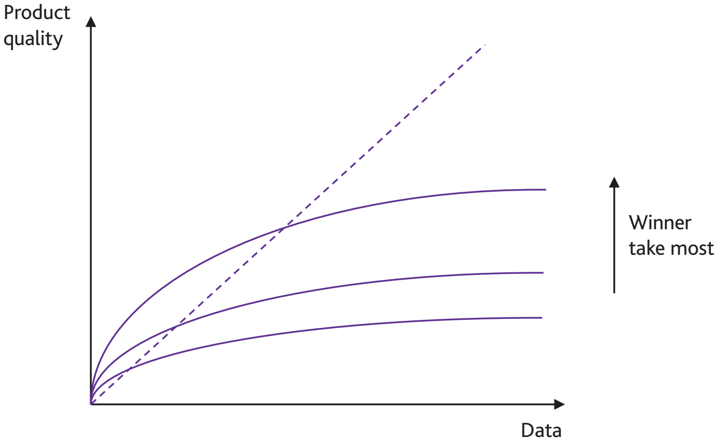


5) Go-to-market and referenceability are increasing in importance because companies that are able to attract more users faster than their competitors are in a better position to reach escape velocity if they can harness and leverage the data generated to their advantage.

6) Market shares of platform businesses are likely to reach even higher levels in the endgame. We believe this would be the case not only for vertical solution providers who already have high market shares (like **Veeva**, with approximately 80% market share in life sciences CRM), but also for horizontally focused companies. A key question for each company would be the extent to which its product can continuously improve with the scale and uniqueness of its data. If it asymptotes at relatively low scale, the market is likely to be more competitive than if

[2] Vaswani, A., N. Shazeer, N. Parmar, J. Uszkoreit, L. Jones, A. Gomez, L. Kaiser, and I. Polosukhin, "Attention Is All You Need," arxiv.org, December, 6, 2017.
[3] NVIDIA Investor Day 2022 presentation materials.

performance improvements would be sustainable for longer, as depicted in the following chart:



The n is more important than the g

As we have described in prior letters, getting the duration of growth right (the '*n*') matters much more than correctly predicting the rate of growth (the '*g*'). Many companies have been able to grow very rapidly for a few years. Few are able to sustain high growth rates for long periods of time. Those that do become the Big Ideas we are hunting for. While the current macro slowdown and the banking crisis present/create clear **headwinds to the g** in the near term, we think it also sows the seeds for **tailwinds to the n**. On the one hand, we are hearing from many companies about lengthening sales cycles, optimizations of ongoing expenses, a requirement to get a C-level approval for purchases, and just a general increase in the level of uncertainty. On the other hand, history and experience suggest that economic downturns drive market share gains for the industry leaders, which strengthens their competitive advantages even further. As AI becomes more pervasive, **the leading platforms will likely increase their lead on data, shortening the time to escape velocity**. We are already hearing from our companies (who are the leaders in their industries) about consolidation dynamics as customers take advantage of this period of uncertainty to consolidate spend away from point solutions and onto the platforms.

We believe the coming commercialization of AI will serve as a tailwind for many of our companies. The increased importance of digitization should benefit digital-first businesses and those that enable digitization, like **Endava**, which provides outsourced software development services, and **Snowflake**, which helps companies remove data silos and become more data driven. **CrowdStrike** is another good example of a company whose product directly benefits from data. The more data CrowdStrike acquires, the better it becomes at catching cybersecurity threats, which in turn helps the company win more customers, thus driving more data onto the platform, and the cycle continues.

While near-term uncertainty remains high, we have even greater conviction in the long-term prospects of our companies. We have no insight, or even a view, on whether the economy is headed into a recession or a prediction on how the market, or the Fund, will perform in the second quarter or for the rest of 2023. Our pattern recognition continues to suggest, however, that this period of time will prove to be a good entry point for investors in the not-too-distant future.

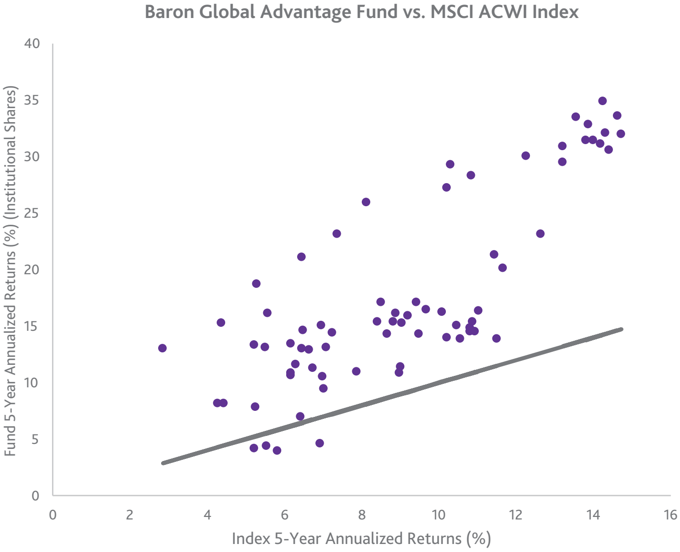
Percentage of time Fund outperformed over different time periods from inception through March 31, 2023

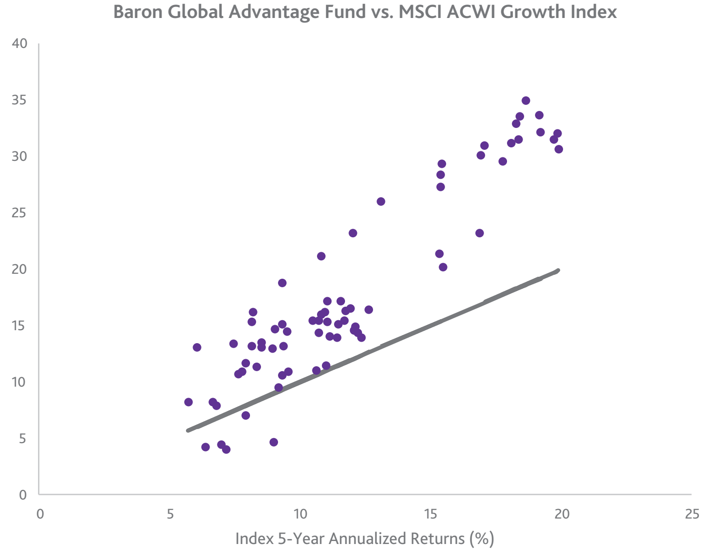
Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
Outperformance vs. MSCI ACWI Index	60%	62%	69%	83%	94%	100%
Outperformance vs. MSCI ACWI Growth Index	56%	59%	67%	78%	93%	100%
Outperformance vs. Morningstar World Large-Stock Growth Category Average	57%	60%	68%	84%	94%	100%
Outperformance vs. Lipper Global Multi-Cap Growth Category Average	58%	62%	68%	83%	94%	100%

The performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

Sources: BAMCO, MSCI, Inc., Morningstar Direct, and Refinitiv.

5-year rolling return scatterplot charts as of March 31, 2023





Sources: BAMCO and MSCI, Inc.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
MercadoLibre, Inc.	$ 66.2	3.13%
NVIDIA Corporation	686.1	2.52
Shopify Inc.	67.7	1.30
Tesla, Inc.	656.4	1.22
CrowdStrike Holdings, Inc.	32.4	1.08

The stock of **MercadoLibre, Inc.**, the dominant e-commerce platform in Latin America, rose 55.8% during the first quarter. The company reported a significant fourth-quarter earnings beat, driven by strong performance on essentially all key drivers of operating margins across both the commerce and fintech segments, including higher fulfillment penetration, stronger adoption of advertising solutions, lower loan loss provisions on the credit business, and operating leverage driven by economies of scale. Net revenue grew 57% year-over-year in constant currency, total payment volume was up 80% and the operating margin reached 11.6%. On its earnings call, the company suggested these drivers will continue to generate sequential margin expansion in the coming quarters and years, and we believe retrenchment by some top e-commerce competitors could lead to a possible acceleration of MercadoLibre's market share growth, especially in Brazil. We believe MercadoLibre will be the dominant player in a Latin American e-commerce industry that remains early in its growth life cycle, driven by the relative low e-commerce penetration in the region. We remain shareholders.

NVIDIA Corporation is a fabless semiconductor mega-cap company and global leader in gaming cards and accelerated computing hardware and software. Despite subdued demand for gaming cards due to an ongoing PC slowdown and inventory correction, shares of NVIDIA rose 90.1% during the first quarter as a result of material developments in generative AI as evidenced by the release of ChatGPT and GPT-4. These technologies hold the promise of enabling significant productivity gains across domains from content creation, coding, and even biologic discovery. During its annual GTC conference in March, NVIDIA announced new products that expand its addressable market such as the L4 chip, which opens the opportunity for video processing, representing 80% of internet traffic. We continue to believe NVIDIA's end-to-end AI platform and leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, will enable the company to benefit from durable growth for years to come and therefore remain shareholders.

Shopify Inc. is a cloud-based software provider for multi-channel commerce. Shares rose 38.1% in the first quarter as a result of a broader rebound in growth stocks and the company's solid fourth quarter results. It had 13% year-over-year growth in gross merchandise value and 26% growth in revenue, driven by increasing adoption of the company's solutions including payments, Shopify Capital, Shopify Markets, and Shop Pay. Shopify also continued to show an impressive velocity of product innovation, with recent updates across fulfillment (Shop Promise), marketing (Shopify Audiences), and Enterprise (Commerce Components by Shopify). We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth as it still holds less than a 2% share of global commerce spending.

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. After being our top detractor in the fourth quarter, when its price fell 53.6%, the stock reversed course and was up 68.4% in the first quarter of 2023. The about-face was caused by a rapid shift in investor sentiment, as investors now expect Tesla to continue growing rapidly while maintaining industry-leading margins despite a potential recession, supply-chain challenges, increased competition in China, and price adjustments. In addition, after devoting considerable time to reorganizing Twitter post-acquisition, CEO Elon Musk has re-established his commitment to Tesla, while a management presentation during its analyst day provided visibility into the broad quality of talented professionals leading Tesla. We expect Tesla to continue to lead the electrification of the automotive and energy storage markets through its vertical integration, scale, and cost leadership. As long-term shareholders, we have witnessed Tesla increase deliveries from practically zero to over 1.3 million units while proving it can reduce costs and rapidly expand its product line and manufacturing footprint. We also expect Tesla's next platform to have a significant impact on the company's results. We remain confident in Tesla's fundamentals and management team, and we believe that with still less than a 2% market share, the company remains well positioned to enjoy a long runway of growth as the market shifts to EVs.

CrowdStrike Holdings, Inc. provides cloud-delivered, next generation security solutions via its Falcon platform consisting of end-point protection, advanced persistent threat, security information, event management, and cloud workload protection. Shares increased 30.3% after the company posted fourth quarter results that beat Street expectations with 48% year-over-year revenue growth on the back of better net new annual recurring revenue of $222 million, despite the continued elongation of sales cycles that started two quarters prior. The company noted its average pricing remains stable, win rates are strong, and it added a record number of net new customers as initiatives targeting small to medium-sized businesses and mid-market began to bear fruit. The enterprise business continued to see strength, with gross retention rates at all-time highs and dollar-based net retention rates above 125%. The company also provided guidance ahead of expectations across revenue, operational performance indicators, and free cash flow, embedding the assumption of elongated deal cycles. With its leading competitive positioning in cybersecurity, the growing threat landscape, its unique single-agent architecture, and its platform approach, we believe CrowdStrike is well positioned to compound at high growth rates for years and therefore we remain shareholders.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Endava plc	$ 3.8	–0.89%
Bajaj Finance Limited	41.4	–0.77
Afya Limited	1.0	–0.63
ZoomInfo Technologies Inc.	10.0	–0.56
BILL Holdings, Inc.	8.6	–0.47

Endava plc provides consulting and outsourced software development services for business customers. Shares declined 12.2% during the first quarter as a result of growing investor concerns over the potential near-term demand implications resulting from the banking crisis, given that 50% or more of Endava's revenue comes from financial services firms. In addition, shares were impacted by the company reducing its financial guidance for fiscal year 2023 to reflect slower bookings as macroeconomic uncertainty weighed on client decision making in December. Nevertheless, the company reported solid quarterly results, with 30% revenue growth and 26% EPS growth. Management noted that bookings have improved in the first couple of months of 2023, and it expects annualized revenue growth to return to greater than 20% fairly quickly. While near-term uncertainty has increased, we remain investors because we believe Endava will continue gaining share in a large global market for IT services for years to come.

Bajaj Finance Limited is a leading non-banking financial corporation in India. The stock declined 13.5% during the quarter due to a near-term slowdown in business activity amid rising competition in mortgage lending and moderating consumer spending in India. We believe Bajaj remains well positioned to benefit from positive long-term demand trends for consumer financial services including mortgages, personal and credit card loans, and vehicle financing given India's low penetration of household debt as a percent of GDP, which is still less than 15% (compared to over 60% and 75% in China and the U.S., respectively). We retain conviction in Bajaj given its best-in-class management team, robust long-term growth outlook, and conservative risk management frameworks. We believe Bajaj is well positioned to gain market share from capital constrained public sector banks, while also deploying conservative risk management frameworks to generate superior risk-adjusted returns for shareholders.

Afya Limited is a Brazilian for-profit education company specializing in medicine, including undergraduate and graduate coursework, residency preparatory and specialization programs, and digital solutions for physicians. Shares declined 28.5% during the first quarter due to investor concerns over potential regulatory changes in the Brazilian education system that could lead to increasing competitive pressures. We remain shareholders and believe these investor concerns have been overly discounted. Afya continues reporting solid financial results, with fourth quarter revenue growth of 18% year-over-year and adjusted EBITDA margins of 41%, while providing a 2023 outlook above investor expectations, with projected revenue growth of 20% and stable EBITDA margins. We anticipate continued long-term appreciation driven by Afya's pricing power, maturing undergraduate program, and expansive digital offerings.

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Despite reporting 47% year-over-year revenue growth (41% organic), 41% adjusted operating income margins, and 42% free-cash-flow margins for 2022, shares declined 18.0% during the first quarter after the company guided for a slowdown in revenue growth driven by increasing macroeconomic uncertainty, elongating sales cycles, slower upselling to existing customers, and a slowdown in seat expansion. While near-term uncertainty has increased, we believe ZoomInfo's competitive positioning remains strong and the opportunity ahead is significant. We retain conviction and believe that ZoomInfo will benefit from long-duration growth as it has only about 35,000 customers out of a 700,000 business-to-business (B2B) opportunity. New products in talent and marketing add optionality, and we believe ZoomInfo can become a much larger company over time as it grows into its $100 billion total addressable market.

BILL Holdings, Inc. is a leading provider of cloud-based software that simplifies, digitizes, and automates complex back-office financial operations. The company reported solid quarterly results with revenue growth of 66% year-over-year and adjusted operating margins of 11.8%, both above Street expectations. However, the stock declined 25.5% during the quarter due to a forward outlook that missed investor forecasts. In particular, macro-related pressure on small- to medium-sized business (SMB) spending led to lower total payment volume per customer and somewhat fewer net new customers. In addition, while Street analysts do not expect the SVB failure to have a direct impact on BILL's business, they have expressed some concerns that the fallout will further dampen the backdrop for SMBs.

Despite the potential near-term macro-related headwinds, we retain conviction as the digitization of B2B payments is a powerful secular trend with a long runway for continued growth and BILL remains well positioned to be a winner in the SMB market.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the most significant roles in determining the size of each individual investment. Sector and country weights are an outcome of the stock selection process and are not meant to indicate a positive or a negative view.

As of March 31, 2023, the top 10 positions represented 47.9% of the Fund and the top 20 represented 75.8%. As we articulated in prior letters, we have now returned to a more concentrated portfolio as the market volatility enabled us to consolidate the portfolio on our highest conviction ideas (top 10 and top 20 positions were 45.9% and 73.0% in December 2022, and 42.5% and 61.9% in December 2021, respectively). We ended the quarter with 39 investments (down from 41 at the end of December 2022).

Our investments in the Information Technology, Consumer Discretionary, Health Care, Financials, Industrials, and Communication Services (as classified by GICS) sectors represented 98.3% of the Fund's net assets. Our investments in non-U.S. companies represented 51.9%, while companies classified as being in emerging markets were 18.7% of net assets. An additional 9.5% is invested in companies based in Argentina, which falls outside of MSCI's developed/emerging/frontier markets framework.

Table IV.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
MercadoLibre, Inc.	$ 66.2	$64.4	8.0%
Endava plc	3.8	44.5	5.5
Think & Learn Private Limited	–	42.3	5.3
NVIDIA Corporation	686.1	40.7	5.1
CrowdStrike Holdings, Inc.	32.4	38.0	4.7
Snowflake Inc.	50.1	37.2	4.6
Shopify Inc.	67.7	34.9	4.3
Bajaj Finance Limited	41.4	29.0	3.6
Coupang, Inc.	28.4	28.5	3.5
Datadog, Inc.	23.2	26.0	3.2

Exposure By Country

Table V.
Percentage of securities by country as of March 31, 2023

	Percent of Net Assets
United States	48.0%
Argentina	9.5
India	9.4
Netherlands	9.2
United Kingdom	5.5
Canada	4.3
Israel	4.0
Korea	3.5
China	2.2
Poland	2.0
Brazil	1.6
Spain	0.6

Recent Activity

During the first quarter, we reduced 15 positions and sold 2 investments to fund redemptions and further consolidate the portfolio on our highest conviction ideas. We sold the Uruguayan payments company **DLocal** and the liquid biopsy test provider **Guardant Health**. While both companies remain potentially Big Ideas, several recent company-specific developments increased the range of outcomes and reduced our conviction level, pushing out the timeline for our thesis playing out.

Table VI.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
None		

Table VII.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
DLocal Limited	$ 4.4	$11.8
argenx SE	20.7	11.1
Guardant Health, Inc.	2.4	4.6
Bajaj Finance Limited	41.4	3.7
MercadoLibre, Inc.	66.2	2.0

Our largest sale in the first quarter was **DLocal Limited**. Although our research and due diligence suggest that the allegations of fraud described in the short seller's report are most likely without merit, we believe the probability of a business impact on the company by customers reacting to the report has increased considerably, prompting us to reallocate capital to other investments. We also sold our position in **Guardant Health, Inc.** after the company published disappointing results of its Eclipse trial, which we believe reduces the probability of wide adoption for its early detection blood test for colorectal cancer.

Outlook

First Quarter 2020 – For the first time in 100 years, we are reintroduced to a global pandemic.

First Quarter 2021 – The reopening trade leads to significant outperformance for “value” sectors (e.g., energy, legacy banks, and airlines) for the first time in over a decade.

First Quarter 2022 – Russia invades Ukraine and further exacerbates COVID-19-driven supply-chain challenges, pushing up inflation and compressing the pace of the Fed’s tightening cycle.

First Quarter 2023 – SVB, the 16th largest bank in the U.S., collapses after a run on the bank, the largest bank crash since 2008. The 167-year-old financial institution, Credit Suisse, is sold for $3.2 billion to UBS in a takeover brokered by the Swiss National Bank.

Care to offer the outlook for the first quarter of 2024? We sure do not.

Skeptical investors often ask, if we have no confidence in forecasting the next three months or the next year, how can we have confidence in forecasting 5 or 10 years into the future? While this skepticism is understandable, we believe it is misplaced. Short-term stock price fluctuations (and company fundamentals) are disproportionately affected by macro factors and factors outside a company’s control. We believe most of these factors are impossible to predict accurately with any consistency. However, it turns out that a business’s uniqueness, the sustainability of its competitive advantages, its management’s ability to prudently allocate capital and to earn high rates of return on the company’s investments can be analyzed and therefore forecasted far more accurately over the longer periods of time. Sure, qualitative things like a company’s culture, the strength of its management team, and even the disruptive change analysis are all subjective; assessing them requires both analytical experience and a healthy margin of safety, but at the end of the day, there are only a handful of variables that go into the intrinsic value equation:

- How big is the opportunity?
- What market share can the company reasonably expect to get?
- How economically profitable would this business be at maturity?
- What is the cost of capital?
- And what is the terminal growth rate?

These are the variables that long-term owners of a business care about and spend their time researching. Over the last three months, we believe these variables have been moving in the right direction for most of our portfolio companies. Interestingly, although the Fed’s rhetoric remains hawkish with “more inflation fighting left to be done,” the 10-Year U.S. Treasury yield has fallen from around 3.9% at year-end 2022 to around 3.4% as we write this letter. Similarly, real rates, as measured by the yield on 10-Year U.S. TIPS have dropped from around 1.6% to around 1.1% over the same period. Just sayin’….

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create.

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading at attractive prices relative to their intrinsic values.

Sincerely,

Alex Umansky
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: Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. 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, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. 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 managers 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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Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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DEAR BARON DISCOVERY FUND SHAREHOLDER:

PERFORMANCE

During the first quarter, Baron Discovery Fund® (the Fund) was up 11.20% compared to the Russell 2000 Growth Index (the Benchmark), which was up 6.07%. This 5.13% relative outperformance was due to strong performance from our holdings in the Information Technology (IT), Industrials, and Consumer Discretionary sectors and the Fund's higher exposure to the top performing IT sector. Not surprisingly, many of our holdings in these sectors were underperformers during calendar year 2022, and we believe were severely oversold. We were not shocked to see *relief rallies* in many of these stocks, particularly as fourth quarter earnings reports have generally been better than feared.

Table I.
Performance†
Annualized for periods ended March 31, 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]	11.16%	11.20%	6.07%	7.50%
One Year	(13.98)%	(13.81)%	(10.60)%	(7.73)%
Three Years	15.94%	16.24%	13.36%	18.60%
Five Years	9.92%	10.20%	4.26%	11.19%
Since Inception (September 30, 2013) (Annualized)	12.03%	12.31%	7.17%	11.98%
Since Inception (September 30, 2013) (Cumulative)[3]	194.17%	201.20%	93.07%	193.02%

Given all the pessimism and negativity in the market today, I think most investors would be surprised to hear that both the Benchmark and the Fund have had flat-to-positive performance for three straight quarters now. This means that it is highly likely that the market's bottoming/recovery process has begun and that, with hindsight, we might realize the Benchmark hit its low back in June of 2022.

RANDY GWIRTZMAN AND LAIRD BIEGER
PORTFOLIO MANAGERS

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

In last year's third quarter letter we noted:

> *"In summary, we believe it is appropriate to get more constructive in environments where small-cap growth stocks are hated by the general public, are cheap on a historical basis, and where individual company fundamentals remain relatively healthy. We have seen comparable conditions to today in the past, and they have proven to be conducive to producing outsized returns for longer-term investors like us."*

With hindsight, the mid-October timing of that call turned out to be prescient, so we thought it would be appropriate to give an update on what has (and has not) changed since then. What hasn't changed? Investor pessimism (as measured by the AAII survey), while off the all-time highs we saw last September, still remains high by historical standards. Small-cap growth stocks remain inexpensive, in our opinion, especially relative to large-cap stocks.

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 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.

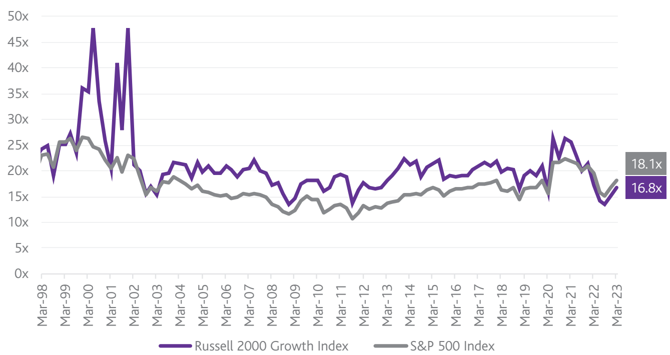
1 The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. 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 indexes and the Fund include reinvestment of dividends, net of 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 in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

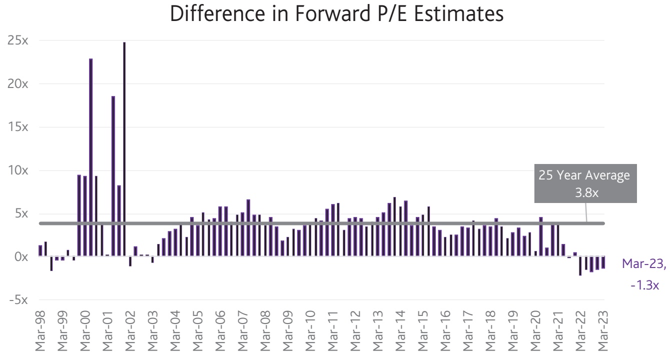
3 Not annualized.

BARON FUNDS® 1987

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.

We expected to see and did see some growth headwinds when our companies issued 2023 earnings guidance, but even with those headwinds, we would still describe earnings broadly as *healthy*.

What has changed? On the positive side, China lockdowns, supply-chain disruptions, input cost inflation, labor cost inflation, and labor availability have all improved to the point where we believe these challenges are, to use a car analogy, in the rearview mirror. Importantly, we believe the market is underestimating the potential upside from better margins as we lap two years of extremely challenging inflationary conditions. On the negative side, we believe the failures of Silicon Valley Bank and Signature Bank (and the related stress these failures have caused the regional banking sector) will ultimately lead to higher borrowing costs, stricter lending standards, and contractionary credit conditions. It is our expectation that as these tighter lending conditions work their way through the economy, they will negatively impact demand growth (and we have reflected this more conservative view in modeling our 2023 revenue estimates). We believe the net result of these cross currents is that top-line *beat and raises* (i.e., when a company reports revenue results ahead of Wall Street estimates and, in addition, raises its annual revenue guidance) will be tougher to come by in 2023 but we think that will be offset by better-than-expected bottom-line results given the margin tailwinds discussed above.

In summary, we acknowledge that 2023 may have some headwinds, but we are not in the camp that believes we are on the precipice of economic collapse. More importantly, as we have pointed out in the last couple of letters, we believe that as we move through 2023, investors will begin to change their mindset from, “How bad will this economic downturn be?” to “How strong of an economic recovery will we have emerging from this downturn?” Or, in other words, what could revenues and earnings look like in a 2024 recovery scenario? We believe this change in sentiment will be supportive of expanding valuation multiples and, therefore, stocks generally.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
Revance Therapeutics, Inc.	1.22%
Axon Enterprise, Inc.	1.08
indie Semiconductor, Inc.	1.07
Floor & Decor Holdings, Inc.	0.98
Navitas Semiconductor Corporation	0.83

Revance Therapeutics, Inc., an aesthetics-oriented biotechnology company, contributed to performance in the quarter. Revance, which sells facial injectables, saw robust revenue growth in the fourth quarter of 2022 (announced during the first quarter of 2023) after the FDA approved Daxxify, the company’s longer-acting competitor to Botox that lasts about six months versus Botox’s three to four months. Daxxify’s soft launch has been promising, with $11 million in sales in the first month of the early preview program. We believe Revance will benefit as it broadens the launch to additional injectors throughout the year. The company’s RHA facial filler portfolio also beat Street expectations in 2022 and has yet to decline amid macro headwinds. Looking ahead, we think Daxxify’s longer-lasting result is a key selling point for consumers, and we expect to see meaningful uptake of the product in late 2023 and beyond. In our view, Daxxify and the already launched RHA fillers should capture significant share in the fast-growing $4 billion facial injectables market, with the potential to support double Revance’s current valuation. In addition, the company is working on gaining approval for therapeutics-based applications of the product, which has shown very promising clinical trial results.

Shares of **Axon Enterprise, Inc.**, a public safety-focused technology company, rose during the quarter following a robust earnings report and a favorable long-term outlook which raised revenue guidance, beating investor expectations. Notable growth in Axon’s higher-margin cloud software business and Sensors segment reflects strong demand for the company’s digital evidence management, productivity, and real-time operations platforms, as well as Axon Fleet in-car cameras. The company is also targeting reducing costs and share dilution, as well as enhancing free-cash-flow conversion in the coming years. All of this offers dramatic upside potential. With line of sight to more than 20% sustained revenue growth, an improving margin profile with the growth of software solutions, and a management team that has demonstrated an ability to innovate quickly, sell to customers, and manage costs effectively, Axon has solidified itself as a best-in-class company and a compelling investment in the public safety space.

Indie Semiconductor, Inc. is a fabless designer, developer, and marketer of automotive semiconductors for advanced driver assistance systems (ADAS) and connected car, user experience, and electrification applications. Shares rose during the quarter after the company announced the acquisition of GEO Semiconductor and met/exceeded revenue and gross margin guidance for the seventh straight quarter since coming public. After raising capital in late 2022 to fund M&A activity, in early 2023, indie announced the purchase of GEO Semiconductor for up to $270 million, including potential earnouts, to round out its ADAS sensor portfolio with a leader in camera processing technology. GEO is a highly synergistic acquisition that accelerates indie's growth and margin trajectory. The automotive semiconductor vertical remains attractive, and indie has a highly visible $4.2 billion strategic backlog that is growing nicely. We believe the company will deliver on its targeted model of profitability in the second half of 2023 and will reach its goal of 60% gross margins and 30% operating margins by 2025, while continuing to rapidly increase revenue.

Floor & Decor Holdings, Inc. is a high-growth, differentiated specialty retailer of hard-surface flooring and accessories in the U.S. Shares rose during the quarter on strong 2023 guidance that beat consensus. Despite a weaker housing market, Floor & Decor expects revenue to grow roughly 10% this year as temporary softness in existing stores is more than offset by new unit openings. The company's direct sourcing model, low-cost leadership, and wide selection should enable it to take share from both big box retailers and independent specialty shops. We believe Floor & Decor will also benefit from lower freight rates as supply chains normalize. We remain positive about the company's long-term prospects and potential for double-digit unit growth in the years ahead.

Navitas Semiconductor Corporation is a leader in gallium nitride (GaN) power semiconductors and a smaller player in silicon carbide (SiC) power semiconductors. Shares rose during the quarter as management reiterated its outlook to double revenues in 2023 and investors appeared optimistic around the recovery in its key mobile charging end market concentrated in China. Navitas sells monolithically integrated GaN power integrated circuits, which provide greater reliability and performance compared to the discrete power devices (requiring multiple components) of its competitors. The company 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 March 31, 2023

	Percent Impact
Silk Road Medical, Inc.	–0.68%
GitLab Inc.	–0.50
Axonics, Inc.	–0.40
ViewRay Incorporated	–0.37
Montrose Environmental Group, Inc.	–0.28

Silk Road Medical, Inc. sells medical devices used in minimally invasive transcarotid artery revascularization (TCAR) procedures. The company's TCAR device allows placement of a stent in the carotid artery to provide better blood flow to the brain, while reducing the risk of stroke during the procedure due to its innovative reverse blood flow system. The stock declined after a group of doctors petitioned Medicare to broaden reimbursement for a competitive minimally invasive procedure called transfemoral carotid stenting (TF-CAS). We retain conviction given TCAR is less invasive, easier to recover from, and causes less periprocedural stroke than other options, including TF-CAS and carotid endarterectomy surgery (CEA). CEA is a more invasive procedure which requires a broad incision into the wall of the artery. Following last summer's FDA approval of Silk Road devices in the treatment of standard surgical risk carotid stenosis patients (an expansion beyond high-risk only cases), the company saw rising numbers of eligible patients, accelerated use of its products, reduced reimbursement uncertainty, and further legitimization of TCAR in the eyes of more conservative surgeons. Although Medicare is reviewing the reimbursement policy for TF-CAS procedures, we think TCAR is fundamentally safer and more scalable than alternatives. TCAR currently accounts for nearly 13% of carotid stenosis interventions, and we believe it will become the standard of care for treating carotid artery disease over the longer term.

GitLab Inc. provides the only DevOps platform that addresses all stages of the software application lifecycle. Despite reporting decent results with revenue growth of 58% and operating losses that were less than Street forecasts, the company issued below-consensus 2023 revenue growth guidance. Technology industry layoffs and tighter IT/developer budgets resulted in lower net revenue retention rates in GitLab's Premium Tier, as some existing customers cut back on paid licenses to account for reduced hiring, while others anticipate a lower-than-expected rate of developer headcount growth in 2023. Management is assuming the trend will continue through the remainder of 2023. We see upside to guidance as: 1) customers continued to upgrade to GitLab's higher-priced Ultimate Tier to add security and compliance features; 2) new customer sign-up growth remained healthy; and 3) GitLab is implementing a 25% to 50% price increase on its Premium Tier that should drive growth toward the end of 2023 and into 2024. The price increases will also help GitLab achieve profitability sooner than initially projected.

Axonics, Inc. offers a novel implantable sacral neuromodulation device for the treatment of urinary and bowel dysfunction. Through an acquisition, it also offers Bulkamid, a unique injectable product to treat stress urinary incontinence (SUI) in women. Shares declined somewhat during the quarter. There wasn't any particular negative catalyst. We retain conviction as Axonics' product is unique and its current revenue run rate of $650 million to $700 million, represents less than 1% penetration of its addressable market (45,000 current procedures versus a market with close to 7 million addressable patients). Axonics thinks the implantable neuromodulation market can double in three to five years. Bulkamid has a current addressable market of $125 million, representing the 125,000 implantable sling procedures done every year in the U.S. However, with 29 million women affected by SUI, the market could be worth many multiples of that level, particularly as Bulkamid is a 15 minute in-office procedure with almost no side effects. We believe that this is realistic, given that the product's current run rate already represents about half of the currently addressable market.

ViewRay Incorporated sells equipment that enables MRI-guided radiation treatment of cancer. This equipment allows for real-time imaging of a patient's tumor location and therefore accurate radiation delivery, even if the tumor moves during treatment. Shares declined on investor concerns around the company's deposits at and loan commitments from Silicon Valley Bank. Our understanding is that the deposits are now secure and that ViewRay is in compliance with all debt covenants. Adoption of ViewRay's equipment and MRI-guided radiation therapy has been accelerating on impressive early clinical trial results in pancreatic and prostate cancer and as patients have started "voting with their feet" and seeking treatment at centers with the capability to administer MRI-guided treatment. The company's order book for new machines continues to accelerate. While supply-chain constraints may limit upside to 2023 installations, we still expect nearly 40% growth for the year and meaningfully higher sales in coming years.

Shares of **Montrose Environmental Group, Inc.**, a leading environmental services company, fell after the company gave 2023 guidance that missed Street estimates. Sources of the weak guidance included difficult year-over-year comps, increased research and development investment due to an abundance of new business opportunities, and slowed 2022 acquisitions flow. We view these issues as temporary and think the magnitude of the correction was due largely to poor management communication as opposed to company fundamentals. We took advantage of price weakness to add to our position. We remain confident in Montrose's competitive advantage and believe its growth drivers are poised to accelerate, driven by increased regulations for methane emissions monitoring and tightening standards for PFAS (also known as "forever plastics") contamination in water. We also think that acquisitions, a key growth driver for Montrose, are poised to accelerate into 2023 as the company resumes its normal deal cadence.

Portfolio Structure

Table IV.
Top 10 holdings as of March 31, 2023

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Kinsale Capital Group, Inc.	2016	$60.0	4.6%
Boyd Gaming Corporation	2021	47.1	3.6
Advanced Energy Industries, Inc.	2019	41.7	3.2
Floor & Decor Holdings, Inc.	2019	38.8	3.0
Rexford Industrial Realty, Inc.	2019	38.8	3.0
Axon Enterprise, Inc.	2022	37.3	2.9
Axonics, Inc.	2020	34.8	2.7
SiteOne Landscape Supply, Inc.	2016	31.5	2.4
Kratos Defense & Security Solutions, Inc.	2020	31.0	2.4
indie Semiconductor, Inc.	2021	30.7	2.4

The top 10 positions in the Fund constituted 30.2% of net assets, within our typical range.

Recent Activity

Table V.
Top net purchases for the quarter ended March 31, 2023

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
SiTime Corporation	2023	$3.1	$19.5
DraftKings Inc.	2023	8.7	18.8
Inari Medical, Inc.	2020	3.4	13.7
CyberArk Software Ltd.	2022	6.0	12.7
Certara, Inc.	2023	3.8	11.5

We initiated a position in **SiTime Corporation**, a fabless semiconductor company that designs and sells microelectromechanical systems (MEMS) timing solutions across various industries including consumer, communications, data center, automotive, and industrial. The company was founded in 2005 to commercialize its proprietary MEMS-based timing solutions and today remains the only company deploying MEMS-based solutions at scale and holds significant market share, beating out several competitors who were unable to get the technology to work. Timing devices are the heartbeat of electronic systems, delivering accurate, stable, and regular signals serving as a reference for all digital components within the system. Timing devices can cost as little as a few pennies, but without them electronic devices would not function. Historically these devices were made from quartz crystals, which today still make up the vast majority of the timing industry. But MEMS-based solutions offer several benefits in many applications, including a smaller form factor, programmability, robustness in harsh conditions, and a resilient supply chain, that is leading to adoption across a wide range of applications. SiTime sells its product at premium pricing and is generally sole sourced, specifically choosing to sell to customers who value MEMS differentiation and capabilities.

SiTime expects its served market to grow from $1 billion in 2022 to $4 billion in 2024 through new product introductions and underlying market growth, with key applications in 5G communications, data center computing and communications, automotive, and aerospace/defense driving a large majority of the growth. The company is targeting a 30% revenue growth rate from both existing and new customers and application penetration, with several industry leaders already adopting MEMS-based solutions and many more expected to follow suit. Given its fabless operating structure and premium product, the company delivers top-tier gross and operating margins. We believe MEMS-based timing adoption will continue to grow rapidly from new applications requiring the benefits of MEMS over quartz-based solutions and from SiTime continuing to develop new solutions addressing increasing parts of the underlying market, creating a pathway for high growth through at least the end of the decade.

We re-initiated a position in former Fund holding **DraftKings Inc.**, a leading online sportsbook, digital casino, and daily fantasy sports operator. DraftKings' mobile applications offer consumers the ability to wager on a wide variety of sporting events and play hundreds of real-money casino games. The company has spent the past three years building a proprietary technology stack that improves the customer experience and delivers best-in-class breadth of bet types (such as parlays, same-game parlays, and player props). State-level online sports betting (OSB) and iCasino legalization, along with a multi-year consumer adoption timeline in active states, has supported a 90% revenue growth rate for DraftKings since 2020. The opportunity for OSB legalization remains significant, with under 50% of the U.S. population currently having legal mobile sports betting. We expect 65% to 80% of the population will eventually have access to OSB. ICasino is currently legal in just seven states representing roughly 13% of the population. ICasino product adoption in legalized states has been robust, with the average user spending twice as much as a sports bettor. While the pace of legalization for iCasino has been slower, we believe additional states will pass regulation in the coming years.

As U.S. states began to legalize sports betting, the DraftKings management team moved quickly to build widespread brand awareness. DraftKings is the #2 operator in both OSB and iCasino by a wide margin, and has demonstrated improving market share trends across almost all states. When a new state legalizes sports betting, DraftKings has a first mover advantage as many of its customers are converted from the DraftKings daily fantasy sports offering. The quality of their sportsbook product along with increasingly targeted promotional spending results in strong customer retention and high lifetime values. In states where iCasino is legal, DraftKings can cross-sell OSB customers. DraftKings' scale and product advantages are creating a flywheel that will enable the company to continue to out-invest the competition in acquisition marketing, retention, and research and development. The high barriers to entry are resulting in a consolidated industry that will eventually lead to a highly profitable business. This is evidenced by older-vintage state contribution margins that are already approaching 40%. Longer term, we believe DraftKings can generate EBITDA margins between 20% and 30% with strong free-cash-flow conversion.

We established a position in **Certara, Inc.**, a leading bio-simulation company that accelerates the development of new pharmaceuticals by using its proprietary software, technology, and services to model and predict how drugs will behave in individual humans. Certara's computer-aided mathematical modeling of biological processes and systems is used by drug developers to optimize the lengthy and expensive process of drug development, when the average time and cost to bring a new drug to market is a staggering 10 years and $2 billion, respectively. Certara helps its blue-chip customer base, spanning large biopharmaceutical to small biotechnology companies to make more timely go/no go decisions, inform appropriate clinical trial protocols, optimize dosing, and target statistically relevant patient populations, all of which are critical inputs to timely and cost-effective drug development.

The company, which generated $335 million in revenue in 2022, is a market leader, providing an integrated end-to-end platform used by over 2,300 biopharmaceutical companies and academic institutions across 70 countries. Since 2014, Certara customers have received over 90% of all of the new drug approvals by the FDA. Furthermore, 17 global regulatory authorities, including the FDA, Europe's EMA, Health Canada, Japan's PMDA, and China's NMPA use Certara's bio-simulation software to independently analyze, verify, and review regulatory submissions.

Certara employs over 1,200 individuals, including nearly 400 of the best and brightest Ph.D.s, PharmD.s, and M.D.-Ph.D.s in the industry. These deeply respected professionals help Certara's clients to optimize their use of the software and help to perform other outsourced bio-simulation services. As a global leader in its field, we believe Certara is well positioned to grow its business at a mid-teens rate over the next several years as more biopharmaceutical companies and regulators use its predictive modeling and analytics to help inform and streamline the drug development process. Growth will be driven by the growing acceptance of bio-simulation in a $13 billion addressable market, which itself is growing at a 9% to 17% rate, combined with the cross-selling of additional services to existing customers. Certara has also expanded its offering to include regulatory and post-approval consulting and modeling, particularly targeted at small- and mid-sized biotechnology companies that do not have internal infrastructure and must outsource development activities. The company is also a skilled acquirer, having successfully integrated 17 acquisitions since its inception. Certara operates a capital-light model with adjusted EBITDA (adjusted cash flow) margins in the mid-to high 30% range and about 90% conversion of adjusted cash flow to real free cash flow.

We also acquired additional shares of **Inari Medical, Inc.**, a manufacturer of catheter-based devices to remove clots from venous thromboembolism, and **CyberArk Software Ltd.**, a provider of digital information security software.

Table VI.
Top net sales for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Axon Enterprise, Inc.	2022	$8.9	$16.4	$17.6
CareDx, Inc.	2018	0.5	0.5	14.7
Inogen, Inc.	2019	1.0	0.3	14.6
Mercury Systems, Inc.	2015	0.6	3.0	13.9
Progyny, Inc.	2019	1.3	3.1	12.2

We reduced our position in **Axon Enterprise, Inc.** a bit after the stock moved up meaningfully during the quarter, purely for risk management purposes. We continue to think this is a fantastic company with great long-term prospects. Similarly, we reduced our investment in **Mercury Systems, Inc.** as it ran up on news that it was working with its Board of Directors to look at a potential sale of the company or other strategic alternatives.

We sold our position in **CareDx, Inc.** after some extremely difficult deliberation. This had been one of our favorite ideas given its market leadership in transplant diagnostics, inexpensive valuation, and solid cash position. However, a very unexpectedly negative notice out of MolDx (which is the CMS-related entity that determines pricing and reimbursement criteria for diagnostic tests) exceeded our worst downside scenarios. The vagueness of the notice from MolDx, combined with the potential for a far reduced paid volume of approved tests for Medicare patients put a dramatic amount of current revenue and profitability at risk. We determined that until the issue is resolved, we could not properly underwrite our investment in the company.

We exited a long-term investment in **Inogen, Inc**. While we like the company's leading market position and its management team, we believe that the worldwide market for portable oxygen concentrators (which are not paid for by insurance) will be significantly constrained by the current downturn. Additionally, it appears to us that there is increased competition in the field.

Outlook

The Fund has gotten off to a solid start so far in 2023. That being said, there will be fits and starts to the stock market's recovery. We always like to say that stock market bottoms are processes, not points. We think it is going to take time for the market to digest the different cross-currents the economy is experiencing today. It is almost impossible to time the market bottom, so we believe the best strategy is to stay the course with both our investment process and with our competitively advantaged, fast-growing companies. By doing so, it is our expectation that we will be better positioned to outperform when the inevitable economic recovery begins.

Randy Gwirtzman & Laird Bieger
Portfolio Managers

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).

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BDAFX
Institutional Shares: BDAIX
R6 Shares: BDAUX

Dear Baron Durable Advantage Fund Shareholder:

Performance

We had a good start to the year.

Baron Durable Advantage Fund® (the Fund) gained 16.0% (Institutional Shares) during the first quarter, which compared favorably to the 7.5% gain for the S&P 500 Index (the Index), the Fund's benchmark.

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Durable Advantage Fund Retail Shares[1,2]	Baron Durable Advantage Fund Institutional Shares[1,2]	S&P 500 Index[1]
Three Months[3]	15.97%	16.04%	7.50%
One Year	(2.95)%	(2.70)%	(7.73)%
Three Years	17.92%	18.19%	18.60%
Five Years	12.11%	12.38%	11.19%
Since Inception (December 29, 2017)	11.77%	12.03%	10.47%

At the risk of being accused of succumbing to confirmation bias, the first quarter demonstrated once again how little value there is in trying to forecast the market, let alone in attempting to position a portfolio to align with those forecasts. The year began with many pundits' expectations of doom and gloom in the midst of a historically aggressive Fed tightening cycle. Because 2022 was by far the worst year for equities (and most other financial assets) since the Great Financial Crisis (GFC) in 2008, we found it hard to tell how much of this doom and gloom was already being priced in. While business activity continued to slow in the first quarter of 2023, and many companies reported challenging environments and lowered guidance for the year ahead, the market seemed to have found its footing and the Index rose 6.3% in January of 2023. The Fund also performed well during the month with a gain of 10.1%. On February 2, the most watched technical indicator, the Golden Cross, provided the ultimate buy signal, and momentum investors piled on. That was the top. Then came the January jobs report showing an increase of 517,000 jobs and a drop in the unemployment rate to 3.4%, a 53-year low! Since we are still in the good-news-is-bad-news world implying more rate hikes ahead, the market went down with the Index losing 2.4% in the month of February. The Fund held up a little better, declining 1.5% for the month. On March 9 we witnessed the collapse of Silicon Valley Bank (SVB), the 16th largest bank in the U.S., followed by the Swiss government-induced takeover of Credit Suisse by UBS for pennies on the dollar. Also, on March 9, the 200-day moving average of the Index, another widely used market indicator, broke down, sending a "sell-all" signal to the investing public. Forty-eight hours later the market turned around and went back up. The Fund gained 7.1% in the month of March, besting the 3.7% gain for the Index, and finished the quarter up 16.0% – a good start from both the absolute and relative perspectives.

In terms of performance attribution, stock selection drove 780bps of the Fund's 854bps relative gain, or just over 90%. Historically speaking, stock selection has often driven the Fund's returns, but we cannot recall another instance (i.e., another quarter) when stock selection contributed positively in every sector to which we allocated capital. The effect of sector allocation was responsible for the remaining relative gains.

Communication Services, Financials, and Information Technology (IT) represented 71.4% of the portfolio on average and were our three best performing sectors, generating 633bps of relative gains. Interestingly, Financials, at 30% of the Fund, was by far our largest overweight sector (we picked a great time, right?) relative to the Index, costing us 187bps. We

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2022 was 1.49% and 1.10%, respectively, but the net annual expense ratio was 0.95% and 0.70% (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, 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.

1 The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The index is 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.

were, however, in mostly the right names and just a few of the wrong ones, which added 396bps of alpha, netting us a neat 209bps of overall contribution to quarterly returns. Not having any investments in Energy, Utilities, Real Estate, or Materials added another 127bps.

Turning to individual investments, we had a whopping 27 contributors versus just 4 detractors. While 2022 was unkind to equity investors and our shareholders alike, we took advantage of the significant sell-off to initiate positions in **NVIDIA** and **Amazon**, and to add meaningfully to our investments in **Meta**, **Microsoft**, and **Monolithic Power Systems**. These top five contributors generated over 100bps each, and added 1,052bps combined to absolute returns. Fifteen out of our 27 contributors saw their stock prices rise double digits, with 8 investments contributing over 50bps each, and 22 holdings adding at least 20bps each. On the other side of the ledger, **UnitedHealth** and **Danaher** were the only two detractors of note, costing the Fund 55bps and 19bps, respectively.

"Change is always around the corner…. When you see it coming, you have to embrace it. And, the companies that do this well over a long period of time usually succeed." – Andy Jassy, CEO of Amazon (from the shareholder letter dated April 2023)

Although the concept is hardly original (it was Charles Darwin who famously said that it is not the strongest, nor the most intelligent species that survives, but the one most adaptable to change), its application to the world of business and investing strongly resonates with us. We have written in the past about how we expect the transformation to the "digital" economy to bring about a rapid acceleration in the *rate of change*, making adaptability more important than ever. Some, including us, refer to it as the Kurzweil effect (after the famed American inventor Ray Kurzweil, who wrote at length about it in the early 2000s). Most recent examples range from the proliferation of ChatGPT, which reached 1 million users in five days after launch and 100 million in two months (it took TikTok nine months and Instagram 2½ years to reach the same milestone), to the recent bank run on steroids culminating with the collapse of SVB. One day SVB's stock was trading at $267, with a market cap of $16 billion. Two days later it was worthless, as clients tried to withdraw $42 billion in deposits in a span of 24 hours (an astounding rate of almost $500,000 per second). For comparison, the biggest recorded bank run during the 2008 GFC had clients pulling $17 billion from Washington Mutual over the course of 10 days. After SVB went under, Signature Bank followed *within hours*, and First Republic Bank and Credit Suisse needed to be rescued within days.

The factors that enable, or impact a business' ability to adapt to change, include the following in our view:

Culture of experimentation, willingness to fail fast, and not punishing failure

For a business to be adaptable, it must be willing to wander, constantly tinker and experiment, see what works and what doesn't, and adjust its capital allocation accordingly. Employees need to feel free to admit failure without the fear of retribution and be allowed to continue to experiment.

Short feedback loops with customers

A business needs to know what customers want and then be able to build products quickly to meet their customers' ever-changing requirements. Quick innovation cycles are critical.

Financial flexibility

Excessive indebtedness reduces a business's ability to invest in its future.

Management team focused on building for the long term who think and operate like owners

An appropriate incentive structure for management must be in place to enable the team to forgo short-term glory for long-term success. Investing for the future often penalizes near-term earnings and stock performance but is often necessary in order to adapt to increasingly higher-paced change.

Platform businesses that benefit from disruptive change

A company with strong competitive advantages that is able to build platforms and eco-systems around its core products and services will likely be more capable of adapting rapidly because: 1) the platform serves as an anchor for durable growth, allowing the business to try and fail quickly when introducing new products or functionalities around its core offerings; and 2) a platform company with strong and vibrant ecosystems incentivizes third parties and would-be competitors to co-create value by dynamically enabling diversity of solutions as market demands change (think of the large number of apps Android and iOS have – numbers that would never be possible had they all been developed internally by Google and Apple).

Baron Durable Advantage Fund focuses on businesses with these characteristics. Microsoft, our largest holding, is a good case study of a business's ability to adapt and pivot after years of suffering the consequences of a stale management team that was resting on its laurels. The company's de facto monopoly position (Microsoft Windows + Office) in enterprise desktop and worker productivity suites in the client-server world made the company complacent and reluctant to take risks and continue to innovate. The stock languished for almost 15 years while Apple, Amazon, Google, and Facebook led the transition to mobile. Satya Nadella finally took the reins in 2014 and immediately changed the company's focus from the Windows-centric, on-prem legacy businesses to a cloud-first platform that could be accessed and used from any (mobile) device anywhere in the world. He also made the decision to open the platform to third parties, such as Linux, even though it was likely to hurt Microsoft's core Windows franchises. Nadella was willing to risk the high-margin on-prem business, recognizing that the world was going to change, and that cloud computing was going to be the future. This bold decision (and a massive multi-year investment) has reinvigorated the company and its stock, with Microsoft Azure, its cloud infrastructure business, *surpassing $55 billion in annualized recurring revenue* in the last quarter, *while still growing 38% year-over-year*. The price of Microsoft stock has increased seven-fold since Satya Nadella took over as CEO.

Amazon is probably the best example of a company that was built with an ability to rapidly adapt to change from its very inception. We have written a lot over the years about how Amazon's culture and organizational structures prioritize and enable rapid innovation. Historically, programming code was written in a sequential waterfall fashion, creating significant interdependencies between different developer teams in the organization and slowing down innovation. Amazon famously required all developers to expose their work externally via standardized Application Programming Interfaces (APIs). A novel and risky approach, it enabled development teams to work in parallel, created a rapid feedback loop with customers, and turned Amazon into one of the most innovative companies in the world. The culture of constant experimentation and the willingness to take risks and fail fast (remember the Amazon Fire phone?) became the core pillars of the company's culture and led to revolutionary ideas like third-party sales (letting competitors sell similar products alongside your own), Amazon Prime Video, and Amazon Web Services (AWS), making the company a disruptor and leader in multiple multi-trillion-dollar industries.

We believe adaptability is important not only for businesses but also for investors. We have discussed in the past that the best investors we know do not measure success in dollars and cents or in percentage returns or downside capture. They measure it in lessons learned. As investors, we learned that one of the most difficult tasks is to be able to maintain balance, especially during the times of extreme uncertainty and stress. The need and the pressure to adapt to the changing environment is very strong in the world of investing. But so is the need to stay disciplined and true to one's process and core skillset. Adapt too much to the changing environment, and you find yourself chasing the latest fads and whims (and memes?) and risk forgetting who you really are as an investor. Adapt too little, and you will be left behind. Warren Buffett notably wrote about his own adaptability over time in his 1989 shareholder letter:[1] *"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price. Charlie understood this early; I was a slow learner. But now, when buying companies or common stocks, we look for first-class businesses accompanied by first-class managements."*

We have a lot of conviction that investing in a select, well-researched portfolio of first-class businesses that have sustainable competitive advantages, durable growth characteristics, and great managements will outperform the market over the long term, while minimizing the risk of permanent loss of capital. Finding companies that are resilient and adaptable to change, while maintaining an adaptable and flexible mindset of our own should help us generate good investment results over the long term. (Pat Patalino, our General Counsel prudently reminds us that there is no guarantee that in fact will be the case.)

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
Meta Platforms, Inc.	$ 549.5	3.82%
NVIDIA Corporation	686.1	2.50
Microsoft Corporation	2,146.0	1.67
Monolithic Power Systems, Inc.	23.7	1.33
Amazon.com, Inc.	1,058.4	1.19

Shares of **Meta Platforms, Inc.**, the world's largest social network, were up 76.0% this quarter due to decisive cost discipline actions, improving adoption of new advertising products, the company's work in generative artificial intelligence (AI), and the broader rally in technology stocks. Meta is the mega-cap technology company most focused on profitability through cost cutting, including layoffs of more than 20% of its staff and reductions in its data center and office footprint. On the top line, Meta continues growing its user base with daily average users up 5% year-over-year in the last quarter. Engagement remains healthy with impressions up 23% year-over-year, and newer advertising formats (like Instagram Reels) are reportedly picking up steam with 40% of advertisers now using Reels. Longer term, we believe Meta will utilize its leadership in mobile advertising, massive user base, innovative culture, and technological scale to sustain durable growth for years to come, with further monetization opportunities ahead in newer areas such as WhatsApp.

NVIDIA Corporation is a fabless semiconductor mega-cap company and global leader in gaming cards and accelerated computing hardware and software. Despite subdued demand for gaming cards due to an ongoing PC slowdown and inventory correction, shares of NVIDIA rose 90.5% during the first quarter as a result of material developments in generative AI as evidenced by the release of ChatGPT and GPT-4. These technologies hold the promise of enabling significant productivity gains across domains from content creation, coding, and even biologic discovery. During its annual GTC conference in March, NVIDIA announced new products that expand its addressable market, such as the L4 chip, which opens the opportunity for video processing, representing 80% of internet traffic. We continue to believe NVIDIA's end-to-end AI platform and leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, will enable the company to benefit from durable growth for years to come, and therefore we remain shareholders.

Shares of mega-cap software company **Microsoft Corporation** increased 20.4% during the quarter as the company reported results that beat investor expectations. In the Consumer business, Windows revenue was roughly in line, although Surface revenue missed investor expectations due to execution issues around new hardware launches. On the Commercial side, despite some technical snafus with Azure, year-over-year revenue growth came in at more than 38%, or 1% better than guidance, after missing by 1% in the prior two quarters. Stepping back from the short-term noise, in the first half of fiscal 2023, more than 70% of revenue was generated by the Commercial business, with 70% of that from Microsoft Cloud, the company's key long-term growth driver. Innovation appears to be getting even stronger, with significant enhancements in areas such as Power Apps, Security, and most recently, Azure OpenAI, which the company has said it plans to infuse across the entire portfolio over time. We are confident Microsoft is well positioned to continue taking share through any downturn and come out the other side better positioned than ever.

Monolithic Power Systems, Inc. is a fabless high-performance analog and power semiconductor company serving diverse end markets across the semiconductor industry. The company, a relatively small player in the industry, leverages its deep system-level and applications knowledge, strong design experience, and innovative process technologies to provide highly integrated, energy-efficient, cost-effective, and easy-to-use monolithic products. Shares rose 41.8% during the quarter as the company delivered solid financial results with revenues up 37% year-over-year and EPS up 50% year-over-year while also providing a favorable outlook driven by share gains across key end markets, including automotive and data center. Investor anticipation of a broader semiconductor industry recovery into the second half of 2023 also helped boost shares. The company continues to expand its addressable market and drive strong revenue growth by taking advantage of areas where its competition has failed to innovate. It has also started to sell more integrated, higher-ASP module products as opposed to discrete products, generating additional above-market growth.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares were up 23.0% in the quarter, driven by solid financial results. Revenues were up 12% year-over-year and AWS revenues were up 20% year-over-year to a run rate of over $85 billion, even though the company

[1] https://www.berkshirehathaway.com/letters/1989.html

guided to a deceleration as a result of the weaker macro environment, which is driving budget optimizations at customers. Shares also benefited from continued actions around cost discipline, including steps to meaningfully improve core North American retail profitability to pre-pandemic levels. While near-term uncertainty remains, Amazon has substantially more room to grow in e-commerce, where it has less than 15% penetration in its total addressable market in the U.S. (with a longer runway internationally). Amazon also remains the clear leader in the vast and growing cloud infrastructure market, with large opportunities in application software, including enabling AI workloads. Additional areas such as advertising (where Amazon still holds less than 5% market share), logistics, and health care further solidify the company's growth durability.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
UnitedHealth Group Incorporated	$440.9	–0.55%
Danaher Corporation	183.6	–0.19
Agilent Technologies, Inc.	40.9	–0.09
LPL Financial Holdings Inc.	15.9	–0.01

UnitedHealth Group Incorporated is the leading health care franchise in the U.S., with more than $350 billion in annual revenue. Following relatively strong performance in 2022, shares corrected 10.1% during the first quarter, along with other managed-care companies, primarily on sector rotation. Despite solid fourth-quarter results with 12% year-over-year revenue growth, 19% EPS growth, and a conservative initial 2023 guidance that fell within its 12% to 15% long-term earnings growth goal, investors stepped to the sidelines on concerns about proposed changes to the Medicare audit program, preliminary 2024 Medicare Advantage (MA) rates, and the impact of Medicaid recertification. We believe UnitedHealth is the best-positioned managed-care player, with a leading franchise in MA, the market's fastest growing segment. We expect continued strong growth and profitability, driven by positive demographic trends, effective cost management through economies of scale, industry-leading technology investments, enhanced expertise in population health, and a growing portfolio of providers, all of which enables UnitedHealth to keep and effectively manage more of its health care spending in-house.

Danaher Corporation is a life sciences and diagnostics company. For life sciences, Danaher supplies instruments for lab research, genomics services, and bioproduction tools. For the diagnostics business, the company supplies instruments to run clinical tests in large core labs, hospitals, pathology labs, and point of care. Shares declined 4.9% during the first quarter driven by a near-term headwind due to existing inventory reduction by biopharmaceutical customers. This is an industry-wide issue, and we remain positive on Danaher's long-term growth story. In particular, Danaher has a market-leading position and broad portfolio within bioprocessing, which addresses a biologics market growing by double digits and is positioned to benefit in the medium term from a wave of biosimilars entering the market after key patents expire. Danaher has a collection of high-quality assets, with targets of durable high single-digit core revenue growth and double-digit EPS growth.

Agilent Technologies, Inc. provides instruments, software, services, and consumables for the life sciences, diagnostics, and applied chemicals markets. Despite reporting solid financial results with 10% year-over-year core revenue growth and 13% EPS growth, shares declined 7.6% during the first quarter on investor anticipation of a tougher macro environment later in 2023. We continue to believe Agilent is well positioned for long-term durable growth, driven by innovation, new product development, and its end market and geographic mix. Over time, Agilent will benefit from a shift in its business mix to higher-growth pharmaceutical, diagnostics, and research markets, while its leading competitive positioning and scale should enable it to raise margins over time.

LPL Financial Holdings Inc., the largest independent broker-dealer in the U.S., is a new position for the Fund. The stock declined 6.4% in the first quarter, yet the favorable timing of our purchase led the stock to detract only a single basis point (0.01%) from our results. The weakness was largely driven by the stress to the banking system resulting from the bankruptcy of SVB, which caused investors to sour on financial stocks in general due to fears of contagion. We believe LPL is not exposed to the vast majority of issues facing banks. LPL is not a bank, has different regulators, and has a relatively small balance sheet. Over 95% of client cash is covered by FDIC insurance, and the limited securities LPL holds are U.S. Treasury bills with almost no interest rate or credit risk. The banking crisis has caused investors to take a more dovish view on the path of interest rates, which is a headwind to LPL's earnings as the economics on a large portion of client cash is tied to floating rates. However, we believe the company has a strong long-term earnings profile even in a lower interest rate environment, and stock weakness is being influenced by the short-term narrative. We go into more details over our long-term thesis and the reasons behind our decision to buy LPL in the Recent Activity section below.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark composition and weights) determining the size of each individual investment. Sector weights tend to be an outcome of the stock selection process and are not meant to indicate a positive or a negative *view*.

As of March 31, 2023, our top 10 positions represented 51.4% of the Fund, the top 20 were 83.4%, and we exited the first quarter with 30 investments (this compares to 49.9%, 82.6%, and 29 investments as of the end of 2022, respectively). As of the end of the first quarter, IT and Financials represented 62.7% of the Fund. Health Care, Communication Services, Consumer Discretionary, Consumer Staples, and Industrials represented another 36.5% of the Fund. Cash was the remaining 0.8%.

Table IV.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$2,146.0	$5.6	9.1%
Meta Platforms, Inc.	549.5	4.8	7.8
Amazon.com, Inc.	1,058.4	3.2	5.3
Visa Inc.	475.3	2.7	4.5
Arch Capital Group Ltd.	25.2	2.7	4.5
UnitedHealth Group Incorporated	440.9	2.7	4.4
Accenture plc	189.7	2.6	4.3
NVIDIA Corporation	686.1	2.4	3.9
Intuit Inc.	125.1	2.4	3.9
Monolithic Power Systems, Inc.	23.7	2.3	3.8

RECENT ACTIVITY

During the first quarter, we initiated two new investments, taking advantage of their share price volatility: the leading independent broker-dealer, **LPL**, and the leading global semiconductor manufacturer, **Taiwan Semiconductor Manufacturing Company**. We also took advantage of fund flows to increase 17 of our holdings. We reduced three positions and sold **Brookfield Asset Management**, the spun-off, pure asset-manager subsidiary of Brookfield Corporation, as we saw a better risk–reward in owning the parent company, to which we added.

Table V.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Taiwan Semiconductor Manufacturing Company Limited	$ 454.0	$1.1
LPL Financial Holdings Inc.	15.9	0.7
Brookfield Corporation	53.4	0.6
UnitedHealth Group Incorporated	440.9	0.5
Microsoft Corporation	2,146.0	0.5

We have admired **Taiwan Semiconductor Manufacturing Company Limited** (TSMC) for years and believe that short-term, industry-wide cyclical pressure has provided an attractive entry point for long-term investors.

Morris Chang founded TSMC in 1987 as the world's first dedicated semiconductor foundry. Until then, semiconductor chips were always designed *and* manufactured by the same company. TSMC introduced a groundbreaking new business model in which TSMC acted purely as a contract manufacturer. This business model proved to be highly successful. TSMC maintained a single-minded focus on improving its manufacturing process technology and enabled the emergence of innovative fabless companies, including NVIDIA, Apple, and Qualcomm, who became its key customers. While many other foundry competitors emerged over the years, TSMC has outcompeted them with superior execution, operating efficiency, high-quality customer service, and the benefits of economies of scale. Today, TSMC controls approximately 60% of the total semiconductor foundry market and has a near-monopoly in manufacturing the world's most advanced chips. TSMC enjoys high barriers to entry given the ever-increasing cost and technological complexity of semiconductor manufacturing, while customer relationships are becoming increasingly sticky.

We believe TSMC will sustain strong double-digit earnings growth for years to come, with continued market share gains driven by its superior technology, reliability, and customer service. We expect TSMC to continue to benefit from the virtuous cycle of its scale advantage – higher profits leading to higher R&D and capex investments, allowing for further technological differentiation, resulting in more profits. We expect TSMC will remain a key enabler of future technological innovation, including AI and High Performance Computing, and a major beneficiary of the increasing pervasiveness of chips, including in electric vehicles and IoT.

During the first quarter, we also took advantage of the sell-off in **LPL Financial Holdings Inc.** to establish a new position. LPL is the largest independent broker-dealer (IBD) in the U.S. The company helps independent financial advisors run their practices more efficiently and serve their clients more effectively. As Americans continue to seek financial advice and as the number of retirees grows, the total pool of assets managed by financial advisors continues to grow. Traditionally, most financial advisors worked as employees of large banks (known as wirehouses), but over time, advisors have begun to favor independent models in which they are the owner-operator of their own advisory practice. Advisors are favoring this independence as it allows them to both retain far more of the revenue they generate and affords them greater flexibility over how to run their business.

As the largest IBD, LPL can invest more than its competitors in developing the technology and capabilities that allow advisors to run their practices efficiently. LPL's scale allows it to spread these significant costs over a $1 trillion-plus asset base. Crucially this ability to manage costs also allows LPL to pay industry-leading economics to its advisors, who can earn payouts of over 90% of the revenue they generate.

Beyond technology, LPL has innovated a range of different advisor models that allow the advisor to outsource as much of their practice operations as they choose. This provides advisors a high degree of flexibility as they make the transition to independence and means that LPL can position itself as an attractive IBD to a wide range of advisors. As CEO Dan Arnold put it at LPL's 2022 Investor Day: *"[B]ack in '19, that [our traditional models] positioned us to serve about 100,000 advisors.... Now by extending those models, we now compete, at that time, for 200,000 of the advisors in the marketplace. And I think you've seen over the last couple of years, we've added as many as 50 practices, over 150 advisors in those models. It's been cool to continuously sort of invest and position those for what we believe are really interesting, appealing models that will create sustainable growth as we go forward."*

The combination of these benefits enables LPL to continue taking market share and attracting more assets onto its platform. This, in turn, reinforces LPL's scale advantages and the ability to make crucial investments that enhance the advisor experience. Besides adding assets and recruiting advisors to the platform, LPL is also a beneficiary of rising asset prices, which grow its base of assets under management. LPL also sweeps the uninvested cash balances that are held in its clients' accounts and earns a yield by placing this cash with banks that are seeking deposits, while maintaining a capital-light business model. With higher interest rates, LPL can earn a higher yield on client cash, which contributes to high margin earnings.

The sell-off in LPL's stock was caused by changing interest rate expectations, with the market now believing we are closer to peak interest rates, with possible cuts to come. While this is a headwind to LPL's earnings, we believe the risk–reward balance is favorable, as the company remains well positioned to continue winning new advisors and asset inflows. By leveraging its scale to continue developing its advisor offerings and reinforcing its competitive position, LPL should be a share gainer in a growing market. We believe that low-teens asset growth can generate similar growth in gross profit, while improving margins and significant share repurchases will drive earnings-per-share growth at a mid-high teens rate.

We also took advantage of the sell-off in **UnitedHealth Group Incorporated**'s stock to add to our position as we continue to like the company's long-term opportunity and competitive advantages. We also added to our **Microsoft Corporation** position because we believe the company will remain a key beneficiary of digitization trends for years to come. While the macro-driven slowdown in IT budgets may create near-term volatility, Microsoft remains well positioned to benefit from the growing adoption of cloud computing and the progress in AI (with its 49% ownership of ChatGPT's builder, OpenAI). Lastly, as mentioned earlier, we consolidated our Brookfield Asset Management holding into the parent company, **Brookfield Corporation**, following the spin-off.

Table VI.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cao or Market Cap When Sold (billions)	Amount Sold (millions)
NVIDIA Corporation	$686.1	$0.7
Brookfield Asset Management Ltd.	13.8	0.4
CME Group, Inc.	68.9	0.1
TE Connectivity Ltd.	41.5	0.0

As mentioned above, we eliminated our investment in **Brookfield Asset Management Ltd.** and reallocated capital into the parent company, Brookfield Corporation. The only other sale of any consequence was our trim of **NVIDIA Corporation**. We took some profits due to the stock's significant outperformance during the quarter in order to manage the position size, as it was becoming uncomfortably large and a little too *"in vogue"* for our taste. Despite the reduction, NVIDIA remains a high-conviction investment and is a top 10 holding in the Fund.

Outlook

First Quarter 2020 – For the first time in 100 years, we are reintroduced to a global pandemic.

First Quarter 2021 – The reopening trade leads to significant outperformance for "value" sectors (e.g., energy, legacy banks, and airlines) for the first time in over a decade.

First Quarter 2022 – Russia invades Ukraine and exacerbates COVID-19-driven supply-chain challenges, pushing up inflation and compressing the pace of the Fed's tightening cycle.

First Quarter 2023 – SVB, the 16th largest bank in the U.S., collapses after a run on the bank, the largest bank crash since 2008. The 167-year-old financial institution, Credit Suisse, is sold for $3.2 billion to UBS in a takeover brokered by the Swiss National Bank.

Care to offer the outlook for the first quarter of 2024? We sure do not.

Skeptical investors often ask, if we have no confidence in forecasting the next three months or the next year, how can we have confidence in forecasting 5 or 10 years into the future? While this skepticism is understandable, we believe it is misplaced. Short-term stock price fluctuations (and company fundamentals) are disproportionately affected by the macro and by factors outside a company's control. We believe most of these factors are impossible to predict accurately with any consistency. However, it turns out that a business's uniqueness, the durability of its competitive advantages, its management's ability to prudently allocate capital and to earn high rates of return on the company's investments can be analyzed and therefore forecasted far more accurately over longer periods of time. Sure, qualitative things like a company's culture, the strength of its management team, and even the disruptive change analysis are all subjective; assessing them requires both analytical experience and a healthy margin of safety, but at the end of the day, there are only a handful of variables that go into the intrinsic value equation:

- How big is the opportunity?
- What market share can the company reasonably expect to get?
- How economically profitable would this business be at maturity?
- What is the cost of capital?
- And what is the terminal growth rate?

These are the variables that long-term owners of a business care about and spend their time researching. Over the last three months, we believe these variables have been moving in the right direction for most of our portfolio companies. Interestingly, although the Fed's rhetoric remains hawkish with "more inflation fighting left to be done," the 10-Year U.S. Treasury yield has fallen from around 3.9% at year-end 2022 to around 3.4% as we write this letter. Similarly, real rates, as measured by the yield on 10-Year U.S. TIPS have dropped from around 1.6% to around 1.1% over the same period. Just sayin'….

Every day, we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

Our goal is to invest in large-cap companies with, in our view, strong and durable competitive advantages, proven track records of successful capital allocation, high returns on invested capital, and high free-cash-flow generation, a significant portion of which is regularly returned to shareholders in the form of dividends or share repurchases. It is our belief that investing in great businesses at attractive valuations will enable us to earn excess risk-adjusted returns for our shareholders over the long term. We are optimistic about the prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.

Sincerely,

Alex Umansky
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: The Fund invests primarily in equity securities, which are subject to price fluctuations in the stock market. In addition, because the Fund invests primarily in large-cap company securities, it may underperform other funds during periods when the Fund's securities are out of favor. 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 managers 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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Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero.

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JEFFREY KOLITCH

PORTFOLIO MANAGER

Retail Shares: BRIFX
Institutional Shares: BRIIX
R6 Shares: BRIUX

Dear Baron Real Estate Income Fund Shareholder:

Performance

Baron Real Estate Income Fund® (the Fund) increased 4.73% (Institutional Shares) in the first quarter of 2023, outperforming the MSCI US REIT Index (the REIT Index), which increased 2.39%.

We are pleased to report that as of March 31, 2023, the Fund has maintained its:

- **Top 2% ranking among all real estate funds for its 5-year performance period**
- **5-Star Overall Morningstar Rating™**

We will address the following topics in this letter:

- Our current top-of-mind thoughts
- Is a commercial real estate crisis on the horizon? (*preview*: in our opinion, no!)
- The prospects for REITs in the public markets (preview: we are bullish)
- Portfolio composition and key investment themes
- Examples of best-in-class REITs and non-REIT real estate-related companies that are attractively valued
- A review of recent activity managing the Fund
- Concluding thoughts on the prospects for real estate and the Fund

Our bottom-line message:

- Though we are mindful of key risks to the equity and real estate market outlook, we are optimistic about the near-term and long-term prospects for public real estate.
- We believe there is a strong case to include an allocation to an actively managed public real estate strategy with a strong long-term track record in a diversified investment portfolio.
- We believe the Fund – with the demonstrated merits of our actively managed REIT and income-oriented investment approach – is a compelling real estate mutual fund choice.

As of 3/31/2023, the Morningstar Ratings™ were based on 233, 209, and 233 share classes for the 3-year, 5-year, and Overall periods, respectively. The Baron Real Estate Income Fund received 4 Stars, 5 Stars, and 5 Stars, respectively. The Morningstar Ratings™ are for the Institutional Share Class only; other classes may have different performance characteristics. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

As of 3/31/2023, the Morningstar Real Estate Category consisted of 257, 233, and 209 share classes for the 1-, 3-, and 5-year periods. Morningstar ranked Baron Real Estate Income Fund Institutional Share Class in the 74th, 17th, and 2nd percentiles for the 1-, 3-, and 5-year periods, respectively.

Morningstar calculates the Morningstar Real Estate Category Average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The **Morningstar Rating™** for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/ 40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10- year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

BARON FUNDS® 1987

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Real Estate Income Fund Retail Shares[1,2]	Baron Real Estate Income Fund Institutional Shares[1,2]	MSCI US REIT Index[1]
Three Months[3]	4.54%	4.73%	2.39%
One Year	(21.98)%	(21.78)%	(20.17)%
Three Years	12.35%	12.63%	10.76%
Five Years	9.01%	9.24%	4.79%
Since Inception (December 29, 2017) (Annualized)	7.27%	7.51%	2.83%
Since Inception (December 29, 2017) (Cumulative)[3]	44.57%	46.24%	15.76%

Our Current Top-of-Mind Thoughts

Following an eventful and volatile first three months of 2023, our current views can be summarized as follows:

We remain optimistic about the prospects for the stock market, public REITs and non-REIT real estate securities, and the Baron Real Estate Income Fund.

Though the first three months of 2023 have been full of negative developments – bank failures, the likelihood of a further slowdown in bank lending, and the possibility of a sooner-than-expected economic recession – and there are valid reasons for being cautious about the 2023 outlook, our views regarding the prospects for the stock market, REITs and non-REIT real estate securities, and the Fund remain the same.

Despite our expectation for ongoing stock and bond market volatility, we remain optimistic about the full-year prospects for the stock market, public real estate securities, and the Fund, and bullish looking out two to three years.

We continue to believe that 2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 reverse course (e.g., multi-decade high inflation and rising interest rates) and become tailwinds in 2023, thereby contributing to solid full-year returns.

For our more complete thoughts on the prospects for real estate, please refer to "The prospects for REITs in the public markets" later in this letter.

We do not believe that a commercial real estate crisis is on the horizon.

In the last few months, there have been several sensationalized news articles and television reports predicting a forthcoming commercial real estate crisis. We do not agree with this view.

We agree with the perspective of *Bridgewater Associates, LP*, a highly respected money manager founded by Ray Dalio, who said the following on March 30, 2023:

"We don't think commercial real estate (CRE) is a systematic risk, in large part because the sector lacks the problems that existed in (mostly residential) real estate in the late 2000s: bad lending standards, lots of leverage, and a supply glut following a construction boom. CRE is a highly diverse sector that includes one troubled sub-sector in offices (about 15% of the market), but also apartments, hospitals, warehouses, data centers, nursing homes, retail, and more. Commercial construction activity is also quite subdued relative to the early 1990s, when a CRE bust led to a wave of losses. While there are strains at some regional banks, the better underwriting practices and the run-up in prices over the last decade will mute the loss cycle."

Please refer to "Is a commercial real estate crisis on the horizon?" later in this letter for our more complete thoughts on this topic.

The valuations of several REITs and non-REIT real estate companies are cheap.

We believe the correction in real estate share prices in 2022 and the ongoing share price weakness for several real estate companies in the first three months of 2023 have created several compelling investment opportunities.

- A good portion of public real estate – including both REITs and non-REIT real estate-related companies – is attractively valued relative to historical averages.
- Public real estate securities are currently highly discounted relative to private real estate alternatives.

Jon Gray, President of **Blackstone Inc.**, one of the largest and most respected real estate investors in the world, said the following on the company's quarterly earnings call in the summer of 2022:

"The best opportunities today are clearly in the public markets on the screen and that's where we're spending a lot of time."

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.32% and 0.96%, respectively, but the net annual expense ratio was 1.05% and 0.80% (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, 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.

1 The **MSCI US REIT Index** is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The index is 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.

More recently, in January 2023, Nadeem Meghji, Blackstone's Head of Americas Real Estate, said the following:

"We have ample capital to play offense in a world where we think there's going to be some interesting deployment opportunities. [Blackstone] is targeting publicly traded real estate investment trusts (REITs), which are trading at discounts."

In a March 2023 report, *Green Street Advisors*, a highly regarded third-party real estate research firm, said the following regarding the relative valuations of public REITs versus private real estate:

"Listed REITs trade at a sizable discount to the private market."

Our real estate team continues to work hard to take advantage of the "sell now and ask questions later" mentality that has been pressuring several public real estate stocks by purchasing best-in-class real estate companies at highly discounted valuations. We believe several of our recent purchases are "on-sale gifts" that we expect will contribute to strong long-term real estate returns.

Several of the best real estate purchases we made in the last 17 years have occurred during periods of financial and real estate market distress when real estate stocks correctly sharply, in many cases, with little regard to value – during the Global Financial Crisis (GFC) of 2007 to 2009 and the early days of COVID-19 from March to May of 2020. We believe similar opportunities to purchase discounted real estate shares have surfaced more recently in 2022 and 2023.

For examples of attractively valued REITs and non-REIT real estate-related companies, please refer to "Examples of best-in-class REITs and non-REIT real estate companies that are attractively valued" later in this letter.

Is a Commercial Real Estate Crisis on the Horizon?

Ever since the March 2023 collapse of Silicon Valley Bank, Signature Bank, and Credit Suisse, news reports predicting an impending commercial real estate crisis have been rampant. **In our opinion, forecasts of widespread distress in commercial real estate are unduly alarming, sensationalized, and unlikely to materialize.**

Though we are cognizant of the reasons to be cautious about the outlook for certain segments of commercial real estate, our preliminary sense is:

- The likelihood of a widespread commercial real estate crisis is low.
- The majority of real estate distress will be limited to a and manageable portion of class B and C office buildings.
- The risks to most banks and commercial real estate companies are likely to be earnings issues, which should lead to a slowdown in growth – a further contraction in lending and more restrictive financing terms in the form of higher interest rates and lower loan amounts for construction, land development, and real estate acquisitions – rather than solvency issues (reports suggest that most banks and commercial real estate companies are appropriately capitalized).

Near-term bank credit and commercial real estate outlook

Though we do not have a crystal ball into the macroeconomic, banking, and commercial real estate outlook, we anticipate:

- A tightening of bank credit conditions

  We expect a reduction in lending – in part due to the possibility of some banks hoarding deposits, a higher bar for incremental capital outlays, increased scrutiny of existing loan books, tighter bank regulations, and lower commercial real estate values – but we believe the likelihood of a widespread credit crunch is low. We anticipate that the tightening in credit will be focused in challenged commercial real estate segments and geographic markets – namely, class B and C office buildings.

  In our opinion, a further pullback in credit is likely to result in a similar outcomes to those that the Fed's interest rate increases were intended to achieve – that is, slower economic growth, more job losses, and lower inflation. In fact, current credit conditions could ultimately expedite the Fed achieving its inflation goal, potentially allowing it to not go as far as is currently anticipated. Ultimately, we continue to believe that many of the 2022 headwinds (higher interest rates and multi-decade high inflation) and tailwinds (economic growth) are likely to reverse course.

- A rise in commercial real estate delinquency rates, though largely contained to certain office buildings

  Higher debt service and refinancing costs and a moderation in growth are likely to lead to an ongoing uptick in commercial real estate delinquency rates. However:

  - Delinquency rates remain well below historical levels for most commercial real estate.
  - We expect commercial real estate challenges to be largely isolated to class B and C office real estate, and, to a lesser extent, retail real estate.
  - We expect losses to banks will be smaller than feared because lending standards have been more conservative than in the past (e.g., GFC) – higher debt service coverage ratios and lower loan-to-values – and property prices have mostly increased in the last 5 to 10 years.
  - As of February 2023, commercial real estate delinquency rates remained at only 3.12%, which compares favorably to the 10.32% delinquency rate during the COVID pandemic and the 10.34% delinquency rate during the GFC. (*Source: Trepp, Goldman Sachs Global Investment Research – Goldman Sachs Research: State of CRE, March 13, 2023)*

- A moderation in commercial real estate growth

  We expect commercial real estate growth to slow due to our expectations of tighter credit conditions, increased unemployment, moderating economic growth, and slowing growth in leasing activity, real estate development, and acquisitions.

A comparison of current conditions versus the GFC

In our opinion, **the likelihood of systemic risk to the economy from certain commercial real estate challenges is low**. This stands in stark contrast to the U.S. housing collapse that contributed to the GFC.

We agree with Lloyd Blankfein, former CEO of Goldman Sachs, who said the following on *CNBC* on March 22, 2023, when comparing today's bank challenges to the challenges that occurred during the GFC:

"It's a lot different. In 2008, you had bad assets and people did not know if the assets were very valuable or valueless. It turned out to be more valueless than valuable. Here you have the best assets in the world in most cases – sound mortgages and U.S. government debt, best credits in the world – but it's obviously a duration problem. The problem is not as widespread. The banking system is in much better shape than it was before. Much more highly capitalized. Does not involve the biggest banks. Which, of course, was much more systemic at the time."

We are also encouraged by the findings of a recent analysis completed by **CBRE Group, Inc.** which estimates the future debt refinancing shortfall for various commercial real estate categories.

In the last few years, a large portion of commercial real estate was financed with historically low interest rates, which contributed to a rise in commercial real estate property values. Now, following the Federal Reserve's 2022/23 aggressive campaign to raise interest rates and lower inflation, portions of commercial real estate face refinancing headwinds in the form of higher borrowing costs and lower loan availability, in some cases due to lowered commercial real estate building values.

According to CBRE, the sharp rise in interest rates and more restrictive lending conditions may result in a *debt-funding gap* for certain real estate borrowers when refinancing debt. A debt-funding gap may occur when a borrower seeks to refinance real estate debt at a time when the expected value of a real estate property has declined and/or less debt is provided by the lender (lower loan-to-value). New loan proceeds may not be sufficient to repay the debt coming due.

CBRE analyzed 5-year commercial real estate loans originated in 2018, 2019, and 2020 and the cumulative 2023 to 2025 debt-funding gap upon refinancing. CBRE also compared the coming debt-funding gap to that of the GFC. Overall, we view CBRE's key commercial real estate findings as much better than feared:

- Between 2023 and 2025, CBRE forecasts that the debt refinancing gap will be almost entirely limited to office owners. Office owners are expected to have a debt refinancing gap of $53 billion (in our opinion, this amount is not alarming). Retail real estate is expected to have a modest debt refinancing gap of only $3 billion. Apartment and industrial owners are not forecasted to have any debt refinancing gap.
- Regarding the office sector, if a debt-funding gap exists, some office landlords may choose to add more equity and/or other financing sources (mezzanine debt) to pay off the existing loan. They may also negotiate a discounted payoff with the lender or an extension and modification of loan terms if property income conditions are expected to improve. Some office building borrowers may default on the loan and *hand back the keys* of the building to the lender.
- The heavy concentration of expected debt-funding gaps in the office sector differentiates the current funding gap from the GFC when large funding gaps were prevalent across all major commercial real estate sectors (office, retail, multi-family, and industrial).

We think the likelihood of a commercial real estate crisis is low

Despite our expectation for a more restrictive real estate lending environment and moderating growth, we remain optimistic about the prospects for most commercial real estate categories and believe the likelihood of a commercial real estate crisis is low.

Our perspective is as follows:

- Commercial real estate business prospects (expectations for occupancy, rent, and cash-flow growth), though slowing, are still expected to be positive in most cases.
- New construction activity has been and is expected to remain low. The dearth of new real estate construction compares favorably versus past real estate cycles when the overbuilding of commercial and residential real estate contributed to a deterioration in real estate business prospects. Today, the lack of overbuilding of real estate and the lack of new construction activity planned in the next few years should help to mitigate any weakness in real estate fundamentals should economic conditions deteriorate.
- Real estate debt profiles – the amount of debt relative to cash flow, the mix of fixed versus floating rate debt, annual debt maturity schedules – are in most cases manageable. Most of the debt coming due in the next few years was originated with good lending standards and no big oversupply of real estate.
- We believe the odds of a banking crisis and a deep recession are low. Unlike the period during the GFC, the banking system today is well capitalized and ample liquidity. We believe the banking system is resilient and sound.
- Regarding the possibility of real estate loan defaults, our view is that it will be mostly isolated to a manageable portion of class B and C office real estate and many lenders will choose to work with their borrowers to modify loan terms rather than *hand back the keys* to the office buildings.
- Should economic, bank, and real estate distress emerge, we suspect the Federal Reserve will reverse course and lower interest rates thereby nullifying near-term headwinds.

For our more complete thoughts on the outlook for real estate, please see "The prospects for REITs in the public markets" below.

The Prospects for REITs in the Public Markets

Though we are cognizant that higher financing costs and tighter financing conditions will likely result in moderating growth, we believe valuations of most REITs and other non-REIT real estate companies already reflect these potential headwinds given the recent share price corrections.

As we peer ahead to the balance of 2023 and to 2024, we continue to believe the set up for REITs is attractive.

We believe the recent underperformance of REITs and other real estate-related companies may lead to improved absolute and relative performance.

At this stage, we believe the near-term and long-term prospects for real estate in the public markets are compelling.

Near-Term Case for REITs and Other Non-REIT Real Estate Companies

- REITs corrected sharply in 2022.

  The 25% decline in the REIT Index in 2022 is the 2nd worst year of REIT performance since the dawn of public REITs more than 30 years ago in 1991. The worst year on record for REIT performance was in 2008, a period marked by the GFC, when the REIT Index declined 37%.
- Historically, REITs have rebounded following periods of large declines.

  Since 2000, there have been seven years when REITs declined (not including 2022).

  Notably, in six of the seven down years, REITs rebounded with positive performance the following year. The only time REITs did not bounce back in the year following a down year was in the two-year period of the GFC when REITs declined in both 2007 and 2008. Back then, a credit crisis, over-levered balance sheets, and an excess of real estate inventory weighed on REIT performance. In our opinion, the issues that weighed on REIT performance during the GFC are not in place today.

Below is a table showing how REITs and other real estate-related companies have often outperformed the broader market coming out of market downturns.

		Cumulative Returns (%)			
		MSCI US REIT Index	iShares U.S. Home Construction ETF	MSCI USA IMI Extended Real Estate Index	S&P 500 Index
Global Financial Crisis	Drawdown Period (1/31/2007 to 2/28/2009)	–70.20	–81.93	–64.67	–46.43
	Recovery Period (2/28/2009 to 4/30/2013)	256.73	235.94	206.80	137.49
COVID-19 Pandemic	Drawdown Period (10/31/2019 to 3/31/2020)	–29.00	–34.96	–27.94	–14.16
	Recovery Period (3/31/2020 to 4/30/2021)	47.04	154.29	74.66	64.70
Inflation Induced Rate Hike Economic Slowdown	Drawdown Period (12/31/2021 to 9/30/2022)	–28.86	–36.80	–29.94	–23.87
	Current Recovery Period (9/30/2022 to 3/31/2023)	7.41	35.62	13.85	15.62

Sources: MSCI Inc., S&P Dow Jones Indices, and FactSet Prices.

- REIT valuations have become more reasonable.

  Various measures of REIT valuations improved from 2022 into early 2023. Implied capitalization rates increased from about 4.5% range in January 2022 to approximately 6.0% in March of 2023. Earnings multiples (Funds from Operations) declined from 24 times earnings at the beginning of 2021 to 19 times earnings as of March 31, 2023. Many public REITs are currently valued at significant discounts to replacement cost and estimates of net asset value.

  However, financing costs increased sharply last year. For example, 7- to 10-year BBB bonds increased from 2.8% early in 2022 to 5.5% in March of 2023. As such, the relative valuation of REITs versus bonds did not improve to the same degree as the absolute valuation improvement.

  Should long-term interest rates begin to decline and credit spreads compress, REIT return prospects may also benefit from an improvement in valuations as valuation multiples expand (e.g., capitalization rates compress).

- Several REITs and non-REIT real estate companies are cheap.

  We continue to believe the correction in REITs and non-REIT real estate share prices in 2022 and the ongoing weakness for some companies in the first three months of 2023, has created several compelling investment opportunities. Real estate companies that we consider best-in-class are rarely valued at discounted prices, but now is one of those rare occasions.

  We are identifying real estate companies that offer prospects for both valuation multiple expansion (or cap-rate compression) and two- to three-year earnings or cash flow growth. We prioritize real estate companies that have this two-pronged return profile because they have the potential to generate better returns.

  For examples of attractively valued REITs and non-REIT real estate-related companies, please refer to "Examples of best-in-class REITs and non-REIT real estate companies that are attractively valued" later in this letter.

- The current real estate environment is far superior relative to prior real estate cycles.

  In the past, trouble for real estate surfaced following the excessive use of leverage and overbuilding (i.e., the historical "curse" of real estate). This occurred in the 1980s and precipitated the recession in the 1990s and a severe correction in real estate occupancy and rents. The housing crash of 2008 was triggered by cheap credit, lax lending standards, extreme use of leverage, and overbuilding.

  Today, real estate is in a good place relative to prior economic slowdowns and recessions.

  In most cases, the use of debt has been disciplined relative to history. Companies, households, real estate landlords and developers, banks, and other financial institutions generally maintain balance sheets that are liquid with appropriate levels of leverage, fixed-rate debt, and staggered debt maturities.

  REITs, for example, have leverage ratios (net debt divided by cash flow) of only 5.5 times, on average, versus a peak of more than 8.5 times during 2008-2009. (*Source: Citi Research)*

  Commercial and residential real estate are not overbuilt, and expectations for new supply are not concerning. Expectations for construction activity are modest due to elevated land, material, and labor costs and expectations for a slowdown in economic growth. According to data provided by *Green Street Advisors*, expectations for commercial real estate construction (annual construction completions as a percent of existing inventory) from 2023 to 2026 are expected to be only 1.5% for apartments, 1.0% for wireless towers and hotels, 0.8% for office buildings, 0.3% for shopping centers, and 0.1% for retail malls.

  Based on research by *Green Street Advisors*, recent occupancy rates for several real estate categories compare favorably relative to prior periods. For example, industrial real estate occupancy is currently 96%, on average, versus 88% in 2009. Self-storage facilities average occupancy levels are 94% versus 81% in 2009. The average occupancy rate for manufactured housing is 97% versus 87% in 2009. (*Source: Green Street Advisors*)

  Given the broadly favorable relationship between demand and supply of commercial and residential real estate, we expect declines in commercial occupancy and rents and most residential home prices, should a recession unfold, to be modest and short lived.

- Substantial private capital is still in pursuit of real estate ownership.

  We believe that real estate merger and acquisition activity will re-emerge when the debt markets stabilize, and economic prospects improve.

  According to *Preqin Pro*, more than $400 billion of capital has been raised by private equity sources to invest in real estate. This amount equates to more than $1.3 trillion of total real estate purchasing capacity, assuming typical 70% financing. The aggregate buying potential of $1.3 trillion is more than 85% of the enterprise value of all publicly traded U.S. REITs!

We anticipate that large amounts of capital from private equity investors such as Blackstone and **Brookfield Corporation**, sovereign wealth funds, endowments, pension funds, and others will look for opportunities to step in and capitalize on the opportunity to buy quality public real estate when it is valued at a discount relative to the private market. This embedded put scenario should limit downside for public valuations and stock prices.

- REITs may be appealing in a slow economic growth or recessionary environment.

  Should the contraction in economic growth evolve into no worse than a mild recession and the path of interest rates peaks in 2023 at levels not much higher than current rates, we believe the shares of certain REITs may perform relatively well given that:

  – Business fundamentals and prospects for many REITs remain solid although slower growth is expected in 2023
  – The contractual nature of cash flows provides a high degree of visibility into near-term earnings growth
  – Balance sheets are generally in good shape
  – Dividend yields are well covered by cash flow and are growing for most REITs
  – Several REITs have inflation-protection characteristics

Long-Term Case for Real Estate

We believe the long-term case for public REITs is compelling.

- Solid historical long-term returns with ongoing potential

  For the 25-year period ended March 31, 2023, U.S. equity REITs have delivered a better cumulative return than the S&P 500 Index, fixed income alternatives, international equities, and commodities.

  Since the Fund's inception on December 29, 2017 through March 31, 2023, the Fund has delivered a cumulative return of 46.24% (Institutional Shares), almost triple the 15.76% return of the REIT Index.

  We remain optimistic about the potential for real estate to generate solid long-term absolute and relative performance.

  – Real estate continues to offer diversification benefits.

    According to FactSet, over the last 25 years (through 3/31/2023), REITs have provided diversification benefits due to their modest correlation versus stocks (0.63 versus S&P 500 Index) and low correlation versus bonds (0.26 versus Bloomberg Barclays U.S. Aggregate Index).

  – Real estate offers valuable inflation protection.

    Historically, certain real estate businesses have had the ability to raise prices to provide inflation protection.

    Real estate property owners in supply-constrained areas are often able to pass along higher operating costs by raising rents in periods of rising inflation. Some leases include annual fixed upward lease rent escalators. Real estate owners with short-lease durations in supply-constrained markets are well equipped to raise rents to combat inflation.

    Further, the price of a property can be measured in relation to the current cost of land, materials, and labor that would be required to build a replacement. Since replacement costs tend to rise with inflation, real estate is often viewed as a partial hedge against inflation and a good store of value.

Portfolio Composition and Key Investment Themes

As of March 31, 2023, the Fund's net assets were invested as follows: REITs (82.8%), non-REIT real estate companies (14.1%), and cash (3.1%). The Fund currently has investments in 11 REIT categories. Our exposure to REIT and non-REIT real estate categories is based on our research and assessment of opportunities in each category on a bottom-up basis (See Table II below).

Table II.
Fund investments in REIT categories as of March 31, 2023

		Percent of Net Assets
REITs		82.8%
Industrial REITs	25.3%	
Self-Storage REITs	14.9	
Health Care REITs	9.3	
Multi-Family REITs	9.1	
Data Center REITs	8.9	
Wireless Tower REITs	4.5	
Triple Net REITs	3.9	
Single-Family Rental REITs	3.7	
Manufactured Housing REITs	2.0	
Hotel REITs	0.7	
Other REITs	0.5	
Non-REIT Real Estate Companies		14.1
Cash and Cash Equivalents		3.1
Total		100.0%*

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

A few observations regarding the composition of the Fund include:

Number of holdings: We have decreased the number of REITs and non-REIT real estate-related companies held in the Fund from a peak of 42 companies on June 30, 2021, to 29 companies on March 31, 2023. During this period, we have prioritized our highest conviction best-in-class REITs and non-REIT real estate companies. Conversely, we have trimmed or exited holdings in real estate companies that have more leveraged balance sheets, are small and less liquid, or are geographically exposed to real estate markets that face headwinds.

We continue to prioritize two high-conviction investment themes:

Secular growth real estate companies: Our long-term focus is on real estate companies that benefit from secular tailwinds where cash-flow growth tends to be durable and less sensitive to a slowdown in the economy. Examples include our investments in data centers, wireless tower, industrial logistic, and life science real estate companies. As of March 31, 2023, secular growth real estate companies represented approximately 39% of the Fund's net assets.

Short-lease duration real estate with pricing power: We have continued to emphasize real estate companies that are able to raise rents and prices on a regular basis to combat inflation. Examples include the Fund's investments in self-storage, apartment, single-family home rental, manufactured housing, and hotel real estate companies. As of March 31, 2023, short-lease duration real estate companies represented approximately 30% of the Fund's net assets.

Secular growth real estate companies (39% of the Fund's net assets)

Industrial REITs (25.3%): Strong business fundamentals fueled by growth in online sales as businesses and consumers relentlessly seek faster delivery and additional unique demand drivers such as companies seeking to improve supply-chain resiliency by carrying more inventory (shift from "just in time" to "just in case" inventory) bode well for the continuation of excellent tenant demand and strong rent increases for industrial REITs. With industry vacancies estimated at less than 4% and rents on in-place leases at more than 50% below market rents, we believe the Fund's investments in industrial warehouse REITs **Prologis, Inc.**, **Rexford Industrial Realty, Inc.**, **EastGroup Properties, Inc.**, **Terreno Realty Corporation**, and **First Industrial Realty Trust, Inc.** have compelling multi-year cash-flow growth runways.

Data Center REITs (8.9%): We remain bullish on the prospects for data center REITs such as **Equinix, Inc.** because we believe demand prospects are improving (e.g., bookings of new leases and rent pricing), construction is moderating due to higher costs, and valuations are discounted relative to recent data center acquisitions.

Long term, most data center REITs are poised to benefit from the secular growth tailwinds such as outsourcing of information technology, increased cloud computing adoption, and growth in U.S. mobile data and internet traffic.

The rapid transition to a world of computer screen meetings and conferencing should also benefit data centers due to the need to store a greater library of data to conduct and support these virtual online meetings.

Regarding the Fund's investment in **Digital Realty Trust, Inc.,** we believe the company's valuation is compelling following the 43% correction in its share price in 2022 and modest decline in the first three months of 2023. We would note, however, that we continue to closely monitor the company because business execution and quarterly results have disappointed at various points in the last few years.

Wireless Tower REITs (4.5%): In the first quarter, we decreased our investments in wireless tower REITs due to our expectation that growth would moderate in 2023 and perhaps the next few years due to higher financing costs, upcoming debt maturities, wireless carrier decommissioning, international headwinds (in Latin America and India), and foreign exchange headwinds.

We remain positive on the long-term secular growth trends under-pinning wireless tower REITs including strong secular growth expectations for mobile data usage, 5G technology, autonomous cars, connected homes, and 3D video; all of which will require increased wireless bandwidth and increased spending by mobile carriers.

As shares are becoming more attractively valued with growth headwinds better understood, we may look to opportunistically re-acquire shares given the compelling absolute and relative multi-year growth prospects that are visible and supported by long-term customer contracts.

Life Science REITs (0.5%): Though we remain bullish on the long-term prospects for **Alexandria Real Estate Equities, Inc.**, the life science industry leader and sole publicly traded life science pure play REIT, we decreased our investment in the company in the most recent quarter due to: (i) concerns that a more challenged economic and capital markets environment could lead to distress for some of the company's biotechnology and health care tenants; (ii) the possibility of tenant defaults; and (iii) the possibility that competitive supply will increase from the conversion of traditional office buildings to life science buildings.

We continue to closely monitor the company and may look for an opportunity to purchase additional shares in the future.

Short-lease duration REITs (30% of the Fund's net assets)

Self-Storage REITs (14.9%): We remain optimistic about the Fund's investments in self-storage REITs **Public Storage Incorporated**, **Extra Space Storage Inc.**, and **CubeSmart**.

Long term, there is a lot to like about self-storage businesses. Monthly leases provide an opportunity for landlords to increase rents and combat inflation. Self-storage facilities do not tend to require significant ongoing capital expenditures. Elevated construction costs are constraining new construction. Should economic growth continue to decelerate and perhaps lead to a recession, self-storage business fundamentals have historically held up well during economic downturns. We also believe there is a wall of capital from private equity companies that is interested in acquiring self-storage real estate should valuations in the public market become attractive relative to other opportunities.

Multi-Family REITs (9.1%): In the first quarter of 2023, we increased our exposure to apartment REITs **Equity Residential** and **AvalonBay Communities, Inc.** A large portion of the 2023 operating outlook that caused us to lower exposure in 2022 has been reflected in apartment REIT share prices with most apartment REITs valued at 6.5% capitalization rates and 25% to 30% discounts to net asset value. Rental apartments continue to benefit from the current homeownership affordability challenges. Multi-family REITs provide partial inflation protection to offset rising costs due to leases that can be reset at higher rents, in some cases, annually.

Single-Family Rental REITs (3.7%): We remain optimistic about the Fund's investments in single-family rental REITs **Invitation Homes, Inc.** and **American Homes 4 Rent**. Demand conditions for rental homes are attractive due to the sharp decline in home affordability; the propensity to rent in order to avoid mortgage down payments, avoid higher monthly mortgage costs, and maintain flexibility; and the stronger demand for home rentals in suburbs rather than apartment rentals in cities. Rising construction costs are limiting the supply of single-family rental homes in the U.S. housing market. This limited inventory combined with strong demand is leading to robust rent growth.

Both Invitation Homes and American Homes 4 Rent have an opportunity to partially offset inflation given that in-place annual leases are significantly below market rents. Valuations are compelling at mid-5% capitalization rates and public market implied valuations of owned homes at significant discounts to home acquisition costs.

Near term, we are mindful that expense headwinds and slower top-line growth are likely to weigh on growth in 2023. We will continue to closely monitor business developments and will adjust the Fund's exposure accordingly.

Manufactured Housing REITs (2.0%): We remain bullish regarding the prospects for our investments in manufactured housing REITs **Sun Communities, Inc.** and **Equity Lifestyle Properties, Inc.**

Sun Communities and Equity Lifestyle Properties are part of a niche real estate category that we expect to continue to benefit from favorable demand and supply dynamics. Both companies are the beneficiaries of strong demand from budget-conscious home buyers such as retirees and millennials, and negligible new inventory due to high development barriers. Demand for affordable outdoor vacations also remains strong.

Sun Communities and Equity Lifestyle Properties have strong long-term cash flow growth prospects and low capital expenditure needs. If the macroeconomic environment worsens, we expect business results to be resilient.

Other REIT and non-REIT investments (27% of the Fund's net assets)

Health Care REITs (9.3%): We are optimistic about our health care REIT investments in **Welltower Inc.** and **Ventas, Inc.** Health care real estate fundamentals are improving (rent increases and occupancy gains) against a backdrop of muted supply growth in the next two to three years due to increasing financing and construction costs and supply-chain challenges. The long-term demand outlook is favorable, driven in part by an aging population, which is expected to accelerate in the years ahead. Despite our optimism for long-term prospects for health care real estate, we are closely monitoring near-term elevated expense headwinds combined with a slower-than-expected recovery in leasing and occupancy.

Triple Net REITs (3.9%): We remain optimistic about our triple net gaming REIT investments in **VICI Properties Inc.** and **Gaming and Leisure Properties, Inc.** The companies primarily own quality casino and gaming real estate properties. They have attractive dividend yields in the 5% to 6% range that are well covered, accretive acquisition growth opportunities, and are, in our opinion, attractively valued. Additionally, we increased our exposure to VICI in the most recent quarter due to expectations for strong growth in the year ahead.

Non-REIT Real Estate Companies (14.1%): We emphasize REITs, but have the flexibility to invest in non-REIT real estate companies. We tend to limit these to no more than 20% to 25% of the Fund's net assets. At times, some of our non-REIT holdings may present superior growth, dividend, valuation, and share price appreciation potential than many REITs.

We are bullish about the prospects for the Fund's non-REIT real estate investments. They include: **Brookfield Corporation**, **Brookfield Renewable Corporation**, **Brookfield Infrastructure Corporation**, **Brookfield Asset Management Ltd.**, **Toll Brothers, Inc.**, and **Cellnex Telecom, S.A.**

EXAMPLES OF BEST-IN-CLASS REITS AND NON-REIT REAL ESTATE COMPANIES THAT ARE ATTRACTIVELY VALUED

We believe several best-in-class public REITs and non-REIT real estate-related companies are *on sale* relative to history and relative to private real estate alternatives. We believe the favorable arbitrage between public and private real estate valuations bodes well for the return prospects of public real estate companies in the next few years.

In our judgment, characteristics of a best-in-class real estate company are:

- Owns unique and well-located real estate assets in markets with high barriers to entry combined with attractive long-term demand demographics
- Enjoys strong long-term growth prospects together with a leading competitive position
- Maintains a conservative and liquid balance sheet
- Employs an intelligent and motivated management team that is an excellent allocator of capital and has interests aligned with shareholders

Our view is that special best-in-class real estate companies should generate superior returns over the long term.

The Fund is chock full of best-in-class companies that are *on sale* and offer prospects for strong returns in the years ahead. Examples include:

REITs

Equity Residential is the largest U.S. apartment REIT with 80,000 high-quality apartment units concentrated in coastal markets with strong barriers to entry, compelling resident income/demographics, and high cost home ownership. The company maintains a strong and liquid balance sheet.

It is valued at a 6.4% implied capitalization rate representing a discount to private market transactions in the high 4% to 5% capitalization range. At its public market implied valuation of only $450,000 per apartment, its shares are valued at more than a 25% discount to private market values.

Invitation Homes, Inc. is the largest institutional owner of single-family rental homes concentrated across high-growth markets and in-fill neighborhoods with access to good schools, transportation corridors, and robust employment opportunities.

It is valued at an implied capitalization rate of 6% versus private market transactions in the 5% range. The public market implied valuation of its owned homes is only $320,000 per home versus acquisition costs of approximately $430,000 per home.

Equinix, Inc. is the premier global carrier and cloud-neutral data center operator with 250 data centers in 70 metropolitan areas and 30 countries.

Equinix is currently valued at only 20.5 times 2024 estimated cash flow versus private market data center transactions that have occurred at 25 to 30 times cash flow. The shares are valued at a small premium to REITs, despite superior and more durable cash-flow growth prospects.

Prologis, Inc. is the world's largest industrial REIT. The company owns a high-quality real estate portfolio that is concentrated in major global trade markets and large population centers across the Americas, Europe, and Asia. Prologis has an unmatched global platform, strong competitive advantages (scale, data, and technology), and attractive embedded growth prospects. The company is the only industrial REIT with an 'A' credit rating.

Following a decline in its shares of 33% in 2022, we believe Prologis' current implied capitalization rate of 4.2% is compelling. The company's rents on its in-place leases are more than 65% below current market rents, thus providing a strong runway for growth in the next three to five years.

Public Storage Incorporated is the world's largest owner, operator, and developer of self-storage facilities. Public Storage has achieved the #1 market position in 14 of its top 15 markets and is widely recognized as the leading self-storage company with a premier brand.

It is currently valued at a 5.7% implied capitalization rate or a 20% discount to its estimated net asset value.

Alexandria Real Estate Equities, Inc. is the leading landlord and developer for the life science industry. Alexandria is a best-in-class company with several competitive advantages including an irreplaceable life science office portfolio concentrated in the premier life science markets in the U.S. and deep customer relationships.

Alexandria is valued at a 6.4% implied capitalization rate versus recent life science real estate transactions that have been valued in the 4% to 5% range. Alexandria's real estate is attractively valued at approximately $500 per square foot versus private market transactions for life science real estate in the $1,000 to $1,500 per square foot range.

VICI Properties Inc. is a triple net REIT that owns a large and high-quality portfolio of market-leading gaming, hospitality, and entertainment properties.

Despite management's expectation to grow its cash flow by approximately 10% in 2023, far in excess of most REITs, the shares are valued at a significant discount to most REITs, and the company currently pays a 5% dividend.

Non-REIT Real Estate Companies

Brookfield Corporation is a leading global owner and operator of real assets such as real estate and infrastructure. We believe the company's global reach, capital, and the synergies among its businesses provide significant opportunities for growth.

We believe the shares are unsustainably cheap. Brookfield's management team, who in our opinion, is credible and conservative, believes the company is worth $74/share today – more than double its recent price of only $32/share!

Brookfield has investments in publicly traded and private real estate-related businesses. Brookfield's ownership interests in four publicly listed Brookfield companies (Brookfield Asset Management, Brookfield Infrastructure Corporation, Brookfield Renewable Corporation, and Brookfield Business Partners) are currently valued in the public market at $32 per share or the same public price as the public share price for the entire company. The public market is currently ascribing zero value to Brookfield's non-public investments, which we believe are also worth at least $32 per share. (The total book value of the company's unlisted investments is $24 per share and the company's estimate of the value of its carried interest is $8 per share for a total value of Brookfield's non-listed business (most at only book value) also of $32!)

Brookfield Renewable Corporation is one of the world's leading owner and operators of clean and renewable energy solutions with 90% of the company's cash flow contracted under at least 10-year contracts with the majority having inflation protection characteristics.

The company is growing faster than most REITs and pays a 4% annual dividend, yet its shares are valued lower than most REITs.

Brookfield Infrastructure Corporation is one of the largest globally diversified owners and operators of high-quality infrastructure assets in the world. Core infrastructure investments include utilities, data centers, wireless towers, energy, and transportation (ports and rails). The company, with its well-capitalized balance sheet and deep and experienced management team, is well positioned to capitalize on several years of infrastructure investment opportunities around the world, which should enhance future growth.

We expect Brookfield Infrastructure's earnings (funds from operations) to grow by more than 10%, yet its shares are valued at only 10.8 times earnings. We also expect its 3.5% dividend to be higher in the year ahead.

Toll Brothers, Inc. is a leading luxury homebuilder in the U.S. with capable management and a large, valuable owned land real estate portfolio. Toll Brothers is more insulated than its peers from elevated mortgage rates because approximately 25% of Toll home buyers pay 100% in cash.

The company is valued at only 1.0 times tangible book value versus its long-term average of approximately 1.4 times book value and a peak multiple of approximately 2.0 times tangible book value.

Cellnex Telecom, S.A. is a leading operator of mobile tower infrastructure in Europe with 130,000 towers across Spain, Italy, France, the Netherlands, and the U.K.

At its recent valuation of only 15 times cash flow, its shares are discounted versus the 20 times cash flow multiples of U.S. tower companies.

A Review of Recent Activity Managing the Fund

In the first quarter, we maintained our active approach managing the Fund due to:

- The emergence of tailwinds and headwinds in certain segments of real estate
- Company-specific considerations
- Unusually elevated stock market volatility

We believe our action steps continue to position the Fund for strong long-term performance.

Table III.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Welltower Inc.	$35.2	$3.6
AvalonBay Communities, Inc.	23.5	3.4
Equity Residential	22.7	3.4
Toll Brothers, Inc.	6.6	2.1
Brookfield Corporation	53.4	1.9

We acquired additional shares of **Welltower Inc.** during the quarter. Welltower largely owns and operates senior housing and medical office buildings in the U.S. and internationally. We believe senior housing operating fundamentals have bottomed. Welltower is well positioned to benefit from cyclical and secular growth over the coming years. Management sees a path to growing the company's senior housing cash flow by more than 60% over the next few years, with further upside through enhanced asset management. Welltower is employing a proprietary data analytics platform and has recruited senior executives from the multi-family industry to drive operating margins and occupancy beyond historical industry standards. Underlying demand is further supported by a demographic boom with the 80-plus population growing at a 4% to 5% CAGR over the next five-plus years versus annual growth below 2% coming out of the GFC. Lastly, we believe management is an astute capital allocator focused on driving accretive value per share. The current constrained financing environment, with underlying property loans coming due, should provide an active external growth pipeline of assets that were acquired during a period of low interest rates. Management should be able to invest capital in assets underpinned by stable cash flow at an attractive cost basis.

In the first quarter of 2023, we increased our exposure to multi-family REITs **AvalonBay Communities, Inc.** and **Equity Residential.** A large portion of the 2023 operating outlook that caused us to lower exposure in 2022 has been reflected in the share prices of AvalonBay and Equity Residential. These apartment REITs were recently valued at 6.5% capitalization rates and at 25% to 30% discounts to net asset value.

AvalonBay and Equity Residential are blue-chip apartment landlords with apartment assets generally located in high barrier-to-entry markets with strong long-term demographic growth potential. We expect both companies to benefit from homeownership affordability challenges and are positioned to provide partial inflation protection due to leases that can be reset at higher rents, in some cases, annually.

In the first quarter, we acquired shares in **Toll Brothers, Inc.**, the leading luxury homebuilder in the U.S. The company is led by its capable CEO Doug Yearley and a seasoned management team. Toll Brothers has acquired, entitled, and developed a large and valuable owned land real estate portfolio in geographic markets with strong long-term demographics. The company has a four-year supply of land that it purchased prior to the large increase in home prices during COVID-19 – so management believes impairment risk is minimal and book value is secure. Toll Brothers is more insulated than its peers from elevated mortgage rates because 25% of Toll Brothers' home buyers pay 100% in cash. Management maintains a strong and liquid balance sheet with staggered debt maturities.

We believe the shares are attractively valued at less than 1.0 times 2023 estimated book value per share, which compares favorably to its long-term valuation multiple of 1.4 to 1.5 times book value. At its recent price, the company pays a modest dividend of 1.5%.

In the most recent quarter, we acquired additional shares of **Brookfield Corporation**, a leading global owner and operator of real assets. We believe its valuation is unsustainably cheap and we remain bullish about Brookfield's long-term prospects.

Our enduring enthusiasm for Brookfield's long-term prospects is due to four key considerations:

1. Secular growth opportunity for alternative assets

   Institutional allocations to alternative investment assets such as real estate, infrastructure, and private equity, are expected to continue to grow in the years ahead because of expectations that alternatives will continue to generate attractive relative and absolute returns with less volatility than many other investment options.

2. Brookfield is well positioned to increase its market share of the growing pool of alternative assets

   Institutional investors are consolidating the number of asset managers they invest with. We believe Brookfield is poised to remain a major beneficiary of this consolidation trend because of its strong long-term investment results and its, but also attributable to three key competitive advantages:

   (i) Scale advantages: Brookfield's large-scale and strong balance sheet position the company to be involved in multi-billion dollar transactions where the competitive buyer pool is relatively narrow.

   (ii) Global capabilities: The company's presence in over 30 countries affords Brookfield the ability to cast a wide net for sourcing potential acquisitions and pursue opportunities in geographic markets where valuations are most attractive.

   (iii) Operating expertise: Brookfield has a team of more than 100,000 operating employees in over 30 countries – a key differentiator versus many of its asset management peers. Brookfield's financial and operating capabilities are, at times, the tie breaker that results in the company being chosen to participate in complex transactions across multiple geographies that require a heavy operating component.

3. Attractive valuation

   At its recent price of only $32 per share, Brookfield's share price is highly discounted versus management's assessment of the company's intrinsic value of $74 per share!

4. Excellent management team with interests aligned with shareholders

   CEO Bruce Flatt and his deep leadership team are on our short list of most impressive management teams. They are, in our view, a highly talented group of executives who are astute allocators of capital and excellent operators of businesses. Management's interests are aligned with its shareholders given that officers and directors own approximately 20% of the company.

Table IV.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
American Tower Corp.	$ 95.2	$4.5
SBA Communications Corp.	26.6	4.2
Simon Property Group, Inc.	36.5	4.0
Sun Communities, Inc.	17.5	2.6
Prologis, Inc.	115.2	2.3

During the quarter, we reduced our position in **American Tower Corp.**, a global operator of over 200,000 wireless towers. While we are positive on the long-term secular trends underpinning American Tower's business, we felt growth expectations were too high given the forthcoming headwinds combined with an elevated valuation. Headwinds that we did not fully appreciate included significantly higher financing costs (20%-plus exposure to floating rate debt), upcoming debt maturities, continued payment shortfalls from a key tenant in India, and foreign exchange headwinds.

As shares have become more attractively valued with growth headwinds better understood and a potential monetization event of its India business, we have been looking opportunistically to re-acquire shares given the compelling absolute and relative multi-year growth prospects that are highly visible and supported by long-term customer contracts.

In the most recent quarter, we exited our investment in **SBA Communications Corp**., a global wireless cell tower REIT that owns a portfolio of wireless tower sites heavily concentrated in the U.S. We had been shareholders of SBA, in part due to our high respect for CEO Jeff Stoops who we have known for well over a decade. We believe Jeff has been an astute allocator of capital and has created tremendous shareholder value over the long term. Jeff will be retiring from SBA at the end of 2023.

In addition, we believe a series of headwinds are likely to temper SBA's growth in the next few years including higher debt financing costs with significant upcoming maturities, wireless carrier decommissioning, headwinds from the company's Latin American operations, and perhaps foreign exchange headwinds. Our sense is that the company's annual cash flow growth will decelerate from 14% in 2022 to just 3% in 2023 and remain low over the coming years. The company's high leverage, approximately 6.9 times net debt to cash flow, will limit the company's ability for share repurchases and external growth opportunities.

In the most recent quarter, we exited our investment in **Simon Property Group, Inc.**, the largest U.S. mall and outlet REIT, and re-allocated the capital to investment opportunities that we believe will offer superior growth and return potential.

We may revisit Simon in the future. The company has assembled a well-located portfolio of retail malls, outlets, and community centers. Simon's size and access to capital are distinct advantages in the retail real estate industry. Led by CEO David Simon, its management team has a long track record of solid capital allocation decisions, while managing its portfolio especially well. Over time, we believe the company is likely to continue to acquire 'A' quality malls.

We recently reduced our investment in **Sun Communities, Inc.**, a REIT that owns a portfolio of manufactured housing properties, recreational vehicle parks, and marinas, following worse-than-expected 2023 growth expectations due to elevated costs and higher interest expense.

We continue to believe the long-term prospects for the company remain favorable. We expect Sun Communities to benefit from favorable demand/supply dynamics. The company should continue to be a beneficiary of strong demand from budget-conscious home buyers such as retirees and millennials and negligible new inventory due to high development barriers. The company has superior long-term cash-flow growth prospects and lower capital expenditure needs than several other REIT categories.

In the most recent quarter, we modestly decreased our position in **Prologis, Inc.**, the world's largest industrial REIT. We would note, however, that Prologis remains the largest position in the Fund, and we remain optimistic about the company's prospects.

Prologis owns a high-quality real estate portfolio that is concentrated in major global trade markets and large population centers across the Americas, Europe, and Asia. Prologis has an unmatched global platform, strong competitive advantages (scale, data, and technology), and attractive embedded growth prospects. The company is the only industrial REIT with an 'A' credit rating.

Following a decline in its shares of more than 30% in 2022, we believe Prologis' current valuation of a 4.2% implied capitalization rate is compelling given that the company's rents on its in-place leases are more than 65% below current market rents, thus providing a strong runway for growth in the next three to five years.

Table V.
Top contributors to performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
Prologis, Inc.	$115.2	1.61%
Equinix, Inc.	66.9	0.79
EastGroup Properties, Inc.	7.2	0.56
Rexford Industrial Realty, Inc.	11.7	0.45
Brookfield Infrastructure Corporation	5.1	0.42

The shares of the Fund's holdings in industrial REITs – **Prologis, Inc.**, **EastGroup Properties, Inc.**, and **Rexford Industrial Realty, Inc.** – performed well in the first three months of 2023 following strong quarterly business results. We remain optimistic about the prospects for each company.

Industrial REITs continue to benefit from strong secular demand drivers, resulting from continued growth in e-commerce, the build out of logistics supply chains, and the shift from "just in time" to "just in case" inventory post COVID-19.

We believe robust embedded growth should contribute to at least high single-digit earnings growth for the next several years. Portfolio rents are more than 50% below current market rents, occupancy percentages are more than 95% on average, and expectations for new construction activity are modest. We believe valuations are reasonable especially when adjusted for the high embedded multi-year growth potential.

Equinix, Inc.'s shares performed well in the quarter after the company reported quarterly results and full-year 2023 guidance above expectations and provided a robust demand outlook amid weaker broader macroeconomic conditions. The company's value proposition of providing mission-critical infrastructure to a highly diversified customer base yields pricing power and *must have* versus *nice to have* infrastructure deployments. This allowed Equinix to be a standout within the broader technology space when many companies were reducing their growth outlooks and noting weakening demand. Equinix is a REIT and the premier global operator of network-dense, carrier-neutral colocation data centers.

COVID-19 accelerated digital transformation priorities for many organizations, and we believe that Equinix is poised to continue to benefit from: i) organic growth through new bookings and pricing power (the majority of incremental bookings are from existing customers); ii) growth of high-margin cross connect revenue; and iii) continued geographic expansion through development and select M&A. We believe the combination of these factors will allow the company to grow cash flow per year in the high single-digit range.

The shares are valued at only a slight premium to most REITs, despite superior and more durable cash-flow growth prospects.

Brookfield Infrastructure Corporation is one of the largest globally diversified owners and operators of high-quality infrastructure assets in the world. Core infrastructure investments include utilities, data centers, wireless towers, energy, and transportation (ports and rails). The company, with its well-capitalized balance sheet and deep and experienced management team, is well positioned to capitalize on several years of infrastructure investment opportunities around the world, which should enhance future growth.

We expect Brookfield Infrastructure's earnings (funds from operations) to grow by more than 10%, yet its shares are valued at only 10.8 times earnings. We also expect its 3.5% dividend to be higher in the year ahead.

Table VI.
Top detractors from performance for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Percent Impact
Ventas, Inc.	$17.3	–0.47%
Equity Residential	22.7	–0.45
AvalonBay Communities, Inc.	23.5	–0.36
Alexandria Real Estate Equities, Inc.	21.7	–0.26
Digital Realty Trust, Inc.	29.3	–0.24

Ventas, Inc. was a detractor from performance during the quarter. Ventas is an operator of senior housing, life science, and medical office buildings. While the company provided an attractive full-year 2023 growth outlook, investors became increasingly concerned with the company's ability to take advantage of its compelling external growth opportunity given a credit impairment and unfavorable resolution of a smaller mezzanine investment. The company is converting its loan into equity ownership of the assets leading to a credit outlook downgrade by Fitch given additional leverage on the assets. While we modestly reduced our position towards the end of the first quarter, we believe the company's senior housing operations will continue to inflect positively in the years to come given the favorable supply/demand backdrop and increasing growth of the 80-plus year old population. The company owns high-quality real estate and benefits from a compelling occupancy recovery story within senior housing.

Equity Residential and **AvalonBay Communities, Inc.** were both detractors in the quarter amid a worsening economic backdrop, continued layoff announcements in high-paying jobs, tightening lending conditions, lingering bad debt trends into 2023, and potential supply pressure in certain markets. Both Equity Residential and AvalonBay are owners of Class A apartment buildings largely located in high barrier-to-entry coastal markets with favorable long-term demographic trends and muted overall supply growth. We continue to believe both companies own long-term relevant real estate that should perform well over market cycles with the stocks now having more favorable valuations.

The shares of **Alexandria Real Estate Equities, Inc.**, the only pure-play publicly traded landlord and developer to the life science industry, declined in the first quarter of 2023, alongside most traditional office REITs.

Factors that weighed on the company's share price performance include: (i) concerns that a more challenged economic and capital markets environment could lead to distress for some of the company's biotechnology and health care tenants; (ii) the possibility of tenant defaults; and (iii) the possibility that competitive supply will increase from the conversion of traditional office buildings to life science buildings.

Though we believe the magnitude of these concerns are worse than the likely reality, we decreased our investment in Alexandria, but may look for an opportunity to add to our position in the future.

Digital Realty Trust, Inc. detracted from performance during the quarter. Reasons for the stock's decline include a disappointing full-year 2023 growth outlook, emerging concerns regarding the health of some of its customers, and elevated leverage that may necessitate an equity financing in 2023.

Digital Realty is a global provider of data center services to enterprises, cloud service providers, network providers, financial services, media, and other customers. While the company is enjoying strong bookings from its smaller enterprise customers, a much-improved pricing environment and limited new supply in key markets, it was unable to convert its attractive top-line growth to cash-flow per share growth given higher interest rates, foreign exchange headwinds, and financings. Lastly, Digital Realty is dependent on larger scale bookings, which can be episodic in nature. We reduced our position towards the end of the first quarter given the evolving headwinds but remain optimistic that the company can capitalize on the compelling secular growth opportunities ahead.

Concluding Thoughts on the Prospects for Real Estate and the Fund

We remain mindful that the economic and stock market backdrop may remain challenging in the months ahead given the expectation that economic growth will slow.

We continue to believe last year's stock market recalibration has wiped away much of the froth in valuations and has set the stage for a favorable multi-year outlook for public real estate companies and the Fund.

We maintain our view that 2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 (higher inflation, a sharp increase in interest rates, aggressive Fed tightening, widening credit spreads, valuation compression) reverse course and become tailwinds in 2023, thereby contributing to solid full-year returns.

We suspect the spillover effect from recent bank challenges will do some of the work for the Federal Reserve in combating inflation as credit availability is likely to contract, unemployment increases, and economic growth further moderates. These developments would be deflationary. As such, we suspect the Fed is near the end of its interest rate hiking cycle.

We believe prospective two- to three-year returns could be strong should a severe economic slowdown be avoided and 2024 emerges as a solid rebound year for economic and corporate profit growth.

Many public REITs and non-REIT real estate companies now offer compelling return prospects that, in some cases, may include a trifecta combination of growth, dividends, and an improvement in valuation.

Baron Real Estate Income Fund Outlook

We remain optimistic about the prospects for the Fund because we believe we have assembled a portfolio of best-in-class competitively advantaged REITs and non-REIT real estate-related companies with compelling long-term growth and share price appreciation potential. We have structured the Fund to capitalize on compelling investment themes. Valuations and return prospects are attractive.

We believe the Fund's approach to investing in REITs and non-REIT real estate-related companies will shine even brighter in the years ahead.

For these reasons, we remain positive on the outlook for Baron Real Estate Income Fund.

Table VII.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Prologis, Inc.	$115.2	$9.6	11.7%
Equinix, Inc.	66.9	5.7	6.9
Welltower Inc.	35.2	4.9	6.0
Public Storage Incorporated	53.1	4.8	5.8
Extra Space Storage Inc.	22.0	4.0	4.9
Brookfield Corporation	53.4	4.0	4.8
Rexford Industrial Realty, Inc.	11.7	3.9	4.7
Equity Residential	22.7	3.9	4.7
EastGroup Properties, Inc.	7.2	3.8	4.6
American Tower Corp.	95.2	3.7	4.5

I and the rest of our Baron real estate team – David Kirshenbaum, George Taras, and David Baron – remain energized, focused, and busy meeting with and speaking to real estate management teams. We continue our comprehensive research, speaking to a broad swath of real estate companies – both owned and not owned – in many cases a few times each quarter to make sure our research remains current and informed. We believe our corporate relationships and access to management are critical elements that contribute to competitive advantages for our real estate team versus many of our peers. We remain comforted by what we continue to learn from most real estate management teams regarding current business trends and business prospects.

I, and our team, remain fully committed to doing our best to deliver outstanding long-term results, and I proudly continue as a major shareholder, alongside you.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
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: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Fund invests in debt securities which are affected by changes in prevailing interest rates and the perceived credit quality of the issuer. 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.

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 managers 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 Real Estate Income Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such an offer or solicitation. The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking. **Enterprise value (EV)** is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. EV includes in its calculation the market capitalization of a company but also short-term and long-term debt as well as any cash on the company's balance sheet.

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).

Dear Baron WealthBuilder Fund Shareholder:

Performance

Baron WealthBuilder Fund® (the Fund) performed well over the first three months of 2023 despite volatile equity markets. At the start of the year, many quality growth businesses indicated that they were taking appropriate steps to manage the challenging macro environment. Sentiment began to turn as investors believed the rapid rate hikes would slow. A relief rally ensued in January, but it was short-lived. A banking crisis occurred in early March, with the failure of a few mid-sized regional banks. Investors again questioned the Fed's rate policy and whether contagion would result throughout the banking industry and impact a wider swath of businesses. An equity sell-off followed.

The Fund rose meaningfully at the start of the quarter and our underlying Funds navigated this challenging environment. The Fund increased 10.42% (Institutional Shares) in the quarter. This performance exceeded the S&P 500 Index's (the U.S. Index) and the MSCI ACWI Index's (the Global Index) quarterly returns of 7.50% and 7.31%, respectively. The Morningstar Allocation–85%+ Equity Category Average (the Peer Group) increased 4.83%.

The Fund's longer-term track record also exceeds its U.S. Index, Global Index, and Peer Group. Its 3- and 5-year annualized returns were 20.17% and 12.04%, respectively. These figures compare to 18.60% and 11.19% for the U.S. Index. The Global Index's performance is considerably lower, with returns of 15.36% and 6.93% for the 3- and 5-year periods, respectively. We remain pleased that the Fund's long-term performance exceeded these indexes despite a challenging environment for growth equity investing.

As of 3/31/2023, the annualized returns of the Morningstar Allocation–85%+ Equity Category Average were (8.80)%, 14.82%, and 5.65% for the 1-, 3- and 5-year periods, respectively.

MICHAEL BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND PORTFOLIO MANAGER

Retail Shares: BWBFX
Institutional Shares: BWBIX
TA Shares: BWBTX

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron WealthBuilder Fund Retail Shares[1,2]	Baron WealthBuilder Fund Institutional Shares[1,2]	Baron WealthBuilder Fund TA Shares[1,2]	S&P 500 Index[1]	MSCI ACWI Index[1]
Three Months[3]	10.33%	10.42%	10.34%	7.50%	7.31%
One Year	(14.28)%	(14.08)%	(14.13)%	(7.73)%	(7.44)%
Three Years	19.84%	20.17%	20.10%	18.60%	15.36%
Five Years	11.77%	12.04%	12.02%	11.19%	6.93%
Since Inception (December 29, 2017)	11.68%	11.94%	11.92%	10.47%	6.39%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares, Institutional Shares, and TA Shares as of December 31, 2022 was 1.40%, 1.14%, and 1.15%, respectively, but the net annual expense ratio was 1.36%, 1.11%, and 1.11% (includes acquired fund fees of 1.06%, 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, 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. BAMCO, Inc. ('BAMCO" or the "Adviser") has agreed that, pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term, it will reimburse certain expenses of the Fund, limiting net annual operating expenses (portfolio transaction costs, interest, dividend, acquired fund fees and expenses and extraordinary expenses are not subject to the operating expense limitation) to 0.30% of average daily nest assets of Retail Shares, 0.05% of average daily net assets of Institutional Shares and 0.05% of average daily net assets of TA Shares, 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.

1 The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The **MSCI ACWI Index** is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large- and mid-cap securities across developed and emerging markets. 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 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 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 FUNDS 1987

Baron WealthBuilder Fund is a diversified portfolio of Baron mutual funds. It provides exposure to growth equity investments that fit the consistent Baron investment criteria across market caps, sectors, and geographies. It is intended to mimic how we would invest incremental capital across an array of our products. Since the Fund's inception in 2017, we have personally made the majority of our new Baron Funds investments in the Fund, and we are the Fund's largest individual clients.

We tend to examine performance by breaking down the underlying Funds' growth rates, market caps, and geographies. In our previous quarterly letter, we deviated from discussing these categories to focus on the largest underlying holding, **Tesla, Inc.**, and its adverse impact on the Fund's performance in that period. In this current quarter, the partial reversal of Tesla's stock price again warrants a deeper discussion.

Tesla is primarily held in our concentrated portfolios, Baron Partners and Baron Focused Growth Funds. The stock gained 68.4% in the quarter and contributed 3.0% to the Fund's overall performance. While not (yet) back to its all-time high of $414 per share, which it briefly achieved in November 2021, the appreciation from its $102 stock price lows was substantial. We did not sell any shares during the late 2022 price decline, and we have not sold during the subsequent partial recovery. In Baron Partners and Focused Growth Funds, we sold 5.24 million shares, or 29.1% of our original holdings, at an average price of $226.18 from 2019 through 2022. We maintain our conviction that the company can be many times larger than it is currently, can achieve higher profit margins, and can capitalize on ancillary businesses that are only just starting to be explored. We believe the company's market capitalization will be higher if it achieves these goals.

As discussed in our prior quarterly letter, Tesla's stock price decline in 2022 was the result of many exogenous factors. CEO Elon Musk's purchase of Twitter was viewed by some as an unwelcome distraction. China's COVID policies and outbreak disrupted production in this crucial region. Recessionary fears and inflation combating fiscal policies caused U.S. car buyers to delay purchases. Many of these concerns have subsided. Twitter appears to be trending towards profitability and should be both less of a distraction and financial burden for Musk. Tesla's production and deliveries in China have nearly returned to record levels. New orders are now nearly twice the level of annual production, demonstrating continued high demand for Tesla vehicles.

While these easing fears led to the current stock price appreciation, we believe the best is still ahead. We remain confident in the company's ability to produce a mass affordable product that can also achieve enviable profitability. At Tesla's recent analyst day, the company presented a strong case for such a next generation vehicle. A deep and impressive team described a collaborative effort on various cost reduction techniques that we believe existing traditional manufacturers cannot duplicate. Production costs could be reduced by more than $15,000 through initiatives in design, battery, powertrain, and manufacturing. Its vertical integration of the supply chain, assembly, and battery has enabled it to realize these savings. Competitors' reliance on third parties for many of these aspects of production make it more difficult to implement changes. If successful, Tesla's lower cost vehicle would enable it to capitalize on a tremendous market opportunity for mass electric vehicles. It is the largest auto segment, with approximately 40 million vehicles sold annually.

Interestingly, Tesla's stock price declined immediately following the analyst day, as short-term oriented traders were not provided with an imminent product launch that would accelerate growth. We, however, were pleased with the progress the company has made. We continue to believe Tesla is incrementally more likely to achieve its mission *to accelerate the world's transition to sustainable energy* and be handsomely profitable while doing so.

While Tesla was the largest holding and contributor in the period, there was a diverse set of underlying Funds that generated strong absolute and relative performance. Underlying Funds that invest in larger-cap companies, like Baron Fifth Avenue Growth and Baron Durable Advantage Funds, generally outperformed those that invest in smaller businesses. Higher growth portfolios, like Baron Opportunity and Baron Discovery Funds, tended to perform better than those with higher weightings in stable growth companies. The underlying holdings in these higher growth portfolios that contributed to performance include Financials firm **MSCI Inc.**, Information Technology (IT) business **NVIDIA Corporation**, and Consumer Discretionary holding **Floor & Decor Holdings, Inc.** They all appreciated by more than 20% (NVIDIA rose by approximately 90%). A commonality among these businesses is that despite tough macroeconomic factors, they were able to increase prices for their in-demand and integral products. Despite a tough financial industry backdrop that resulted in fewer net new subscriptions, MSCI had solid organic growth and increased prices for its valuable services. We believe the company can continue to show meaningful and consistent growth in its core public equity index business. We believe the company can also become a vital part of investment departments' risk and analytics, private markets, and climate initiatives.

NVIDIA, a semiconductor company, is positioned to be a meaningful contributor to artificial intelligence (AI) advances. Their graphics processing unit (GPU) chips are a necessity for developers who are building AI software. The amount of data processing required for AI is expected to grow exponentially. NVIDIA's expertise, stemming from its their video game dominance, should position the company to take meaningful share in this space. NVIDA's new products are expected to process 5 to 10 times faster than existing chips. We expect pricing to increase with these highly sought after and improved products.

Floor & Decor continues to migrate customers to higher-end products. A combination of higher prices, improved mix, and more design services resulted in average ticket sales increasing by over 14% in the recent period. Operational improvements coupled with these higher ticket sales resulted in operating margins expanding over 200 bps. We continue to appreciate the company's positioning against higher priced big box stores and believe it will take market share. New stores should contribute to double-digit top-line growth.

However, it was not all good news. While the underlying Funds weathered the recent banking crisis, our holdings were not completely immune from the fallout. Baron WealthBuilder Fund is overweight the Financials sector, with an average weight of 18.80% compared to 14.15% for the U.S. Index. We believe we have discovered many financial services companies that offer diversification benefits for traditional growth businesses. Each of these investments still meet the Baron Capital investment criteria for growth characteristics, durable competitive advantages, and reputable management teams. In the U.S., we have tended to favor the capital markets industry where there are higher growth prospects, entrenched relationships, and lower capital requirements. Conversely, we have limited exposure to traditional U.S. banks. In fact, the banks industry is the Fund's largest underweight relative to the Global Index. We believe many of those banks are heavily tied to unpredictable macro events, subject to changing regulation, provide little insight into balance sheet risks, and have limited distinctions among competitors in developed markets. The banks that our underlying Funds own tend to be domiciled in emerging market countries where a growing middle class and increased acceptance of credit provide a more favorable industry dynamic.

Discount brokerage firm **The Charles Schwab Corp.** does have a retail bank division. The company launched its bank approximately 20 years ago to enable the investment broker to deepen client relationships and lower costs for customers. Its bank contributes to this virtuous cycle of offering increased functionality, lowering costs, and attracting more clients. The banking arm also enhanced its competitive offering over rivals who chose not to bear the upfront cost. However, investors have (unfairly in our opinion) deemed Schwab at risk during the current banking crisis. We disagree. Clients primarily use the Schwab bank as a source of funding for investments, which makes switching providers by its 34 million customers and account managers unlikely in our opinion. The cash portion of balances has consistently been in a tight range. More than 80% of account balances are below the fully FDIC insured $250,000 level. Cash has continued to enter the bank at strong rates as Schwab demonstrates organic growth and market share gains. Interest rate increases could have a short-term impact on earnings as the bank's balance sheet assets are marked-to-market, and the company raises higher cost of capital funds. However, we have little concern about the viability of the bank or the company. Over time, the highly profitable net interest income should increase with the combination of higher rates and more client assets on the platform. Schwab gathered $53 billion of net new client assets in March 2023, the month of the banking panic. Our underlying Funds incrementally added to their holdings of Schwab during this market decline.

We encourage you to read the quarterly letters found in this report for a deeper understanding of the funds that make up Baron WealthBuilder Fund.

Table II.
Baron Funds Performance
as of March 31, 2023

Institutional Share Class Data

% of Net Assets of Fund			First Quarter of 2023*	Annualized 12/29/2017 to 3/31/2023	Primary Benchmark	First Quarter of 2023*	Annualized 12/29/2017 to 3/31/2023
33.1%		**Small Cap**					
	4.8%	Baron Discovery Fund	11.20%	**9.43%**	Russell 2000 Growth Index	6.07%	**4.50%**
	15.5%	Baron Growth Fund	7.88%	**12.20%**			
	12.8%	Baron Small Cap Fund	9.44%	**8.57%**			
6.4%		**Small/Mid Cap**					
	6.4%	Baron Focused Growth Fund	19.67%	**22.98%**	Russell 2500 Growth Index	6.54%	**6.96%**
13.2%		**Mid Cap**					
	13.2%	Baron Asset Fund	5.34%	**9.92%**	Russell Midcap Growth Index	9.14%	**9.07%**
6.5%		**Large Cap**					
	3.9%	Baron Fifth Avenue Growth Fund	19.67%	**5.92%**	Russell 1000 Growth Index	14.37%	**13.27%**
	2.6%	Baron Durable Advantage Fund	16.04%	**11.19%†**	S&P 500 Index	7.50%	**10.08%†**
17.8%		**All Cap**					
	4.0%	Baron Opportunity Fund	17.96%	**16.04%**	Russell 3000 Growth Index	13.85%	**12.68%**
	13.8%	Baron Partners Fund	23.41%	**25.77%**	Russell Midcap Growth Index	9.14%	**9.07%**
9.6%		**International**					
	2.9%	Baron Emerging Markets Fund	2.68%	**(2.08)%**	MSCI EM Index	3.96%	**(0.60)%**
	3.5%	Baron Global Advantage Fund	9.41%	**4.90%†**	MSCI ACWI Index	7.31%	**5.83%†**
	3.2%	Baron International Growth Fund	3.75%	**2.78%**	MSCI ACWI ex USA Index	6.87%	**2.12%**
13.3%		**Sector**					
	5.9%	Baron Real Estate Fund	7.07%	**8.68%**	MSCI USA IMI Extended Real Estate Index	4.73%	**5.42%**
	2.2%	Baron Real Estate Income Fund	4.73%	**(6.57)%†**	MSCI US REIT Index	2.39%	**(3.22)%†**
	2.8%	Baron Health Care Fund	(3.69)%	**11.89%†**	Russell 3000 Health Care Index	(3.27)%	**8.77%†**
	2.4%	Baron FinTech Fund	4.83%	**5.44%†**	FactSet Global FinTech Index	8.24%	**(0.51)%†**

* Not annualized.
† Performance is calculated from the date the Fund was added to Baron WealthBuilder Fund: Baron Durable Advantage Fund – 3/13/2018; Baron Global Advantage Fund – 1/9/2018; Baron Health Care Fund – 10/18/2018; Baron FinTech Fund – 2/27/2020 and Baron Real Estate Income Fund – 5/17/2021.

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

Fund of Funds Structure and Investment Strategy

Baron WealthBuilder Fund is a compilation of some of our Baron Funds and provides broad equity exposure. All underlying Baron Funds follow a consistent investment philosophy and process. We do not try to mimic their indexes, and we do not alter our strategy to coincide with short-term macro events that we regard as unpredictable. We remain focused on underlying business fundamentals.

We believe small- and mid-cap growth stocks offer attractive return potential relative to their risk over the long term. Small- and mid-cap businesses represent 63.3% of the Fund (compared to only 16.8% for the U.S. Index). While our small- and mid-cap growth investments have been successful over our 41-year history, these styles are occasionally out of favor. Today's environment is one of those times. While growth companies performed well during this most recent quarter, they have generally trailed value since the start of 2021. Additionally, large caps have performed better than smaller caps during this time.

Rather than only examining the Fund's performance over a quarter or a year, we believe it is equally important to understand how the Fund has performed over the course of an economic cycle. The COVID pandemic and subsequent macro-induced market rotation has been difficult for small- and mid-sized growth companies. Investors have favored larger-cap, value-oriented businesses that are deemed safer during this time of uncertainty. We believe this offers long-term investors a great opportunity to invest in small- and mid-cap businesses at attractive prices. Markets peaked in late February 2020 before a rapid drop as the economy braced for the uncertain COVID pandemic. It recovered quickly followed by another sizable drop based on macroeconomic factors. Over the three years of the COVID pandemic ended 12/31/2022, the Russell 2000 Growth Index, a small-cap growth index, gained only 1.96% cumulatively. The Russell Midcap Growth Index managed a fair bit better with a cumulative 3-year return of 12.00%. With that backdrop, the Fund's appreciation of 28.11% is much more attractive. We believe protecting and growing clients' assets during this challenging period positions long-term investors well for meaningful appreciation once the macro landscape changes. Table III provides a more complete look at how the Fund and various indexes performed throughout the pandemic and its aftermath.

Table III.
Cumulative performance throughout the pandemic and its aftermath

	Pre-COVID	COVID Panic	COVID New Normal	Macro-Induced Market Rotation	COVID Pandemic Cycle	Current Quarter
	12/31/2019 to 2/19/2020	2/19/2020 to 3/23/2020	3/23/2020 to 11/18/2021	11/18/2021 to 3/31/2023	12/31/2019 to 12/31/2022	12/31/2023 to 3/31/2023
Baron WealthBuilder Fund (Institutional Shares)	13.84%	(38.48)%	179.85%	(27.83)%	28.11%	10.42%
S&P 500 Index	5.08%	(33.79)%	115.86%	(10.68)%	24.79%	7.50%
MSCI ACWI Index	2.74%	(33.64)%	102.32%	(12.49)%	12.50%	7.31%
Russell 2000 Growth Index	5.09%	(38.46)%	129.58%	(27.17)%	1.96%	6.07%
Russell Midcap Growth Index	6.97%	(35.71)%	134.05%	(24.06)%	12.00%	9.14%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

We do not yet know if the challenges caused by the COVID-19 pandemic will persist. Volatility has remained high, but we are hopeful that the rate increases, policy measures, and COVID hangovers are nearing an end. Growth is beginning to outperform value. But safer large caps have tended to perform better than smaller companies. So far, we are optimistic that companies will again be valued on their fundamentals rather than on macro concerns. We have started to see the performance of some individual securities diverge. This divergence of returns, we believe, should start to favor growth stocks. On a weighted average basis, approximately 76% of the Fund's underlying positions appreciated in the quarter. As discussed, the Fund performed well in this current quarter. Its returns exceeded both its U.S. Index, as well as small- and mid-cap growth indexes.

Table IV.
Performance based characteristics since inception through March 31, 2023

	Baron WealthBuilder Fund (Institutional Shares)	S&P 500 Index	Morningstar Allocation 85%+ Equity Category
Alpha (%) – Annualized	0.29	0.00	–4.42
Beta	1.18	1.00	0.92
Sharpe Ratio	0.44	0.49	0.20
Standard Deviation (%) – Annualized	23.81	18.48	17.41
Upside Capture (%)	110.81	100.00	81.21
Downside Capture (%)	109.07	100.00	97.17

Source: FactSet SPAR. Except for Standard Deviation and Sharpe Ratio, the performance-based characteristics above were calculated relative to the S&P 500 Index.

Table V.
Sector exposures as of March 31, 2023

	Percent of Net Assets	S&P 500 Index	MSCI ACWI Index
Consumer Discretionary	22.1%	10.1%	10.9%
Information Technology	19.0	26.1	20.4
Financials	18.1	12.9	15.6
Health Care	13.6	14.2	12.3
Industrials	13.3	8.7	10.4
Real Estate	6.3	2.6	2.4
Communication Services	5.1	8.1	7.3
Materials	1.0	2.6	4.9
Consumer Staples	0.8	7.2	7.7
Energy	0.2	4.6	5.0
Unclassified	0.1	–	–
Utilities	0.1	2.9	2.9

Table VI.
Fund of fund holdings as of March 31, 2023

	Percent of Net Assets
Baron Growth Fund	15.5%
Baron Partners Fund	13.8
Baron Asset Fund	13.2
Baron Small Cap Fund	12.8
Baron Focused Growth Fund	6.4
Baron Real Estate Fund	5.9
Baron Discovery Fund	4.8
Baron Opportunity Fund	4.0
Baron Fifth Avenue Growth Fund	3.9
Baron Global Advantage Fund	3.5
Baron International Growth Fund	3.2
Baron Emerging Markets Fund	2.9
Baron Health Care Fund	2.8
Baron Durable Advantage Fund	2.6
Baron FinTech Fund	2.4
Baron Real Estate Income Fund	2.2

Thank you for joining us as fellow shareholders in Baron WealthBuilder Fund. We continue to work hard to justify your confidence and trust in our stewardship of your hard-earned savings. We remain dedicated to providing the information we would like to have if our roles were reversed. We hope this letter enables you to make an informed decision about whether this Fund remains an appropriate investment.

Respectfully,

Ronald Baron
CEO and Portfolio Manager

Michael Baron
Co-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: The Fund is a non-diversified fund because it invests, at any given time, in the securities of a select number of Baron mutual funds (the "Underlying Funds"), representing specific investment strategies. The Fund can invest in funds holding U.S. and international stocks; small-cap, small to mid-cap, large-cap, all-cap stocks; and specialty stocks. Each of the Underlying Funds has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Underlying Fund than in another, it will have greater exposure to the risks of that Underlying Fund. For further information regarding the investment risks of the Underlying Funds, please refer to the Underlying Funds' prospectus.

Active Share is a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management. **Alpha** measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. **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. **Sharpe Ratio** is a risk-adjusted performance statistic that measures reward per unit of risk. The higher the Sharpe ratio, the better a fund's risk adjusted performance. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Standard Deviation** (Std. Dev) measures the degree to which a fund's performance has varied from its average performance over a particular time period. The greater the standard deviation, the greater a fund's volatility (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 managers 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 WealthBuilder Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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)

Baron Funds (Institutional Shares) and Benchmark Performance 3/31/2023

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns 1-Year	3-Year	5-Year	10-Year	Annual Expense Ratio	Net Assets
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	12.99%	7.46%	12/31/1994	(3.40)%	19.87%	12.30%	11.77%	1.04%(3)	$7.50 billion
Baron Small Cap Fund	Russell 2000 Growth Index	9.84%	5.84%	9/30/1997	(10.51)%	17.05%	8.41%	9.89%	1.04%(3)	$4.27 billion
Baron Discovery Fund†	Russell 2000 Growth Index	12.31%	7.17%	9/30/2013	(13.81)%	16.24%	10.20%	N/A	1.06%(3)	$1.30 billion
SMALL/MID CAP										
Baron Focused Growth Fund(1)	Russell 2500 Growth Index	13.28%	7.83%	5/31/1996	(10.54)%	37.91%	23.99%	15.75%	1.06%(4)	$906.09 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.29%	9.99%(2)	6/12/1987	(8.65)%	12.57%	9.43%	11.49%	1.04%(3)	$4.53 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	7.99%	10.69%	4/30/2004	(24.99)%	3.16%	4.72%	10.85%	0.76%/0.75%(3)(6)	$403.44 million
Baron Durable Advantage Fund	S&P 500 Index	12.03%	10.47%	12/29/2017	(2.70)%	18.19%	12.38%	N/A	1.10%/0.70%(3)(7)	$61.25 million
ALL CAP										
Baron Partners Fund(1)	Russell Midcap Growth Index	15.00%	9.66%	1/31/1992	(24.52)%	43.29%	26.35%	19.95%	1.44%(4)(5)	$5.95 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	8.32%	5.99%	2/29/2000	(19.70)%	15.37%	14.87%	14.03%	1.05%(3)	$871.12 million
INTERNATIONAL										
Baron Emerging Markets Fund	MSCI EM Index	2.93%	1.19%	12/31/2010	(11.32)%	7.23%	(2.34)%	3.14%	1.12%(4)	$4.88 billion
Baron Global Advantage Fund†	MSCI ACWI Index	9.92%	8.46%	4/30/2012	(31.39)%	1.27%	4.70%	10.19%	0.93%/0.90%(4)(8)	$804.49 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	9.15%	6.52%	12/31/2008	(11.63)%	11.38%	2.51%	6.72%	0.99%/0.95%(4)(9)	$500.00 million
Baron New Asia Fund	MSCI AC Asia ex Japan Index	(14.91)%	(11.79)%	7/30/2021	(11.37)%	N/A	N/A	N/A	7.22%/1.20%(4)(10)	$4.11 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	13.26%	10.38%	12/31/2009	(14.15)%	19.71%	10.35%	9.66%	1.07%(4)	$1.43 billion
Baron Real Estate Income Fund	MSCI US REIT Index	7.51%	2.83%	12/29/2017	(21.78)%	12.63%	9.24%	N/A	0.96%/0.80%(4)(11)	$82.14 million
Baron Health Care Fund	Russell 3000 Health Care Index	12.29%	10.67%	4/30/2018	(11.13)%	14.72%	N/A	N/A	0.90%/0.85%(4)(12)	$199.55 million
Baron FinTech Fund†	FactSet Global FinTech Index	5.42%	(2.15)%	12/31/2019	(16.09)%	10.71%	N/A	N/A	1.20%/0.95%(4)(13)	$44.73 million
Baron Technology Fund	MSCI ACWI Information Technology Index	(26.37)%	(13.84)%	12/31/2021	(18.42)%	N/A	N/A	N/A	6.42%/0.95%(4)(14)	$4.20 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	11.94%	10.47%	12/29/2017	(14.08)%	20.17%	12.04%	N/A	1.14%/1.11%(4)(15)	$471.78 million

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.
(2) For the period June 30, 1987 to March 31, 2023.
(3) As of 9/30/2022.
(4) As of 12/31/2022.
(5) Comprised of operating expenses of 1.04% and interest expenses of 0.40%.
(6) Annual expense ratio was 0.76%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).
(7) Annual expense ratio was 1.10%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(8) Annual expense ratio was 0.93%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers).
(9) Annual expense ratio was 0.99%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers and interest expense).
(10) Annual expense ratio was 7.22%, but the net annual expense ratio was 1.20% (net of Adviser's fee waivers).
(11) Annual expense ratio was 0.96%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
(12) Annual expense ratio was 0.90%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
(13) Annual expense ratio was 1.20%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(14) Annual expense ratio was 6.42% but the net annualized expense ratio was 0.95% (net of Adviser's fee waivers).
(15) Annual expense ratio was 1.14%, but the net annual expense ratio was 1.11% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
† The Fund's historical performance was impacted by gains from IPOs. 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.

Baron Health Care Fund

Dear Baron Health Care Fund Shareholder:

Performance

In the quarter ended March 31, 2022, Baron Health Care Fund® (the Fund) declined 3.69% (Institutional Shares), compared with the 3.27% decline for the Russell 3000 Health Care Index (the Benchmark) and the 7.50% gain for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 12.29% on an annualized basis compared with the 10.67% gain for the Benchmark and the 11.30% gain for the S&P 500 Index.

NEAL KAUFMAN

PORTFOLIO MANAGER

Retail Shares: BHCFX
Institutional Shares: BHCHX
R6 Shares: BHCUX

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Health Care Fund Retail Shares[1,2]	Baron Health Care Fund Institutional Shares[1,2]	Russell 3000 Health Care Index[1]	S&P 500 Index[1]
Three Months[3]	(3.79)%	(3.69)%	(3.27)%	7.50%
One Year	(11.35)%	(11.13)%	(4.84)%	(7.73)%
Three Years	14.43%	14.72%	13.85%	18.60%
Since Inception (April 30, 2018)	12.00%	12.29%	10.67%	11.30%

In a difficult quarter during which the Health Care sector failed to participate in the broader market rally, Baron Health Care Fund modestly trailed the Benchmark by 42 basis points, as disappointing stock selection overshadowed favorable impacts from differences in sub-industry weights and cash exposure.

Biotechnology and health care equipment investments accounted for most of the underperformance during the quarter. Weakness in biotechnology was broad based, led by double-digit declines from gene therapy specialist **Rocket Pharmaceuticals, Inc.** and mRNA-based vaccines and therapeutics leader **Moderna, Inc.** Rocket is currently focused on developing gene therapies for several rare diseases, including Danon disease, Fanconi's anemia, lysosomal acid lipase deficiency, and Pyruvate kinase disorder. We believe the first three drugs should all launch commercially by 2025, generating substantial revenue for the company. In the near term, Rocket's shares detracted given a lack of news flow catalysts amid a risk-off environment for biotechnology stocks in general. Moderna's stock underperformed due to increasing uncertainty around what a booster market could look like as COVID shifts away from pandemic status and becomes an increasingly commercial market rather than government funded. That said, looking beyond COVID, we think Moderna has the potential to disrupt the biopharmaceutical industry from infectious disease vaccines to oncology. Lower exposure to benchmark heavyweight **AbbVie Inc.** and declines in **Cytokinetics, Incorporated**, **Ascendis Pharma A/S**, and **Inhibrx, Inc.** also weighed on performance in the sub-industry.

Within health care equipment, lower exposure to this better performing sub-industry coupled with share price weakness from fiber optic sensors manufacturer **Opsens Inc.** and sleep apnea treatment leader **Inspire Medical Systems, Inc.** hampered performance. We are unclear why Opsens underperformed in the first quarter. Although the company raised equity in December, which caused dilution, the company reported solid financial results in January, and is progressing well with the launch of Savvywire, the

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.21% and 0.90%, respectively, but the net annual expense ratio was 1.10% and 0.85% (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, 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.

1 The **Russell 3000® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. 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 indexes and the Fund include reinvestment of dividends, net of 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 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.

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company's newly approved guidewire for use in transcatheter aortic valve replacement procedures. The product is the only guidewire capable of delivering a transcatheter valve while enabling continuous pressure measurement and left ventricular pacing. We think Savvywire can drive significant growth and margin expansion for the company over the next few years. Regarding Inspire Medical, we believe the stock was down due to concerns about emerging competition. We think these concerns are unfounded and we used recent weakness to add to our position given our conviction that the company has a long runway for growth with its treatment for people with moderate to severe sleep apnea.

These negative effects were somewhat offset by favorable stock selection in pharmaceuticals and life sciences tools & services, where performance was led by global animal health company **Zoetis Inc.** and weighing instruments provider **Mettler-Toledo International, Inc.**, respectively. Zoetis reported a quarterly revenue beat and issued upbeat guidance for fiscal year 2023, despite higher R&D spending on investments in late-stage pipeline products and increased manufacturing to support future growth. Mettler's shares outperformed in response to strong financial results, driven by broad-based strength across geographies and product categories. Additionally, management raised EPS guidance for fiscal year 2023 to account for less adverse foreign currency impacts versus the prior forecast. The Fund also benefited from its lack of exposure to select large-cap pharmaceutical companies, namely Pfizer Inc. and Johnson & Johnson, whose shares were down double digits for the quarter.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to the other Baron Funds, we remain focused on finding businesses that we believe have significant secular growth opportunities, durable competitive advantages, and strong management teams. We conduct independent research and take a long-term perspective. We are particularly focused on businesses that solve problems in health care, whether by reducing costs, enhancing efficiency, and/or improving patient outcomes.

We continue to think the Health Care sector will offer attractive investment opportunities over the next decade and beyond. Health Care is one of the largest and most complex sectors in the U.S. economy, accounting for approximately 18% of GDP in 2021 and encompassing a diverse array of sub-industries. Health Care is also a dynamic industry undergoing changes driven by legislation, regulation, and advances in science and technology. We think navigating these changes requires investment experience and sector expertise, which makes the Health Care sector particularly well suited for active management.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
West Pharmaceutical Services, Inc.	0.34%
Vertex Pharmaceuticals Incorporated	0.31
IDEXX Laboratories, Inc.	0.25
Zoetis Inc.	0.23
The Cooper Companies, Inc.	0.22

West Pharmaceutical Services, Inc. manufactures components and systems for the packaging and delivery of injectable drugs such as rubber stoppers for vials and plungers for prefilled syringes. Shares increased after the company reported financial results that beat analyst expectations and provided solid 2023 guidance. Excluding COVID-related product revenue, organic sales growth was 14% in the fourth quarter, and management expects mid-teens base business organic growth in 2023, well above its long-term target. West's competitive pricing and favorable product mix, including products used with anti-obesity medicines, should help drive future demand. We continue to believe West operates a competitively advantaged business that is well positioned for long-term growth.

Vertex Pharmaceuticals Incorporated is a leader in the treatment of cystic fibrosis (CF). Vertex has three approved and marketed drugs, each for treatment of differing subsets of CF. These drugs represent paradigm shifts for CF patients hoping to extend their lives beyond their 30s or 40s. Shares increased primarily due to underlying business fundamentals, including strong free cash flow generation that is largely unmatched in the biopharmaceutical universe. In addition to its core treatment program for CF, Vertex has a robust pipeline of drugs that is starting to become value inflecting. We are looking to Vertex's APOL1 kidney disease program and updates on its treatment for Type 1 diabetes, in particular, to drive future upside.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance for the quarter, helped by financial results that beat consensus and multiple expansion. The post-pandemic rate of decline of veterinary visits seems to have stabilized and is poised to return to advancement by the end of 2023. IDEXX's competitive trends are outstanding, and we expect new proprietary innovations and field sales force expansion to be meaningful contributors to growth. We see increasing evidence that secular trends around pet ownership and pet care spending have been structurally accelerated, which should help support IDEXX's long-term growth rate.

Zoetis Inc. is a global leader in the discovery, development, and manufacturing of companion and farm animal health medicines and vaccines, selling in more than 120 countries across eight core species. Shares rose after the company reported a fourth quarter revenue beat and issued 2023 guidance that met Street forecasts, calling for 6% to 8% operational growth and 7% to 9% adjusted net income growth despite higher R&D spend on late-stage pipeline products and manufacturing spend. Zoetis, which is growing 100 to 200 basis points above the industry's 4% to 5% CAGR, should benefit from expanding demand for animal health products, driven by increasing consumption of animal proteins and the humanization of pets. Five key catalysts include products for osteoarthritis pain, parasiticides, dermatology, diagnostics, and emerging markets. Longer term, Zoetis should be able to achieve double-digit earnings growth on consistent revenue increases and an improving cost structure due to a more favorable product/species mix and manufacturing efficiencies. Strong operating cash flow helps facilitate capital deployment opportunities to supplement expansion.

The Cooper Companies, Inc. is a global medical device company operating under two business units: CooperVision, a leading manufacturer of a full range of specialty soft contact lenses and modalities; and CooperSurgical, targeting women's health care and fertility. Shares rose on an across-the-board beat and raised fiscal year revenue/EPS guidance on a stronger outlook for organic growth, better operational efficiencies, and more favorable foreign exchange rates. CooperVision remains well positioned to participate in the multi-year shift to higher priced, higher margin daily and silicon hydrogel lenses. Its broad product portfolio and customer service focus position CooperSurgical to gain share in the $1 billion-plus global fertility market, which benefits from sustainable demographic tailwinds, including increasing maternal age, improving access to treatment, increased patient awareness, growth in number of fertility clinics, and expanding insurance coverage for infertility. Lastly, the company has the first mover advantage in the $5 billion-plus myopia management category, with potential for MiSight to become the standard of care.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
UnitedHealth Group Incorporated	-0.98%
The Cigna Group	-0.50
Moderna, Inc.	-0.45
Elevance Health, Inc.	-0.34
Rocket Pharmaceuticals, Inc.	-0.34

UnitedHealth Group Incorporated is the leading health care franchise in the U.S., with more than $350 billion in annual revenue. Following relatively strong performance in 2022, shares fell along with other managed care companies, primarily on sector rotation. Despite solid fourth quarter results and conservative initial 2023 guidance that fell within its 12% to 15% long-term earnings goal, investors stepped to the sidelines on concerns about proposed changes to the Medicare audit program, preliminary 2024 Medicare Advantage (MA) rates, and the impact of Medicaid recertification. We believe UnitedHealth is the best-positioned managed care player, with a leading franchise in MA, the market's fastest growing segment. We expect continued strong growth and profitability, driven by positive demographic trends, effective cost management through leverage of size and scale, industry-leading technology investments, enhanced expertise in population health, and a growing portfolio of providers, all of which enables UnitedHealth to keep and effectively manage more of its health care spending in-house.

The Cigna Group is a leading provider of health care services and benefits. Like UnitedHealth, Cigna's shares were down alongside other managed care companies during the quarter, primarily on sector rotation. Cigna reported a fourth quarter beat and inline 2023 guidance driven by strong enrollment across all products; continued growth in established business (60% of revenue); and outsized growth in Cigna's accelerated segments comprised of specialty pharmacy, Evernorth Health Services, and its U.S. Government business. Despite these positive results, investors stepped to the sidelines on concerns about proposed changes to the Medicare audit program, preliminary 2024 Medicare Advantage rates, the impact of Medicaid recertification, and heightened scrutiny of pharmacy benefit managers. While we believe that, over the long term, Cigna is a well-run, well-positioned managed care player with solid growth opportunities, we reduced our position to lower overall exposure to the managed health care segment.

Moderna, Inc. is a leader in the emerging field of mRNA-based vaccines and therapeutics and was one of the three main producers of the COVID vaccine. Shares fell during the quarter. We believe as COVID shifts away from pandemic status and becomes an increasingly commercial market (rather than government funded), there is increasing investor uncertainty around what a booster market could look like, which is pressuring shares. Looking beyond COVID, we think Moderna has the potential to disrupt the biopharmaceutical industry, from infectious disease vaccines to oncology, and we remain shareholders.

Elevance Health, Inc. is a leading health benefits company in the U.S., serving more than 45 million members through its affiliated health plans under the Blue Cross/Blue Shield brand in 14 states. Shares fell along with those of other managed care companies on investor concerns over proposed lower 2024 Medicare Advantage (MA) rates and changes in risk assessment methodology. We believe Elevance has multiple growth drivers, including its MA business, its in-house pharmacy benefit management business, and its Diversified Business Group, which includes behavioral health, advanced analytics, and complex and chronic care services. Near term, medical cost trends remain low, Elevance has pricing power, and earnings should benefit from rising interest rates. Over the long term, management targets 12% to 15% annual EPS growth. We think Elevance is a high-quality growth company trading at a reasonable valuation.

Rocket Pharmaceuticals, Inc. is a biotechnology company specializing in gene therapies for rare genetic diseases outside of oncology, including Danon disease, Fanconi's anemia, lysosomal acid lipase deficiency, and Pyruvate kinase disorder. As a biotechnology stock without near-term news flow in a risk-off market, the share price suffered as a result of this duration risk. We expect treatments for the first three diseases to be commercially launched by 2025, which should generate substantial revenue. Short-term investor focus is on a pivotal trial design for Danon disease, as it represents the largest commercial opportunity of the three. Given our estimation of the high probability of positive free-cash-flow generation in coming years, coupled with the life-saving nature of Rocket's therapies and the high unmet need, we are comfortable managing through present investment risk.

Portfolio Structure

We build the portfolio from the bottom up, one stock at a time, using the Baron investment approach. We do not try to mimic an index, and we expect the Fund to look very different from the Benchmark. We loosely group the portfolio into three categories of stocks: earnings compounders, high-growth companies, and biotechnology companies. We define earnings compounders as companies that we believe can compound earnings at double-digit rates over the long term. We define high-growth stocks as companies we expect to generate mid-teens or better revenue growth. They may not be profitable today, but we believe they can be highly profitable in the future. We expect the portfolio to have a mix of earnings compounders, high-growth, and biotechnology companies.

The Fund may hold in stocks of any market capitalization and may hold both domestic and international stocks. As of March 31, 2022, the Fund held 45 stocks. This compares with 486 stocks in the Benchmark. International stocks represented 12.2% of the Fund's net assets. The Fund's 10 largest holdings represented 42.7% of net assets. Compared with the Benchmark, the Fund was overweight in life sciences tools & services, health care supplies, managed health care, and health care distributors, and most underweight in pharmaceuticals, health care equipment, and biotechnology. The market cap range of the investments in the Fund was $136 million to $441 billion, with a weighted average market cap of $127 billion. This compared with the Benchmark's weighted average market cap of $173 billion.

We continue to invest in multiple secular growth themes in Health Care, such as genomics/genetic testing/genetic medicine, technology-enabled drug development/discovery, minimally invasive surgery, diabetes devices and therapeutics, anti-obesity medications, *picks and shovels* life sciences tools providers, the shift to lower cost sites of care, value-based health care, Medicare Advantage, and animal health, among others. To be clear, this list is not exhaustive: we own stocks in the portfolio that do not fit neatly into these themes and there are other themes not mentioned here that are in the portfolio. We evaluate each stock on its own merits.

Table IV.
Top 10 holdings as of March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
UnitedHealth Group Incorporated	2018	$227.2	$440.9	$17.8	8.9%
Eli Lilly and Company	2021	187.4	326.4	11.9	6.0
Thermo Fisher Scientific Inc.	2019	117.4	222.2	10.2	5.1
Merck & Co., Inc.	2022	205.6	270.1	8.0	4.0
Intuitive Surgical, Inc.	2018	49.9	89.5	7.7	3.9
Vertex Pharmaceuticals Incorporated	2022	61.4	81.0	7.2	3.6
DexCom, Inc.	2018	8.3	44.9	5.8	2.9
Elevance Health, Inc.	2022	111.2	109.2	5.7	2.9
Mettler-Toledo International, Inc.	2018	14.3	33.8	5.5	2.8
Humana Inc.	2019	35.0	60.7	5.4	2.7

Table V.
Fund investments in GICS sub-industries as of March 31, 2023

	Percent of Net Assets
Life Sciences Tools & Services	19.6%
Biotechnology	18.2
Pharmaceuticals	15.3
Managed Health Care	14.5
Health Care Equipment	14.5
Health Care Supplies	3.7
Health Care Facilities	2.4
Health Care Services	2.0
Health Care Distributors	1.7
Health Care Technology	0.2
Cash and Cash Equivalents	7.8
Total	100.0%*

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

Recent Activity

Table VI.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Prometheus Biosciences, Inc.	$ 5.1	$3.5
The Cooper Companies, Inc.	18.5	3.2
West Pharmaceutical Services, Inc.	25.7	2.6
DexCom, Inc.	44.9	2.5
Exact Sciences Corporation	12.2	2.3

During the first quarter, we established three new positions and exited five positions. Below we discuss some of our top net purchases and sales.

We added to our position in **Prometheus Biosciences, Inc.**, a clinical stage biotechnology company. Prometheus' lead product candidate, PRA023, is a monoclonal antibody that has been shown to block a target called TL1A that is associated with intestinal inflammation and fibrosis. In December 2022, the company reported promising Phase 2 clinical trial results, suggesting potential for PRA023 to be a novel treatment for ulcerative colitis and Crohn's disease. The company plans to advance PRA023 into Phase 3 clinical trials for ulcerative colitis and Crohn's disease in 2023. The company is also studying PRA023 as a treatment for Systemic-Sclerosis-associated Interstitial Lung Disease and plans to announce a fourth potential indication for PRA023 in 2023. We believe PRA023 has blockbuster potential. Prometheus also has a pipeline of earlier stage product candidates. On April 16, Merck issued a press release announcing its agreement to acquire Prometheus for $200 per share in cash.

We added to our position in **The Cooper Companies, Inc.**, a medical device company that is a global leader in its two verticals, CooperVision (contact lenses) and CooperSurgical (women's health/fertility products and services). On the contact lens side, the overall market is growing, driven by the increased incidence of myopia, and Cooper is enjoying above market growth driven by the company's wide range of specialty lens offerings and the multi-year trend of users trading up to daily silicone hydrogel lenses where Cooper is under-indexed. The contact lens market is an oligopoly with high barriers to entry and long product cycles. Especially exciting is Cooper's portfolio of products for the treatment of myopia, including MiSight, the first FDA approved contact lens for myopia in children, a huge and growing market. On the women's health side, CooperSurgical has positioned itself, primarily through niche acquisitions, to be a one-stop shop for gynecologists and obstetricians and has built a strong and expanding franchise in the rapidly growing global fertility market. We believe Cooper is a high-quality, well-managed earnings compounder that is well positioned to achieve solid top-line growth and expanding margins. We also expect Cooper to achieve attractive returns from strategic acquisitions facilitated by the company's strong free cash flow.

We added to our position in **West Pharmaceutical Services, Inc.**, a leading supplier of components and systems for packaging and delivery of injectable drugs. West's products include rubber stoppers that enclose drug vials, rubber syringe plungers, as well as drug delivery systems such as auto-injectors and electronic wearable injectors. West's business is benefiting from a mix shift towards higher value products, including stoppers and syringe plungers that have been coated with proprietary material to prevent contamination, and products which have been washed, sterilized, and vision inspected. West has dominant market share in its primary product categories and long-term customer relationships with customers who trust West and rely on its quality products to package their drugs, which can cost hundreds of thousands of dollars. West's products go through stability testing to make sure they do not affect the drug they contain. The FDA has a master file with West's products and customers can reference the master file when applying for approvals. Substantial capital is required to build manufacturing facilities ahead of revenue. West manufactures globally and can serve its customers with technical and regulatory support around the world. West has pricing power and can raise price a few percentage points each year. West's business has tailwinds from a new class of diabetes/obesity drugs called GLP-1s (such as Ozempic, Wegovy, and Mounjaro). Management targets 7% to 9% revenue growth over the long term and 100 basis points of operating margin expansion per year.

We added to our position in **DexCom, Inc.**, a medical device company which sells continuous glucose monitoring (CGM) devices for people with diabetes. DexCom is in the early stages of the launch of its seventh-generation device called the G7, which offers many new features, including 60% smaller size, a disposable transmitter, and 30-minute sensor warmup, among other features. We think the G7 will drive revenue growth acceleration through continued penetration in the core insulin intensive diabetes population globally. In addition, Medicare recently decided to provide coverage of CGM for people with Type 2 diabetes who are basal insulin users, meaning people with diabetes who use insulin daily but don't need to use insulin intensively at every meal or multiple times daily. This expanded coverage adds millions of people to DexCom's addressable market. Over the long term, we believe DexCom will have an opportunity to expand into the even larger category of non-insulin users with Type 2 diabetes given the benefits of CGM in helping all people manage their diabetes.

We initiated a position in **Exact Sciences Corporation**, a cancer diagnostics company whose flagship product is Cologuard, a stool-based DNA colon cancer screening test. Colon cancer is the second leading cause of cancer deaths in the U.S. Patients who are diagnosed early are more likely to have a complete recovery. Exact has a large opportunity to screen patients with Cologuard. There are roughly 110 million Americans between the ages of 45 and 85 who are at average risk for colon cancer. At a three-year screening interval and an average revenue per test of roughly $500, this represents a potential $18 billion annual revenue opportunity for Cologuard. Recently, the Cologuard business has exhibited strong momentum with several tailwinds driving growth, including demand from health systems, which are incentivized to comply with screening guidelines for enhanced payments, the American Cancer Society guideline change lowering the age of recommended screening from 50 to 45, increased adoption of electronic ordering, and a growing rescreening opportunity. Later this year, Exact expects to report clinical trial data on Cologuard 2.0, a second-generation screening test that management believes will have enhanced specificity and boost gross margins. Exact also plans to participate in the market for minimal residual disease testing and multi-cancer early detection, two large new market opportunities for the company. After many years of heavy investments in its laboratories, IT, and distribution, the company recently turned adjusted EBITDA positive and expects to turn free cash flow positive next year. Long term, management targets 80% gross margins and 40% adjusted EBITDA margins for the business.

Table VII.
Top net sales for the quarter ended March 31, 2023

	Amount Sold (millions)
AstraZeneca PLC	$4.0
AbbVie Inc.	3.8
McKesson Corporation	3.4
argenx SE	3.4
The Cigna Group	2.7

We reduced our position in **AstraZeneca PLC** ahead of a clinical data read-out of a competitor drug that would compete with one of the company's important drugs. We reduced our position in **AbbVie Inc.** due to our less optimistic view of the company's pipeline and long-term growth profile. We trimmed our position in **McKesson Corporation** on valuation concerns after strong performance in 2022. We reduced our position in **argenx SE** to de-risk ahead of a clinical data read-out. Lastly, we reduced our position in **The Cigna Group** to lower overall exposure to the managed health care segment.

Outlook

The XBI, the SPDR® S&P® Biotech ETF that is largely concentrated in small- and smid-cap biotechnology stocks, was down 8.18% in the first quarter. This poor performance was likely due to concerns about the impact of small bank failures on small biotechnology companies' ability to access capital and the impact of the Medicare drug pricing provisions of the Inflation Reduction Act. We continue to focus on select small- and smid-cap biotechnology stocks that we believe have innovative products and are well funded and well positioned in a more difficult pricing environment. Examples include **Rocket Pharmaceuticals, Inc.**, a developer of gene therapies for rare, undertreated diseases, and **Prometheus Biosciences, Inc.**, which we discussed earlier.

In pharmaceuticals, our largest investment continues to be in **Eli Lilly and Company**. Lilly's new diabetes drug Mounjaro is likely to be approved for obesity in 2023. Lilly has two new obesity drugs advancing into Phase 3 trials. Lilly also has a drug in late-stage development for Alzheimer's disease. Lilly is not facing any significant near-term patent expirations, and we think the company should be able to grow revenue and earnings at attractive rates through the end of the decade and beyond.

Following weak performance in 2022, life sciences tools stocks began the year on a positive note driven by fading COVID headwinds and solid fundamentals. We think the life sciences tools companies we own (such as **Thermo Fisher Scientific Inc.**, **Mettler-Toledo International, Inc.**, and **West Pharmaceutical Services, Inc.**, among others) are good long-term investments because they have secular growth drivers, pricing power, recurring revenues, high margins, and low-capital intensity.

For medical device companies, COVID-related headwinds are mostly in the rearview mirror, and procedure volumes are improving. We continue to think medical device companies will see increasing demand driven by an aging global population and a higher disease burden from chronic diseases. We have investments in companies with innovative devices for sleep apnea and diabetes, among other areas. For the most part, our investments are in companies addressing non-elective procedures, which makes them less likely to be deferred in a recession.

Managed care companies have had a rough start to 2023 due to a variety of issues, including heightened regulatory scrutiny of the Medicare Advantage program and the Pharmacy Benefit Manager industry and less favorable Medicare Advantage rates for 2024. Despite these headwinds, we continue to think the long-term fundamentals of the managed care companies we own are strong, and the stocks are now trading at depressed valuations in our view, setting them up for attractive long-term returns.

Overall, our long-term outlook for Health Care remains bullish. Innovation in the sector and the themes in which we have been investing are very much intact. We believe the Fund includes competitively advantaged growth companies with pricing power, strong management, and excellent balance sheets.

As always, I would like to thank my colleague Josh Riegelhaupt, Assistant Portfolio Manager of Baron Health Care Fund, for his invaluable contributions to the Fund.

Thank you for investing in Baron Health Care Fund. I remain an investor in the Fund, alongside you.

Sincerely,

Neal Kaufman
Portfolio Manager

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 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. 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 Health Care Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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).

Dear Baron FinTech Fund Shareholder:

Performance

In the quarter ended March 31, 2023, Baron FinTech Fund® (the Fund) rose 4.83% (Institutional Shares) compared with an 8.24% gain for the FactSet Global FinTech Index (the Benchmark) and a 7.50% gain for the S&P 500 Index (the Index). Since inception (December 31, 2019), the Fund has risen 5.42% on an annualized basis compared with a 2.15% decline for the Benchmark and a 9.46% gain for the Index.

JOSH SALTMAN

PORTFOLIO MANAGER

Retail Shares: BFINX
Institutional Shares: BFIIX
R6 Shares: BFIUX

Table I.
Performance[†]
Annualized for periods ended March 31, 2023

	Baron FinTech Fund Retail Shares[1,2]	Baron FinTech Fund Institutional Shares[1,2]	FactSet Global FinTech Index[1]	S&P 500 Index[1]
Three Months[3]	4.78%	4.83%	8.24%	7.50%
One Year	(16.31)%	(16.09)%	(17.67)%	(7.73)%
Three Years	10.43%	10.71%	8.67%	18.60%
Since Inception (December 31, 2019)	5.18%	5.42%	(2.15)%	9.46%

U.S. equities posted gains to start the year, but the path higher remained turbulent as investors grappled with tightening financial conditions and concerns of a recession. Stocks rose in January as moderating inflation and softer economic indicators raised hopes that the current cycle of interest rate hikes might be ending. The rally was supported by easing supply-chain constraints, falling energy prices, and the reopening of the Chinese economy from pandemic lockdowns. The rebound stalled in February as resilient economic data and persistently high inflation left investors concerned that the Fed would keep rates higher for longer. The sudden failures of Silicon Valley Bank (SVB) and Signature Bank exacerbated the market sell-off in early March, but federal regulators quickly intervened to prevent contagion from spreading throughout the banking sector. The episode ignited a market rebound in late March given investor expectations that the banking turmoil would cause the Fed to potentially pivot on rate hikes and resume its balance sheet expansion.

Against this confusing market backdrop, the Fund appreciated during the first quarter yet trailed the Benchmark and the broader market. During the quarter, three of the Fund's seven investment themes outperformed the Benchmark: E-Commerce, Capital Markets, and Information Services. Challengers outperformed Leaders (up 9.0% vs. up 3.9%, respectively) in a generally risk-on environment where growth outpaced value and last year's laggards rebounded to become this year's winners. While the Index posted solid returns during the quarter, gains were concentrated in just a handful of large tech-related companies, while the median stock in the U.S. was roughly flat. The Fund's lack of exposure to seven mega-cap winners (Apple, Microsoft, NVIDIA, Tesla, Meta, Alphabet, and Amazon) represented a nearly 5% headwind to performance relative to the Index.

Unfavorable stock selection in Tech-Enabled Financials coupled with unique exposure to Digital IT Services accounted for most of the underperformance relative to the Benchmark. Weakness in Tech-Enabled Financials was driven by declines from online brokerage firm **The Charles Schwab Corp.** and independent broker-dealer **LPL Financial Holdings Inc.** as multiple bank failures caused investors to sour on financial stocks. We remain shareholders and offer additional details on Schwab and LPL later in this letter. Similar to last quarter, the Fund's unique exposure to Digital IT Services proved costly as outsourced software development providers **Endava plc**, **Globant S.A.**, and **CI&T, Inc.** were negatively impacted by concerns about macroeconomic uncertainty weighing on client demand. We retain

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.63% and 1.20%, respectively, 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, 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-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 **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 transactional-related hardware across 30 developed and emerging markets. The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The indexes and the Fund include reinvestment of dividends, net of 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 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.

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conviction given our belief that these companies will continue growing rapidly in a large global market for IT services. Within Information Services and Enterprise Software, the Fund's relative underperformance was largely driven by stocks that we didn't own as several of last year's biggest losers in the Benchmark rebounded to become this year's biggest winners, at least so far. We seek to invest in long-term winners, so the Fund tends to underperform during speculative rallies in lower-quality stocks. We are undaunted by this short-term phenomenon and expect that it will be short-lived.

These adverse impacts were somewhat offset by favorable stock selection in Capital Markets and E-Commerce as well as meaningfully lower exposure to the lagging Payments theme. Strength in Capital Markets was attributable to double-digit gains from market operators **MarketAxess Holdings Inc.**, **Tradeweb Markets Inc.**, and **CME Group, Inc.**, as these businesses benefited from a pickup in trading activity. Latin American e-commerce and payments leader **MercadoLibre, Inc.** bolstered performance in E-Commerce after reporting strong results and a favorable outlook.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
MercadoLibre, Inc.	1.27%
MSCI Inc.	0.70
Intuit Inc.	0.66
Tradeweb Markets Inc.	0.54
Guidewire Software, Inc.	0.53

MercadoLibre, Inc., the largest e-commerce platform in Latin America, contributed to performance. The company reported quarterly earnings that were well above Street expectations, driven by margin expansion and strong performance across both the commerce and fintech segments. Management expects rapid growth and margin expansion to persist over time. Additionally, we believe retrenchment by large e-commerce competitors could lead to faster market share gains for MercadoLibre, especially in Brazil. We continue to own the stock because of MercadoLibre's dominant competitive position and long runway for growth.

Shares of **MSCI Inc.**, a leading provider of investment decision support tools, contributed to performance. The company reported resilient fourth quarter earnings results and gave a cautiously optimistic outlook for 2023. MSCI also benefited from improved performance in the global equity markets in the quarter, which most directly impacts MSCI's asset-based fee revenue. We retain conviction as MSCI owns strong "all weather" franchises and should benefit from numerous secular tailwinds in the investment industry.

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares contributed after the company reported quarterly results that exceeded Street expectations with 14% revenue growth and 42% EPS growth. Management expressed confidence in their outlook and reaffirmed full-year financial guidance, which came as a relief to investors who feared a macro-driven guidance cut. We continue to own the stock due to Intuit's strong competitive position and numerous growth opportunities.

Tradeweb Markets Inc. operates electronic marketplaces for trading bonds, derivatives, and other financial instruments. Shares contributed due to robust trading activity and market share gains. Average daily trading volume in the first quarter grew 16% for interest rate products and 23% for U.S. high-grade corporate bonds. Tradeweb also reported quarterly financial results that exceeded Street expectations with 9% revenue growth on a constant-currency basis and 18% EPS growth. We continue to own the stock due to Tradeweb's strong network effects, long track record of innovation, and significant growth opportunities from the ongoing electronification of the capital markets.

Shares of property and casualty (P&C) insurance software vendor **Guidewire Software, Inc.** contributed to performance for the quarter. The company has crossed the mid-point of its cloud transition and is now demonstrating more consistent recurring revenue growth and durable gross margin expansion. We believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%. During the quarter, Guidewire's largest competitor was acquired by a private equity firm at a meaningful premium to Guidewire's current valuation. We believe this acquisition will enhance Guidewire's win rates and pricing power while highlighting the significant valuation upside relative to the current share price.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
The Charles Schwab Corp.	–1.37%
Endava plc	–0.37
LPL Financial Holdings Inc.	–0.32
BILL Holdings, Inc.	–0.23
Network International Holdings Ltd.	–0.23

Shares of online brokerage firm **The Charles Schwab Corp.** declined during the quarter following the failure of SVB, which led to weakness across financials more broadly. Despite running a very different business than SVB, Schwab is facing deposit pressure from cash sorting in the wake of SVB's collapse. As customers move uninvested cash balances into higher-yielding money market funds, Schwab must replace this depleted cash with higher-cost funding. This trend has pressured earnings forecasts and contributed to recent share price weakness. We trimmed our exposure but retain conviction in the long-term value of Schwab's franchise. Despite the banking turmoil, Schwab saw faster organic growth with $132 billion of net new assets during the first quarter. We remain encouraged by the firm's exceptional client loyalty, robust organic growth, and industry-leading unit costs. We believe Schwab is well positioned to retain clients and increase long-term earnings growth.

Endava plc provides outsourced software development for business customers. Shares fell after the company reduced financial guidance to reflect slower bookings as macroeconomic uncertainty weighed on client decision-making in December. Nevertheless, the company reported solid quarterly results, with 30% revenue growth and 26% EPS growth. Management noted that bookings have improved in the first couple of months of 2023, and they expect annualized revenue growth to quickly return to greater than 20%. We remain investors because we believe Endava will continue gaining share in a large global market for IT services.

LPL Financial Holdings Inc. is the largest independent broker-dealer in the U.S. Following a strong run in 2022, the stock detracted in the quarter. The weakness was largely driven by turmoil in the banking industry after the failure of SVB, which caused investors to sour on financial stocks in general. We believe LPL is immune from most of the issues facing banks. LPL is not a bank itself, has a relatively small balance sheet, and has a low-risk, short-duration securities portfolio. The banking crisis has caused investors to take a more dovish view on the path of interest rates, which is a headwind to LPL's earnings as the economics on a large portion of client cash is tied to floating rates. However, we believe the company has an attractive growth profile even in a lower interest rate environment.

BILL Holdings, Inc. is a leading provider of cloud-based software that simplifies, digitizes, and automates complex back office financial operations. The company reported decent quarterly earnings, but the stock fell due to a forward outlook that was below investor expectations. In particular, macro-related pressure on small-to-medium-sized businesses (SMBs) led to slower payment volume growth and somewhat lower net adds. In addition, while Street analysts do not expect the SVB failure to have a direct impact on its business, they have expressed some concerns that the fallout will further dampen the backdrop for SMBs. Despite the potential near-term macro-related headwinds, we retain conviction as the digitization of business-to- business payments is a powerful secular trend with a long runway for continued growth and BILL remains well positioned to be a winner in the SMB market.

Network International Holdings Ltd. is a payment processing company serving the Middle East and Africa. Shares detracted in the quarter as 2023 financial guidance was below market expectations. Network's business is facing near-term headwinds from macro weakness in South Africa, inflation and currency pressures, and higher taxes. Nevertheless, we remain encouraged by underlying strength in the core business, which continues to grow at a mid-teens organic rate, and the company's progress in new markets such as Saudi Arabia. Network operates in countries that are in the early stages of electronic payment penetration, a multi-year trend that should sustain durable growth.

Portfolio Structure

We seek to invest in competitively advantaged, growing fintech companies that we can own for years. We conduct independent, fundamental research and take a long-term perspective. We invest in companies across all market capitalizations and geographies. The quality of the ideas and level of conviction determine the position size of each investment. We do not try to mimic an index, and we expect the Fund will look very different from the Benchmark.

As of March 31, 2023, the Fund held 46 positions. The Fund's 10 largest holdings represented 43.4% of net assets, and the 20 largest holdings represented 68.2% of net assets. International stocks represented 15.3% of net assets. The market capitalization range of the investments in the Fund was $645 million to $475 billion with a median of $18.1 billion and a weighted average of $93.6 billion. The Fund's active share versus the Benchmark was 87.0%.

We segment the Fund's holdings into seven investment themes. As of March 31, 2023, Payments represented 22.1% of net assets, Information Services represented 21.5%, Tech-Enabled Financials represented 16.3%, Enterprise Software represented 13.0%, Capital Markets represented 9.6%, Digital IT Services represented 9.4%, and E-Commerce represented 7.0%, with the remainder in cash. Relative to the Benchmark, the Fund is most underweight in Enterprise Software and Payments and has unique exposure to Digital IT Services along with overweight positions in Capital Markets, Information Services, and Tech-Enabled Financials.

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 March 31, 2023, Leaders represented 73.8% of net assets and Challengers represented 25.2%, with the remainder in cash. Since September 2021, the Fund's exposure to Leaders has steadily increased, while the exposure to Challengers has steadily decreased, reflecting our more defensive positioning.

A notable change in sector classifications took place during the quarter. The Global Industry Classification Standard (GICS), which is a system for categorizing public companies by sectors and industries, changed the industry classification of payment stocks from Information Technology (IT) to Financials. Within the Index, eight companies (including Visa and Mastercard) have been moved from IT to Financials. As of March 17 (the date of the GICS change), this change increased the Financials sector weighting in the Index by 2.7% to 13.0%, while the IT sector weighting decreased by 3.1% to 25.9%. Following the GICS changes, the eight Payments companies now account for 20.8% of the Financials sector in the Index. While this change has no impact on our portfolio construction, the Fund's exposure to Financials is now 65.1% compared to 36.9% just three months ago.

Table IV.
Top 10 holdings as of March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Visa Inc.	2020	$376.2	$475.3	$2.8	6.2%
Mastercard Incorporated	2020	306.1	346.4	2.5	5.6
Intuit Inc.	2020	69.3	125.1	2.1	4.7
S&P Global Inc.	2020	67.9	113.1	2.1	4.6
MSCI Inc.	2020	22.5	44.8	1.8	4.1
Accenture plc	2020	133.7	189.7	1.8	4.0
LPL Financial Holdings Inc.	2021	12.9	15.9	1.6	3.6
MercadoLibre, Inc.	2020	53.7	66.2	1.6	3.5
The Progressive Corporation	2022	65.4	83.7	1.6	3.5
Fair Isaac Corporation	2020	11.1	17.7	1.5	3.5

Table V.
Fund investments in Baron fintech themes as of March 31, 2023

	Percent of Net Assets
Payments	22.1%
Information Services	21.5
Tech-Enabled Financials	16.3
Enterprise Software	13.0
Capital Markets	9.6
Digital IT Services	9.4
E-Commerce	7.0
Cash and Cash Equivalents	1.0
Total	100.0%*

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

Table VI.
Fund investments in GICS sub-industries as of March 31, 2023

	Percent of Net Assets
Transaction & Payment Processing Services	26.7%
Financial Exchanges & Data	20.5
Application Software	12.9
IT Consulting & Other Services	9.4
Investment Banking & Brokerage	8.4
Research & Consulting Services	6.8
Property & Casualty Insurance	5.3
Broadline Retail	3.5
Asset Management & Custody Banks	2.1
Internet Services & Infrastructure	1.3
Diversified Financial Services	1.3
Insurance Brokers	0.9
Cash and Cash Equivalents	1.0
Total	100.0%*

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

Recent Activity

During the quarter, the Fund initiated three new positions and exited four positions. Below we discuss some of our top net purchases and sales.

Table VII.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
WEX Inc.	$ 7.9	$657.0
Apollo Global Management, Inc.	36.0	641.6
Interactive Brokers Group, Inc.	34.9	558.9
Fiserv, Inc.	71.0	416.0
Verisk Analytics, Inc.	29.7	256.1

We initiated a position in **Interactive Brokers Group, Inc.**, a leading brokerage firm that enables institutional and individual investors to trade securities, commodities, and foreign currencies from a single platform. Interactive Brokers targets sophisticated investors with complex needs, including those who trade multiple asset classes across global markets and use leverage to finance trades. The company differentiates itself through its low prices, the vast array of markets that it serves, and its strong growth from international markets. Interactive Brokers has 2.2 million accounts, a customer base that has more than quadrupled in the last five years and has more recently been growing over 20% per year.

We have long been admirers of the company's founder and chairman, Thomas Peterffy. He founded the company that would become Interactive Brokers in 1977 when he bought a seat on the American Stock Exchange as an options market maker. With a background in computer engineering, Peterffy was the first to use computers to calculate options prices while others were still doing manual calculations. This automation allowed Peterffy to increase trading efficiency, and he ultimately built the world's largest electronic options market-maker. In 1993, Interactive Brokers added brokerage capabilities, allowing clients to use the same infrastructure that the company had spent years building for its own trading. Interactive Brokers eventually sold the market-making business to focus exclusively on the more profitable brokerage business. Thomas remains the face of the company and owns 70% of the shares.

Interactive Brokers' key differentiation is its low prices, which are enabled by its highly automated, low-cost infrastructure. The company offers its clients superior execution prices, competitive margin and securities lending rates, and attractive yields on uninvested cash balances. Peterffy has been applying the same strategy of using automation to reduce costs since the earliest days of the company. Almost half of the employees are software engineers who seek to automate many of the processes that competitors perform manually. This keeps Interactive Brokers' headcount and costs low, with the company generating over $1 million of revenue per employee and earning a 67% adjusted pretax profit margin in 2022.

Beyond its low prices, the company offers trading in a wide range of assets and markets, which makes it attractive to professional investors. Clients can trade equities, options, futures, fixed income, currencies, and other assets in over 150 markets in 33 countries and 26 currencies. This range of services is matched only by large investment banks, which typically serve only the largest clients. This global focus also extends to the company's client base, with nearly 80% of clients located outside the U.S. While the brokerage market in the U.S. is well served and highly competitive, other countries have few options for accessing global financial markets. Interactive Brokers serves clients in over 200 countries, providing the company with a long runway for growth as more of the global population begins to invest its wealth. The company is benefiting from higher interest rates by earning interest income on uninvested client cash, but it has minimal interest rate risk by keeping the duration of its securities portfolio extremely short (only three to four weeks) and has low cash sorting risk by passing along higher yields to customers.

With its low-priced offering and leading range of capabilities, we believe that Interactive Brokers is well positioned to continue its rapid pace of account growth. The company's focus on automation should enable it to remain the low-cost provider, while earning best-in-class margins and achieving double-digit revenue and earnings growth over the long term.

We also initiated a new position in **Apollo Global Management, Inc.**, one of the largest alternative asset managers in the world with $548 billion of assets under management. While Apollo's roots are in private equity (PE), the majority of the business and much of the growth potential is in private credit, which refers to lending by non-banks. Apollo has a captive annuity and life insurance company, Athene, which it uses to source retirement funds that it can then deploy in alternative investments. The company is unique because it is one of the few scaled investors that can source retirement funds and has deep investment expertise in alternative investments. Through continued growth of assets under management, we believe that Apollo is well placed to grow its multiple earnings streams.

Apollo was founded in 1990 as a PE manager. While Apollo was and remains a successful PE investor, particularly in complex situations, CEO and co-founder Marc Rowan realized there was a large opportunity to deliver lower but less risky returns to investors with a different risk appetite, namely retirees. While most alternative asset managers have to consistently raise new capital to invest, retirement assets are a large source of near-permanent capital. Moreover, the long duration of these assets makes them a good candidate for deploying into illiquid, alternative investments. This insight led to the creation of Athene in 2009. While Athene was initially a separate company with Apollo as its sole asset manager, the two companies merged in 2022.

We believe Apollo has a large opportunity to continue growing its assets under management. The pool of retirement funds is vast, and in Athene, Apollo has built from scratch one of the leading annuity and life insurance providers in the country. Beyond the sourcing of retirement funds, Apollo has also developed a range of origination platforms that allow it to invest in low-risk, high-quality loans and thus earn an excess return above what it has promised to retirees. These origination platforms fill gaps in the lending markets that banks have been vacating since the Great Financial Crisis (GFC) of 2008-2009 and are another source of competitive advantage that helps generate returns. Private credit is one of the fastest growing segments within the alternative asset management industry. Management estimates the opportunity for private credit to replace fixed income is $40 trillion, or nearly 20 times larger than the private credit market size today.

With Apollo being a specialist in the fast-growing private credit market, owning the scaled proprietary platforms needed to source capital and make investments, and having a highly talented employee base led by a pioneering founder-CEO, we think Apollo is well placed to continue growing its assets under management and earnings at a mid-teens rate. We view the current valuation of 10 times earnings as highly attractive and providing a substantial margin of safety.

Table VIII.
Top net sales for the quarter ended March 31, 2023

	Amount Sold (thousands)
The Charles Schwab Corp.	$448.8
Fidelity National Information Services, Inc.	410.8
DLocal Limited	199.0
Intuit Inc.	174.1
Nuvei Corporation	140.9

We trimmed our position in **The Charles Schwab Corp.** due to greater headwinds from cash sorting. We had expected cash sorting to moderate by now, but the bank runs at SVB, Signature Bank, and First Republic exacerbated this trend and reduced our earnings forecast. We reinvested the sale proceeds into Interactive Brokers, which is less susceptible to cash sorting. We remain Schwab shareholders because we believe these headwinds are adequately reflected in the share price, and the company's long-term growth prospects remain intact.

We sold **Fidelity National Information Services, Inc.** during the quarter. We have owned the stock since the Fund's inception, which was shortly after the Fidelity-Worldpay merger in 2019 created a fintech behemoth across bank software, capital markets software, and payment processing. The COVID-19 pandemic made it difficult to assess the integration and business performance in 2020 and 2021, but we believed the company's competitive position and growth opportunities remained intact. However, weakness emerged in 2022, leading to missed financial targets and management departures. Activist investors got involved, and new management plans to undo the Worldpay acquisition by spinning off the Merchant payment business. We expect that a turnaround strategy will be difficult, so we exited the position.

We also exited **DLocal Limited** and **Nuvei Corporation** due to slowing earnings growth and greater uncertainty about the sustainability of both companies' competitive advantages in an increasingly crowded payments market.

Outlook

Turmoil across several banks in March rekindled fears of another banking crisis like what we saw during the 2008-2009 GFC. SVB, Signature Bank, and Silvergate Bank were closed by regulators, First Republic received rescue financing from large banks, and Credit Suisse was forced to sell to UBS. While the confluence of these events is unsettling, we believe today's banking conditions are very different from those 15 years ago. Problems at banks today are driven primarily by the liability side of balance sheets rather than the asset side, with funding costs being a far greater concern than credit quality. The Federal Reserve increased the overnight rate by 4.75% in just one year, the largest increase since 1980. Higher yields from money market funds and Treasury bills create stiff competition for capital, thereby draining deposits from banks and forcing banks to pay more for the deposits that remain. Higher funding costs reduce banks' earnings and their willingness to lend. We expect regional banks that rely heavily on spread-based income to be the most challenged by deposit pressures, while large banks with more diversified sources of non-interest income should be less impacted. After quick actions by the regulators in the aftermath of the SVB collapse, the liquidity crisis appears to be over and bank contagion risk appears to be contained. Small bank deposits stabilized at the end of March after seeing significant outflows earlier in the month. The key risk has now shifted from rapid bank runs to a slower-motion credit crunch. Large banks report that they have not materially tightened lending standards, but many regional banks report that they have already reduced their lending or plan to do so soon. We therefore expect that credit tightening will impose a drag on economic growth.

From our conversations with management teams and our evaluations of monthly data, business trends remained sound through much of the first quarter but decelerated in March, which may have implications for the rest of the year. Consumer spending slowed in March after relatively strong activity in the first two months of the year. Fallout from turmoil in the banking sector caused a slowdown in corporate bond issuance and may have slowed decision-making on large software implementations and digital transformation projects. We expect slower growth across most companies as the lagged effects of the Fed hiking cycle reverberates through the economy.

We believe the Fund is well positioned to withstand an economic slowdown for several reasons. First, the vast majority of our companies are profitable, generate free cash flow, and have modest debt levels. Second, several of our holdings have idiosyncratic or counter-cyclical growth drivers. For example, trading activity at **CME Group, Inc. MarketAxess Holdings Inc.,** and **Tradeweb Markets Inc.** tends to rise during periods of market volatility and economic uncertainty, while slower economic growth has little impact on **The Progressive Corporation's** price increases and policy growth. Third, low valuations already reflect softer earnings outlooks for many of our stocks. We continue to lean into our more defensive Leaders over our higher-growth Challengers.

We are monitoring the impacts of generative artificial intelligence (AI) on the fintech landscape. We have been amazed by the rapid advances in large language models, such as ChatGPT, which have the potential to increase automation and efficiency across many aspects of our lives. Some of our holdings are already incorporating AI into their operations. **Intuit Inc.** has been investing in AI for over five years to distill insights from its vast data troves and to more quickly deliver new solutions to customers. For example, AI is used to power cash flow planning tools for small business QuickBooks customers and to efficiently match up TurboTax customers with live tax experts. **Visa Inc.** uses AI to monitor transactions for suspicious activity. In contrast, **Interactive Brokers Group, Inc.** found that AI-written software code contained bugs, was inefficiently structured, and created security risks. It's still very early days in the adoption of AI and we are still evaluating who the ultimate winners and losers will be, but we suspect that AI will enhance our competitively-advantaged companies.

Private market valuations for fintech companies are starting to catch up to the steep drops we saw in the public markets last year. Payment processor Stripe raised $6.5 billion, representing the second largest fintech funding round ever (only behind Ant Financial's $14 billion round in 2018). However, Stripe's valuation of $50 billion declined substantially from the $95 billion valuation it achieved in March 2021. EToro, a social platform for trading stocks and cryptocurrencies, completed a private market funding round at a $3.5 billion valuation, down 66% from the $10.4 billion valuation from its now-cancelled SPAC acquisition announced in March 2021. According to investment bank FT Partners, the total dollar volume of global fintech deal activity has declined for six straight quarters after peaking in the third quarter of 2021. Activity this past quarter fell 65% from a year ago and 85% from the peak, although the pace of decline eased up a bit as more active private fundraising offset declines in M&A. As mentioned in prior letters, we think reduced private capital investment into the fintech industry will temper competitive intensity and increase profitability for publicly traded incumbents, which should be a meaningful tailwind for the Fund over time.

Despite the slowdown of capital markets and M&A activity, investment bank and longtime Fund holding **Houlihan Lokey, Inc.** launched a newly formed fintech industry coverage group. A veteran investment banker was hired to lead a team of over 30 financial professionals and to identify and integrate financial technology innovations within the firm to enhance client service and the firm's operations. The company press release noted, "Financial technology continues to grow at a breakneck pace as the digital revolution continues and even accelerates with greater adoption of AI. Despite current challenges facing many fintech companies, as valuations have contracted from the pandemic-induced euphoria, the overall market is in its early innings. Challenges ranging from broad underserved markets to ensuring safe transactions to addressing the inevitable growth of regulation from the recent crypto and bank crises remain opportunities to be addressed by both emerging and incumbent players." We wholeheartedly agree and are excited by the long-term opportunities in a market that is still in the early innings of growth.

Thank you for investing in Baron FinTech Fund. We are working hard to identify good investment ideas that we expect will generate attractive returns over the long term.

Sincerely,

Josh Saltman
Portfolio Manager

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 1-800-99BARON or visiting www.BaronFunds.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 is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. 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. 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 FinTech Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Active Share a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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).

Dear Baron New Asia Fund Shareholder:

Performance

Baron New Asia Fund® (the Fund) gained 2.83% (Institutional Shares) during the first quarter of 2023, while its principal benchmark Index, the MSCI AC Asia ex Japan Index, returned 4.34%. The MSCI AC Asia ex Japan IMI Growth Index gained 4.79% for the quarter. The Fund underperformed the core benchmark and the all-cap growth proxy in a period marked by high volatility and swings in sentiment and leadership. The quarter began much as 2022 ended: global inflation expectations ebbing, downward pressure on bond yields and the U.S. dollar, and an ongoing recovery in global equities, led by EM/Asia. Then, in early February, resilient economic data coupled with a series of stubborn U.S. inflation readings reversed these trends, as bond yields and central bank rate hike expectations abruptly spiked; the U.S. 2-year Treasury yield briefly surpassed 5% for the first time in over 15 years, while the dollar rose and equities retreated, with EM/Asia reversing early gains. On March 9, everything changed again as this market-based interest rate repricing shifted the market's attention towards pressures in the global banking sector, in particular SVB Financial Group's liquidity and solvency challenges, and then to the aggressive policy response addressing the risk of widespread deposit flight, which spread to several additional institutions including behemoth Credit Suisse. We remain encouraged over the intermediate and longer term and see recent events as confirming our premise that we are passing peak hawkishness and likely entering a period of sustainable EM and international equity outperformance.

China-related equities began the year quite strong on enthusiasm over reopening and policy support, only to peak in late January and retrace most of the gains, though we remain encouraged on the margin and anticipate that recovering demand combined with newfound expense and capital discipline will drive positive earnings surprises and solid equity returns as we move through this year. Taiwanese and Korean equities stood out positively, largely reflecting the strength of global technology stocks during the quarter. India, on the other hand, was one of the only jurisdictions to register negative returns, impacting our relative performance, which we regard as largely attributable to mean reversion for a second quarter after a long period of relative strength; we remain optimistic regarding India and our investments there over the long term. As always, we are confident that we have constructed a diversified portfolio of well-positioned and well-managed companies that are also benefiting from the tailwinds of long-term and attractive investment themes.

MICHAEL KASS AND ANUJ AGGARWAL

PORTFOLIO MANAGERS

Retail Shares: BNAFX
Institutional Shares: BNAIX
R6 Shares: BNAUX

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron New Asia Fund Retail Shares[1,2]	Baron New Asia Fund Institutional Shares[1,2]	MSCI AC Asia ex Japan Index[1]	MSCI AC Asia ex Japan IMI Growth Index[1]
Three Months[3]	2.84%	2.83%	4.34%	4.79%
One Year	(11.61)%	(11.37)%	(8.90)%	(10.31)%
Since Inception (July 30, 2021)	(15.12)%	(14.91)%	(11.79)%	(14.88)%

For the first quarter of 2023, we modestly underperformed our primary benchmark, the MSCI AC Asia ex Japan Index, while also trailing our all-cap growth proxy. From a sector or theme perspective, weak stock selection in the Financials sector, particularly investments in our India wealth management/consumer finance theme (**Bajaj Finance Limited**, **ICICI Bank**

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 8.96% and 7.22%, respectively, but the net annual estimated expense ratio was 1.45% and 1.20% (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, 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.

1 The **MSCI AC Asia ex Japan Index** measures the performance of large and mid cap equity securities representation across 2 of 3 developed markets countries (excluding Japan) and 8 emerging markets countries in Asia. The **MSCI AC Asia ex Japan IMI Growth Index** measures the performance of large, mid, and small cap securities exhibiting overall growth style characteristics across 2 of 3 developed markets countries (excluding Japan) and 8 emerging market countries in Asia. 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 Not annualized.

Limited, **SBI Life Insurance Company Limited**, **JM Financial Limited**, and **HDFC Bank Limited**) detracted the most from relative performance this quarter. In addition, adverse stock selection in the Materials sector, driven by select holdings in our global security/supply-chain diversification theme (**PI Industries Limited** and **Aarti Industries Limited**) also weighed on relative results. Lastly, our cash position in a market rally also contributed to the relative shortfall during the quarter. Partially offsetting the above was favorable stock selection in the Industrials sector, primarily attributable to our China value-added theme (**Estun Automation Co., Ltd.**, **Airtac International Group**, **Zhejiang Dingli Machinery Co., Ltd.**, **NARI Technology Co. Ltd.**, and **Han's Laser Technology Industry Group Co., Ltd.**). Our underweight positioning in the Utilities sector together with favorable stock selection effect in the Informational Technology sector from select holdings in our automation/robotics/AI, China value-added, and digitization themes also stood out as key contributors to relative performance.

From a country perspective, adverse stock selection combined with our overweight positioning in India drove the vast majority of underperformance this quarter. Weak stock selection effect and our lower weighting to Korea also detracted. Partly offsetting the above was solid stock selection effect in China. Our active exposure to Japan, through investments in our digitization (**Tokyo Electron Limited** and **Hoya Corporation**) and automation/robotics/AI (**Keyence Corporation**) themes also bolstered relative results.

Despite the recent underperformance in India, we remain excited about our investments there as landmark economic reforms implemented by the Modi administration are now supporting higher sustainable GDP growth, while also accelerating the formalization and digitization of the economy. Relative valuations for Indian equities, which became extended during a phase of impressive outperformance throughout much of a difficult 2022, have also broadly mean reverted to long-term averages, which in our view sets the stage for earnings-led outperformance for our India holdings. We are also encouraged by the recent performance of our China investments and remain optimistic about a continued recovery driven by an improving outlook after the dismantling of the zero-COVID policy late last year. In our view, despite the initial rally, current prices still do not reflect fundamental intrinsic value for many of our investments, especially within the digitization theme and select positions in our China value-added and EM consumer themes.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
Taiwan Semiconductor Manufacturing Company Limited	1.26%
Tencent Holdings Limited	0.72
Kingsoft Corporation Ltd.	0.67
Alibaba Group Holding Limited	0.51
Samsung Electronics Co., Ltd.	0.41

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** contributed in the first quarter due to easing geopolitical concerns and expectations for end-demand recovery later in 2023. We retain conviction that Taiwan Semi's technological leadership; pricing power; and exposure to secular growth markets, including high-performance computing, automotive, 5G, and IoT; will allow the company to sustain strong earnings growth over the next several years.

Tencent Holdings Limited operates the leading social network and messaging platforms (QQ, WeChat), the largest online entertainment and media business, and the largest online gaming business in China. Shares of Tencent were up this quarter, given improving macroeconomic conditions, the post-COVID reopening of China, and more friendly regulatory activity, particularly around game approvals. We retain conviction that Tencent can durably grow earnings given its track record of execution, scale, and unique and diversified online assets.

Shares of **Kingsoft Corporation Ltd.**, a leading Chinese office software, interactive entertainment, and cloud computing company, increased during the quarter, driven by strong growth in office software subscription revenue and investor expectations that new generative AI features will increase long-term demand for productivity tools. We expect Kingsoft will be the primary beneficiary of the rapid growth of China's office software market and shift towards domestic software vendors, and we remain shareholders.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares of Alibaba were up this quarter, given meaningful margin expansion, guidance to stabilize core commerce market share in China, and an announced plan to split the company into six units which could further unlock value. We retain conviction that Alibaba is well positioned to benefit from China's reopening and the ongoing growth in online commerce and cloud in China.

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** increased during the quarter due to an improving outlook for memory semiconductors in the second half of 2023, driven by DRAM and NAND inventory normalization and price stabilization. We are confident Samsung will remain a global leader in semiconductors and 5G smartphones.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
Bajaj Finance Limited	–0.37%
JD.com, Inc.	–0.30
Energy Absolute PCL	–0.29
Kingdee International Software Group Company Limited	–0.29
Hyundai Heavy Industries Co., Ltd.	–0.22

Bajaj Finance Limited is a leading non-banking financial corporation in India. The stock detracted during the quarter due to a near-term slowdown in business activity amid rising competition and moderating consumer spend in India. We believe Bajaj is well positioned to benefit from growing demand for consumer financial services including mortgages, personal and credit card loans, and vehicle financing. We retain conviction in Bajaj given its best-in-class management team, robust long-term growth outlook, and conservative risk management frameworks.

JD.com, Inc. is one of the three largest e-commerce platforms in China. Shares declined after the company reported a slowdown in fourth quarter sales and commented that deliberate culling of unprofitable SKUs would also be a drag on headline revenue growth in the first half of 2023. We believe the slowdown was driven by the peak in Chinese COVID-lockdowns, which have since ended, and the elimination or reduction of unprofitable business is better for long-term margins and returns on capital. We remain investors.

Energy Absolute PCL, originally established as a biodiesel producer, is now one of Thailand's major renewable plant operators with 784 megawatts installed capacity of solar and wind farms. Shares fell on news of a fire on a ferry powered by Energy Absolute along with investor questions about its battery production ramp-up and margin risks. We decided to exit our position.

Shares of **Kingdee International Software Group Company Limited**, a leading Chinese Enterprise Resource Planning (ERP) provider, decreased during the quarter due to investor concerns that Chinese technology giant Huawei may enter the ERP market. Given the industry's high barriers to entry and Kingdee's decades of technological accumulation, we do not consider Huawei to be a major threat and continue to believe Kingdee will be a key beneficiary of the digital transformation and software localization of Chinese businesses. We expect Kingdee will continue taking market share from foreign ERP providers while transiting to a subscription, cloud-based model that should lead to increased recurring revenue and earnings visibility.

Hyundai Heavy Industries Co., Ltd. is the world's largest shipbuilder based on the size of its order book, and global leader in high-end vessels, including LNG powered ships. Shares fell on disappointing earnings as a result of rising labor costs and foreign exchange provisions. We remain invested as Hyundai should be the leading beneficiary of the decarbonization of shipping. The company has technological leadership and a dominant market position in eco-friendly LNG dual-fueled ships as well as first mover advantage in next-generation ammonia, methanol, and hydrogen shipbuilding. We expect tightening international maritime carbon emission regulations to drive much higher demand for LNG fuel-propelled ships and carbon-free ammonia-fueled ships. With the largest ship engine maker in the world, Hyundai's vertically integrated business model also differentiates it from its peers.

Portfolio Structure

Table IV.
Top 10 holdings as of March 31, 2023

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	7.1%
Samsung Electronics Co., Ltd.	4.9
Tencent Holdings Limited	4.0
Alibaba Group Holding Limited	3.9
HDFC Bank Limited	2.7
Yum China Holdings Inc.	2.4
Bajaj Finance Limited	2.1
Reliance Industries Limited	2.0
Keyence Corporation	2.0
Kingsoft Corporation Ltd.	1.9

Exposure by Country

Table V.
Percentage of securities by country as of March 31, 2023

	Percent of Net Assets
China	33.3%
India	23.5
Taiwan	10.3
Korea	10.2
Hong Kong	4.8
Japan	3.9
Indonesia	2.6
France	0.7

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing companies of all sizes in Asia can exhibit attractive growth potential. At the end of the first quarter of 2023, the Fund's median market cap was $13.9 billion, and we were invested 56.4% in giant-cap companies, 24.4% in large-cap companies, 6.2% in mid-cap companies, and 2.3% in small-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

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

We were most active in adding to our EM consumer theme by initiating positions in **Wuliangye Yibin Co., Ltd.**, **Hindustan Unilever Limited** (HUL), and **Pernod Ricard SA**. Wuliangye is the second largest listed spirits company in China (by market cap) and among the largest in the world. The company's core product is baijiu, which is the national spirit of China and has been produced and consumed in the country for over 1,000 years. Wuliangye is one of only three nationally renowned baijiu brands of significant scale in the ultra-premium price tier (RMB 1,000 to 2,000/bottle), with approximately 60% market share of that segment. As a result of its scale and brand strength, its financial profile more closely resembles that of a luxury goods company than a beverage company, with gross margins exceeding 75%, operating margins exceeding 46%, and returns on incremental capital greater than 100%. The stock sold off last year as severe lockdowns soured investor sentiment on the outlook for high-end consumption in China. Those lockdowns also likely affected sales leading up to Chinese New Year, the peak season for high-end baijiu due to the prevalence of gift-giving and banqueting. Distributors and retailers likely have excess inventory coming out of the first quarter, which could lead to a potential destocking cycle this year. These are legitimate near-term headwinds for sales, but as the company steadily brings on capacity in the coming decade, we believe Wuliangye's earning power remains unchanged. We took advantage of the sell-off on near-term concerns to build a position.

HUL is the largest fast-moving consumer goods (FMCG) company in India. As a subsidiary of Unilever PLC, HUL leverages the parent's world-class trademarks, innovation, technology, and central services through a royalty agreement. This, in our view, is a key competitive advantage that enables the company to offer superior quality products at affordable prices, resulting in market share gains over the past several years. According to HUL, 9 out of 10 Indian households use at least one of its brands. The company is strategically over-indexed in rural markets, which makes us believe it could benefit disproportionately from rural demand recovery in the near to medium term. Over the long term, we believe HUL's wide range of product offerings and strong innovation capabilities positions it to benefit from several structural drivers, including rising FMCG penetration in India, increasing per capita spending, and premiumization trends. We expect HUL to sustain mid-teens earnings growth over the next three to five years, while continuing to gain share in various product categories.

Pernod is a France-based global spirits company whose brands include Jameson, Martell, Chivas, and Glenlivet, among many others. This is a company in which we've been investors in the Baron International Growth Fund for several years, so we've known and liked the business for a while. Premium spirits is an industry characterized by secular growth, premiumization, and pricing power that drives high and rising returns on capital for superior brands. That pricing power is increasingly important in an environment of sticky global inflation. Although the business is listed in Europe, its primary growth drivers and differentiators are skewed to emerging markets, particularly Asia, which is expected to represent approximately two-thirds of global spirits industry growth in the coming decade. Pernod has the best and most profitable local premium whisky business in India, the #1 Cognac brand (Martell) in China, and a strong international whisky portfolio that should continue to participate in secular growth of western spirits across Asia. As competent brand owners/incubators, we believe senior leaders can expand margins over the next three to five years and drive above-industry earnings growth.

During the quarter, we also increased exposure to our digitization theme by initiating a position in **Tata Consultancy Services Limited** (TCS), which is India's largest IT services company. In our view, TCS is uniquely positioned to benefit from structural growth opportunities arising from a multi-year cloud migration journey by global enterprises. Given its large scale and R&D capabilities, we believe TCS will continue to develop value-added software products and capture share from smaller players as customers increasingly consolidate their IT services vendor base. Backed by the renowned Tata Group, TCS enjoys best-in-class corporate governance and a strong leadership bench. In our view, TCS also stands out from the competition owing to its best-in-class employee retention metrics, which is one of the key drivers of its industry-leading profitability and return profile. We expect TCS to sustain low double-digit earnings growth over the next three to five years, and to consistently return at least 80% of profit to shareholders through dividends and share buybacks.

As part of our sustainability/ESG theme, we initiated positions in two leading Korean electric vehicle (EV) lithium-ion battery manufacturers, **Samsung SDI Co., Ltd.** and **LG Chem, Ltd.** Samsung SDI manufactures rechargeable batteries for EVs, Energy Storage Systems (ESS), and consumer electronics such as power tools. The company is well managed with a conservative cost structure and strong pricing power. Samsung SDI is also a global leader in the development of high energy density performance batteries including next generation, larger sized cylindrical batteries. The company protects its profitability and return on invested capital by signing multi-year supply agreements, allowing it to pass on raw material inflation and other external risks to OEM customers. As a result, Samsung SDI generates industry-leading margins and return metrics among battery cell manufacturers. We are bullish on growth for EV/ESS batteries over the next decade and expect large-scale battery demand to grow at a compounded annual rate of over 20%. We also expect Samsung SDI to gain market share both in the U.S. and Europe owing to investments in local EV battery plants, which will benefit from fiscal and regulatory support for domestic manufacturing under U.S. and European legislation. In our view, Samsung SDI will also gain from growing OLED panel sales of its sister entity, Samsung Display.

LG Chem is a global chemicals company and one of the largest producers of PVC and ABS petrochemicals in Korea. Over the past few years, the company has transformed its business into a leading manufacturer of EV batteries and advanced battery materials components. LG Chem is the parent company of LG Energy Solutions (LGES), the world's #1 EV/ESS battery manufacturer outside of China with strong pricing power and a diversified global customer base with leading OEMs such as Tesla. The company is currently trading at a meaningful discount to the sum-of-its-parts value. LG Chem's 82% stake in LGES alone is worth more than twice its current market cap with no value ascribed to its advanced materials or petrochemical segments. Even after applying a 50%-plus holdco discount to the value of its LGES stake, we see significant upside from strong growth and high margins in its advanced battery materials segment. LG Chem is a key supplier to LGES of mission critical battery materials, particularly high energy density cathodes. We are bullish on growth for EV/ESS batteries over the next decade and expect industry demand to grow at over 20% annually over the next several years. The company, together with LGES, is investing in U.S. battery manufacturing facilities and should benefit from U.S. domestic production credits under the recently passed Inflation Reduction Act. We also expect LG Chem's market share to grow over time due to increased vertical integration within captive LGES' supply chain as well as third-party customer wins. The petrochemical segment, where product spreads are at cyclical lows, should also be less of a detractor to LG Chem's earnings going forward, in our view.

We added to several of our existing positions during the quarter, including **Samsung Electronics Co., Ltd.**, **Taiwan Semiconductor Manufacturing Company Limited**, **Coupang, Inc.**, **Alibaba Group Holding Limited**, **HDFC Bank Limited**, **Korea Shipbuilding & Offshore Engineering Co., Ltd.**, **Aarti Pharmalabs Limited**, **Tata Communications Limited**, and **Galaxy Entertainment Group Limited**.

During the quarter, we also exited several positions, the largest of which were **ICICI Bank Limited**, **Energy Absolute PCL**, **Beijing Oriental Yuhong Waterproof Technology Co., Ltd.**, **PT Merdeka Copper Gold Tbk**, and **Wuxi Biologics Cayman Inc.** In our endeavor to concentrate capital in holdings for which we have the highest conviction around their quality and return potential and eliminate lower conviction or smaller holdings over time, we also exited positions in **WuXi AppTec Co., Ltd.**, **Asian Paints Limited**, **Zhejiang Dingli Machinery Co., Ltd.**, **Han's Laser Technology Industry Group Co., Ltd.**, **Hua Hong Semiconductor Limited**, **China Conch Venture Holdings Ltd.**, and **ACM Research, Inc.**

Outlook

In our year-end 2022 letter, we surmised that U.S./global markets and economies were likely moving past peak hawkishness, but also entering an extended period of slowing growth and earnings vulnerability, while China stood out as the jurisdiction with the greatest likelihood of earnings recovery and outperformance. While we maintain this outlook, the first quarter was quite volatile with a series of twists and turns in expectations, sentiment, and market leadership. The quarter began much as 2022 ended: inflation expectations ebbing, downward pressure on bond yields and the U.S. dollar, and an ongoing recovery in global equities, led by EM/Asia. Then, in early February, resilient economic data coupled with a series of stubborn inflation readings reversed these trends, as bond yields and central bank rate hike expectations abruptly spiked; the U.S. 2-year Treasury yield briefly surpassed 5% for the first time in over 15 years, while the dollar rose and equities retreated, with EM/Asia more than fully reversing early gains. On March 9, everything changed again as this market-based interest rate repricing shifted the market's attention towards pressures in the banking sector, in particular SVB Financial Group's liquidity and solvency challenges, and then to the aggressive policy response addressing the risk of widespread deposit flight, which spread to several additional institutions including behemoth Credit Suisse.

Stepping back, we view the global banking sector crisis as confirmation that further material central bank tightening would be a policy error, as the scenario that has unfolded is an unintended and direct consequence of previous central bank behavior (both aggressive easing and tightening). We propose that central banks prioritize financial stability at times of crisis. In this sense, we believe the episode also confirms our premise above – that we are passing peak hawkishness and that a dollar bear market and an EM/international equity relative bull market lie ahead. In recent weeks, investors appear to have embraced the administration of emergency liquidity measures as a bullish signal for equities, while the abrupt cooling of bond yields, a symptom of anticipated bank credit tightening, has also supported equity valuations. From current levels, the pricing-in of several rate cuts likely represents a near-term challenge for global equities. While such easing is likely what the Fed *should* do, we take the under, meaning that the Fed may be too patient with rate cuts, which will deepen or prolong a period of earnings vulnerability, particularly for U.S./global equities. For several international/EM jurisdictions that began a rate hike cycle well ahead of the U.S., and/or have also experienced a much less pronounced rise in inflation, we believe the confirmation of peak hawkishness may act as a signal that they can soon begin to ease as the tail risks of currency depreciation and inflation have ebbed, which would support outperformance.

China-related equities indeed began the year quite strong on enthusiasm over reopening and policy support, only to peak in late January and retrace most of their gains. While we believe some conflicting and volatile economic and consumption signals are to be expected given the abrupt end to zero-COVID policies, we remain encouraged on the margin in the near term and anticipate that a recovering revenue environment combined with a substantial shift towards cost and capital discipline over the past several quarters will lead to material earnings outperformance versus subdued expectations. India stood out during the quarter as one of the weakest performing equity markets, in part owing to its strong previous outperformance, but also due the allegations that emerged regarding aggressive practices by Adani Enterprises Limited and related companies, just in front of a high-profile and large equity offering. We continue to believe that India represents perhaps the most attractive long-term global investment jurisdiction, and after mean-reverting back to its long-term median relative valuation over the past two quarters, we remain enthusiastic regarding the potential of our many investments in this market. We believe the fundamental drivers of enhanced earnings momentum are already falling into place, including a global capital investment cycle related to deglobalization; supply-chain diversification; sustainability; energy, commodity, and agricultural security; India's productivity initiatives and virtuous investment cycle; and China's pivot to value-added economic activity. We expect that the reversal of the extended U.S. dollar bull market will prove stimulative to consumption, investment, and corporate earnings in foreign jurisdictions. We look forward to our next communication.

Thank you for investing in the Baron New Asia Fund.

Sincerely,

Michael Kass and Anuj Aggarwal
Portfolio Managers

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: 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. In addition, 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. Government actions, bureaucratic obstacles and inconsistent economic reform within the Indian government have had a significant effect on the Indian economy and could adversely affect market conditions, economic growth and the profitability of private enterprises in India. 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.

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DEAR BARON TECHNOLOGY FUND SHAREHOLDER:

PERFORMANCE

During the first quarter, Baron Technology Fund® (the Fund) climbed 22.44% (Institutional Shares), outperforming the MSCI ACWI Information Technology Index, which rose 20.43%. The Fund also meaningfully outperformed the broader market S&P 500 Index, which gained 7.50%.

Table I.
Performance
Annualized for periods ended March 31, 2023

	Baron Technology Fund Retail Shares[1,2]	Baron Technology Fund Institutional Shares[1,2]	MSCI ACWI Information Technology Index[1]	S&P 500 Index[1]
Three Months[3]	22.12%	22.44%	20.43%	7.50%
One Year	(18.78)%	(18.42)%	(7.49)%	(7.73)%
Since Inception (December 31, 2021)	(26.63)%	(26.37)%	(13.84)%	(9.70)%

MICHAEL A. LIPPERT AND ASHIM MEHRA

PORTFOLIO MANAGERS

Retail Shares: BTEEX
Institutional Shares: BTECX
R6 Shares: BTEUX

REVIEW & OUTLOOK

As we addressed in our fourth quarter letter, we do not make portfolio decisions based on macro or market projections. Instead, we remained focused on our long-term investment mandate; our in-house research differentiation; powerful and undeniable secular growth trends disrupting industries and driving long-term growth; and identifying exceptional businesses with, among other things, durable competitive advantages, cash-generative business models, and double-digit multi-year projected annual returns. We did emphasize last quarter that, based on our research and analysis, we believed the setting was favorable for our Fund and secular growth technology stocks. We highlighted that valuations had compressed to attractive levels, and that projected financial metrics (revenues, earnings, and cash flow) had come down significantly to reasonable and even conservative levels. In addition, the inevitable principle of reversion to the mean augured well for growth stocks and technology-related industry groups, which significantly underperformed since late 2021. While we could not and did not attempt to predict precise timing, reflecting on the first quarter we believe these factors played a major role in our outperformance for the period. The Fund's exposure to the secular trends of artificial intelligence (AI), semiconductors, software, cloud computing, and electric vehicles (EVs) generated the lion's share of our gains in the period. Leading the way (in contribution order) were individual investments in **NVIDIA Corporation** (up 90%), **Tesla, Inc.** (up 68%), **Amazon.com, Inc.** (up 23%), **Microsoft Corporation** (up 21%), **Advanced Micro Devices, Inc.** (up 51%), **Meta Platforms, Inc.** (up 76%), and **indie Semiconductor, Inc.** (up 80%).

We remain steadfast in our belief that exposure to the broader technology sector should be a material part of an investor's portfolio for the long term. Technology has the power to reshape industries, disrupt business models, and create opportunities for substantial wealth creation. Over the course of our careers, we have witnessed that with such innovators and pioneers as Amazon, Apple, Google (Alphabet), Microsoft, NVIDIA, and Tesla, to name just a few. As shown in the table below, these companies continue to be stock market leaders, and we owned 8 of the 10 largest contributors to S&P 500 Index's performance year-to-date. Alphabet was sold during the quarter, which we discuss in greater detail later in this letter.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 6.86% and 6.42%, respectively, 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 The Adviser reimburses certain 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.

1 The **MSCI ACWI Information Technology Index** includes large and mid cap securities across 23 Developed Markets (DM) countries and 24 Emerging Markets (EM) countries. All securities in the index are classified in the Information Technology sector as per the Global Industry Classification Standard (GICS®). MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The indexes and the Fund include reinvestment of dividends, net of 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 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 FUNDS 1987

Table II.
S&P 500 Index: Largest Contributors to Performance in the First Quarter

#	Company	Ticker	Total Return (%)	Contribution to Return (%)	Fund Owned
1	Apple Inc.	AAPL	27.1	1.60	Yes
2	Microsoft Corporation	MSFT	20.5	1.11	Yes
3	NVIDIA Corporation	NVDA	90.1	1.01	Yes
4	Tesla, Inc.	TSLA	68.4	0.67	Yes
5	Meta Platforms, Inc.	META	76.1	0.63	Yes
6	Alphabet Inc.	GOOGL	17.6	0.57	Yes
7	Amazon.com, Inc.	AMZN	23.0	0.55	Yes
8	Salesforce, Inc.	CRM	50.7	0.21	No
9	Advanced Micro Devices, Inc.	AMD	51.3	0.17	Yes
10	Broadcom Inc.	AVGO	15.6	0.11	No

Sources: FactSet PA and S&P Global Inc.

Microsoft's CEO, Satya Nadella, has been declaring for years that he expects technology spending to more than double as a percentage of GDP over the next decade. In Microsoft's October 2020 earnings call, he proclaimed: "…as a percentage of GDP, tech spend is 5%, we think it will double in the next 10 years. And if anything, this pandemic perhaps has accelerated that doubling." And on Microsoft's most recent earnings call in January, he continued to sing the same tune: "Tech as a percentage of GDP is going to be much higher and on a secular basis."

The market and economic backdrops have not materially changed, but they have continued to march along the paths we have been discussing, and most experts have been predicting. The market dialogue and gyrations continued to revolve around interest rates, inflation, the Federal Reserve, and the (now expected) recession. Stocks rose sharply to start the year on investor hopes that moderating inflation data and weakening economic indicators would convince the Fed to stop raising rates, perhaps enabling them to orchestrate a soft landing. However, lagging inflation data proved stubborn, rates and Fed Funds futures rose, and the market retreated in February. In early March, the emergence of a banking crisis, following the sudden failures of Silicon Valley Bank and Signature Bank, amplified market and economic risks. As a result, the Fed raised rates by just 25 bps (when 50 bps had been feared), U.S. Treasury yields collapsed, the yield curve inverted further, and the market sold off. Federal regulators quickly intervened to backstop bank depositors and to prevent contagion from spreading, helping the market end the quarter on a rebound.

As we sit here today – not trying to call the macro but observing the data and consensus expert opinions – it appears that peak rates for U.S. Treasuries (not Fed Funds, where another 25 bps increase is widely anticipated) and peak inflation are now in the rearview mirror. Looking at the road ahead, expectations are consolidating that a recession is likely, with the banking crisis and tighter credit conditions bolstering this view.[1] The range of projections is too wide to call if it will be short and shallow or long and deep. Bull and bear debates abound regarding market timing (did we bottom in October or are we in a bear market rally?), whether the negative of a weakening economy or the positive of lower rates on valuations influence stocks more, and which sectors or styles will lead the market's next phase. Yes, again, we stay informed on these issues, but eschew making portfolio decisions based on market or macro projections and continue to *run our play* as highlighted here and detailed in recent quarterly letters. We continue to run a more concentrated portfolio with an emphasis on the secular trends cited above. Among others, during the first quarter we initiated or added to the following positions:

Semiconductors: **Taiwan Semiconductor Manufacturing Company Limited**, **Marvell Technology, Inc.**, **SiTime Corporation**, **NVIDIA Corporation**, **Advanced Micro Devices, Inc.**, and **indie Semiconductor, Inc.**

Software: **Workday, Inc.**, **Snowflake Inc.**, **HubSpot, Inc.**, **Microsoft Corporation**, and **GitLab Inc.**

Electric Vehicles/Autonomous Driving: **Tesla, Inc.** and **Mobileye Global Inc.**

E-commerce/Cloud Computing: **Amazon.com, Inc.** and **Shopify Inc.**

Digital Media: **Meta Platforms, Inc.**

One of our secular themes we would like to emphasize is AI, building on the discussion we started last quarter. AI is transformative technology, just now hitting its inflection point. We believe AI will be the next major secular tectonic shift, like mobile and cloud, and the most compelling force to power technology innovation and impact human life over the next decade. Baron Funds have been investing in AI for years but we appreciate that the current inflection brought about by the launch and adoption of generative AI and large-language transformer models, such as ChatGPT, is a new phase in the AI evolution that will disrupt many industries, strengthening some businesses and weakening others. We are engaged in deep research to gauge who will be disrupted and who will be empowered and to determine where the most significant value and differentiation lies: (1) the semiconductor chip and hardware infrastructure; (2) the generalized, foundational, or domain-specific models; (3) the prompt, chatbox, user interface, or intelligent APIs[2]; or (4) the data, whether public, proprietary, or customer-stored. At this stage of our research, we believe the greatest risk of disruption is in consumer-driven use cases, such as search. Conversational services, like ChatGPT–which exploded onto the scene at an unprecedented pace and now reportedly has over 300 million unique visitors–may become the starting point for people seeking information, entertainment, and products/services. We believe enterprise applications are more defensible for companies that continue to invest, innovate, and launch AI-based products and services, where incumbents may be able to build on their advantages in terms of scale, distribution across large customer sets and embedded workflows, and proprietary and/or customer data. We believe significant value exists across the semiconductor landscape and that most future AI workloads will be built on the infrastructure of cloud service providers. Lastly, at this juncture, we believe a key differentiator for companies will be the ability to capitalize on their unique data assets. The following recent quotes from two technology industry leaders explain the extraordinary potential of AI and its far-reaching implications for business and society:

- Jensen Huang, NVIDIA CEO, GTC Developers Conference, March 21, 2023: "The impressive capabilities of generative AI created a sense of urgency for companies to reimagine their products and business models… Accelerated computing and AI have arrived… We are at

[1] Our portfolio has no direct exposure to regional banks. While the financial services sector is a relevant customer segment for many of our investments, particularly Endava plc, our companies predominantly serve larger financial institutions and payments businesses, Endava included, and have immaterial exposure to regional banks.

[2] Application Programming Interface, or API, is a mechanism that enables two software components to communicate with each other using a set of definitions and protocols.

the iPhone moment of AI. Start-ups are racing to build disruptive products and business models, while incumbents are looking to respond. Generative AI has triggered a sense of urgency in enterprises worldwide to develop AI strategies. Customers need to access NVIDIA AI easier and faster…ChatGPT is the fastest-growing application in history…ChatGPT can compose memos and poems, paraphrase a research paper, solve math problems, highlight key points of a contract, and even code software programs…Generative AI is a new kind of computer, one that we program in human language. This ability has profound implications. Everyone can direct a computer to solve problems. This was a domain only for computer programmers. Now, everyone is a programmer. Generative AI is a new computing platform like PC, internet, mobile, and cloud. And like in previous computing eras, first movers are creating new applications and founding new companies to capitalize on generative AI's ability to automate and co-create…Generative AI will reinvent nearly every industry."

- Bill Gates, Microsoft Co-founder, "The Age of AI Has Begun" GatesNotes blog, March 21, 2023: "In my lifetime, I've seen two demonstrations of technology that struck me as revolutionary. The first time was in 1980 when I was introduced to the graphical user interface – the forerunner of every modern operating system, including Windows… The second big surprise came just last year…. In September…I watched in awe as [the team from OpenAI] asked GPT, their AI model, 60 multiple-choice questions from the AP Bio exam – and it got 59 of them right…GPT got a 5 – the highest possible score, and the equivalent to getting an A or A+ in a college-level biology course…. I knew I had just seen the most important advance in technology since the graphical user interface…. The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet, and the mobile phone. It will change the way people work, learn, travel, get health care, and communicate with each other. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it."

We are focused on identifying and investing in companies that are not only at the forefront of this AI revolution, but also businesses driving innovation in cloud computing, semiconductors, cybersecurity, EVs, and other key technology verticals. We are confident that this focus will yield strong long-term returns.

Table III.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
NVIDIA Corporation	3.56%
Tesla, Inc.	2.36
Amazon.com, Inc.	2.20
Microsoft Corporation	1.96
Advanced Micro Devices, Inc.	1.42

NVIDIA Corporation is a semiconductor mega-cap company and global leader in gaming cards and accelerated computing hardware and software. Shares of NVIDIA rose 90% during the first quarter because of material developments in generative AI evidenced by the release of ChatGPT and other competitive models. On its fourth quarter fiscal 2023 earnings call on February 22, Colette Kress, NVIDIA's CFO said, "AI adoption is at an inflection point…. The opportunity is significant and driving strong growth in data center that will accelerate through the year." On the same call, Jensen Huang, NVIDIA's CEO emphasized: "The accumulation of technology breakthroughs has brought AI to an inflection point. Generative AI's versatility and capability has triggered a sense of urgency at enterprises around the world to develop and deploy AI strategies…. NVIDIA AI is essentially the operating system of AI systems today…. The activity around AI infrastructures…has just gone through the roof in the last 60 days. And so there's no question that whatever our views [were] of this year as we enter[ed] this year has fairly dramatically changed as a result over the last 60, 90 days." Indeed, our research indicates that shortages of NVIDIA GPUs[3] are the biggest gating factor for AI adoption and that about 90% of AI-model training runs are performed on their GPUs. During its annual GTC conference[4] in March, NVIDIA announced new products and services that expand its addressable market and together form a full AI computing platform. These included: (1) new AI training systems (where it is dominant) and inferencing systems (where the field is more wide open), such as specialized chips in the areas of large language models and recommender systems, simulation and graphics rendering, and video use cases; (2) new fully managed AI services in partnership with the major cloud service providers, called NVIDIA DGX Cloud and NVDIA Omniverse Cloud; (3) new domain-specific generative AI foundational models, branded NVIDIA AI Foundations, which NVIDIA customers can harness to build and train custom language models with their own proprietary data to develop differentiated offerings; and (4) industry-specific accelerator libraries, spanning such diverse verticals as genomics analysis and computational lithography. We continue to believe NVIDIA's end-to-end AI platform and leading market share in gaming, data centers, and robotics (including automotive), along with the size of these markets, will enable the company to drive durable growth for years to come.

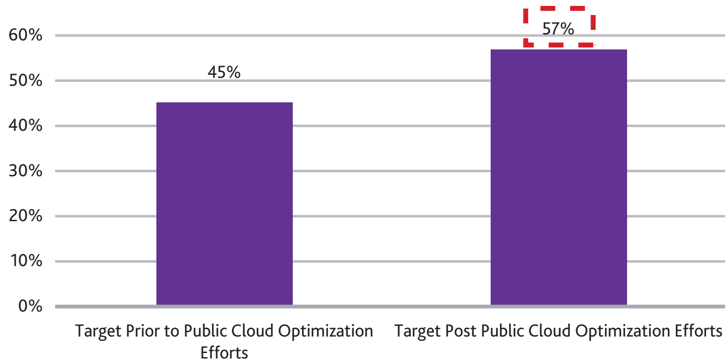
Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Following a sharp decline at the end of 2022, Tesla's stock rebounded in the first quarter of 2023 on investor expectations that Tesla will continue to grow vehicle deliveries and maintain solid gross and operating margins despite a potential recession, competition in China, and vehicle price reductions. Tesla held its first Investor Day in March, and several Baron analysts and portfolio managers attended. We toured the Austin Gigafactory, drove in a Cybertruck, boarded a Semi truck, and spoke with a wide swath of Tesla senior managers. During the formal presentation, Tesla highlighted, among other things: (1) its broad and deep bench of executive talent supporting CEO Elon Musk; (2) its "Master Plan 3–Sustainable Energy for All of Earth," which featured EVs, renewable power from solar and wind, and stationary electric storage; (3) its vehicle assembly innovations, including massive casted parts (building Model Y bodies with single front and rear castings, replacing a substantial number of parts and fastening steps), a stainless steel exoskeleton (for Cybertruck), and its next-generation highly efficient "unboxed process" for its next-gen $25,000 vehicle; (4) a future permanent-magnet electric motor that will not require any rare earths; and (5) the massive untapped market opportunity for commercial stationary electric storage, branded Megapack, as the world steadily shifts to renewable energy. As long-term shareholders, we have witnessed Tesla exploit its innovative Model 3/Y now-global mass-market platform to increase vehicle deliveries

3 Accelerated computing chips, known as graphical processing units, or GPUs.
4 GPU Technology Conference (GTC).

from barely a standing start to over 1.3 million units, while achieving industry-leading margins and reinforcing its iron-clad balance sheet to almost $23 billion in cash (and effectively no recourse debt). We expect Tesla's next-generation EV and Megapack products to have a similar impact on company results.

Amazon.com, Inc. is the world's largest retailer and cloud infrastructure services provider. Shares were up in the quarter, driven by positive commentary and actions around cost discipline as well as the broader technology rally. We believe Amazon is well positioned in the short to medium term to meaningfully improve core North American retail profit margins to pre-pandemic levels, mainly by rationalizing fulfillment center costs. The focus on cost discipline has expanded to the whole company, with a second major round of layoffs and CEO Andy Jassy declaring, "Over the last several months, we took a deep look across the company, business by business, invention by invention, and asked ourselves whether we had conviction about each initiative's long-term potential to drive enough revenue, operating income, free cash flow, and return on invested capital." From a top-line growth perspective, Amazon has substantially more room to grow in e-commerce, where it has roughly 15% penetration of its total addressable market, and in retail advertising, which is now a $45 billion annualized business with attractive margins, still growing at a 20% constant-currency rate despite the challenging economic backdrop. In addition, Amazon also remains a leader in the vast and growing cloud infrastructure market with Amazon Web Services (AWS). Since tougher macro trends emerged last year, cloud businesses, like AWS, have faced headwinds from enterprise customers optimizing their cloud workloads and spending, after a brisk pace of expansion over the last two years. Jassy addressed this in his recent shareholder letter: "While these short-term [macroeconomic and optimization] headwinds soften our growth rate, we like a lot of the fundamentals that we're seeing in AWS. Our new customer pipeline is robust, as are our active migrations.... AWS is still in the early stages of its evolution and has a chance for unusual growth in the next decade." Our research continues to indicate that the long-term secular trend of cloud computing remains healthy and intact – that AWS can grow over 20% in a normalized macro environment – and will only be boosted by the AI inflection. Morgan Stanley recently issued a report titled "Cloud Optimization: Short Term Pain for Long Term Gains." It echoed Jassy's commentary and our own internal research, concluding that today's cloud optimization would ultimately yield "higher cloud adoption, upsizing [the] opportunity by 30% longer term." The key finding of this report, supported by a survey of 80 chief information officers across the U.S. and Europe, was optimization is increasing the expected penetration of the cloud longer term, with 57% of workloads expected to reside in the cloud post-optimization vs. 45% of workloads pre-optimization.

Percentage of Workloads Expected to Reside in Public Cloud Long-Term (Among Those Optimizing)



Source: AlphaWise, Morgan Stanley Research.

Though it has not been as splashy as its peers so far, Amazon is also well positioned to provide computing infrastructure for the forthcoming generative AI wave, announcing services like Amazon Bedrock, which allow customers to use the supported large language model of their choice, and CodeWhisperer, a tool for software developers to autocomplete code using generative AI.

Shares of mega-cap software and cloud vendor **Microsoft Corporation** performed well during the quarter despite mixed fiscal second quarter results. Microsoft's largest consumer business, Windows licensed to computer vendors, decreased sharply year-over-year as last year's results were bolstered by pandemic-related purchases. Its key commercial business, reported as Microsoft Cloud, grew 29% on a constant-currency basis, beating Wall Street expectations. Drilling down, its Azure cloud computing business also beat expectations, growing 38% on a constant-currency basis, but growth slowed in December, and management's forward guidance was for further deceleration to a low 30% level. While Azure is facing the same optimization headwinds from enterprise customers as AWS, we believe its long-term opportunity remains as attractive and has similar drivers. On the last earnings call, Microsoft CEO Satya Nadella stated: "Just as we saw customers accelerate their digital spend during the pandemic, we are now seeing them optimize that spend.... This is an important time for Microsoft to work with our customers, helping them realize more value from their tech spend and building long-term loyalty.... Moving to the cloud is the best way for any customer in today's economy to mitigate demand uncertainty...while gaining efficiencies of cloud-native development.... I fundamentally believe tech as a percentage of GDP is going to be much higher...on a secular basis.... [W]hat [customers] accelerated during the pandemic, they're making sure they're getting most value out of it or optimizing it.... [A]t some point the optimizations will end...[and] the money that they save in any optimization of any workload is what they'll plow into new workloads and those workloads will start ramping up." In addition, we believe Microsoft is positioned to be a prime beneficiary of AI because of its ownership of and partnership with OpenAI, the inventor of ChatGPT; its Azure AI supercomputing cloud infrastructure, which is the exclusive cloud provider to OpenAI and a leading AI development platform for other enterprises; and Microsoft's own AI innovations across Bing search (a chatbox virtual assistant), GitHub CoPilot software development (automated code suggestions and completion), and its Office suite of worker-productivity software (virtual assistants, branded CoPilot, to draft or summarize an email, enter data into a spreadsheet, prepare slides, etc.). We remain confident Microsoft is well positioned to continue taking share through any economic downturn and emerge stronger on the other side.

Advanced Micro Devices, Inc. (AMD) is a leading global semiconductor company focused on computing hardware and software. The company designs leading high-performance CPUs[5] and GPUs and integrates them with additional hardware and software to build differentiated solutions for customers. Shares rose during the quarter on financial results that exceeded Street forecasts despite weakness in its PC and gaming end markets, implying that the company will grow total revenues despite the macro backdrop. Investor optimism about AMD's AI innovations also contributed to its stock performance. Big picture, AMD has been taking share from Intel for several quarters in server CPUs and given its upcoming new product launches called Genoa and Bergamo, we expect it to accelerate share gains. In AI and accelerated computing, the company is on track to launch its MI300 product later in 2023, which is targeted at the AI inference market. Given continued server CPU share gains and its opportunity to be a meaningful player in the AI computing market, we believe AMD is well positioned for long-term growth.

Table IV.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
WANdisco plc	-0.95%
ZoomInfo Technologies Inc.	-0.56
Endava plc	-0.43
GitLab Inc.	-0.24
CoStar Group, Inc.	-0.19

WANdisco plc is a U.K.-based software company that develops and sells software solutions for accurate and efficient data replication and transfer across disparate computing environments. This company was our largest detractor in the quarter because the company disclosed on March 9 that an internal investigation had discovered "significant, sophisticated, and potentially fraudulent irregularities with regard to received purchase orders and related revenue and bookings, as represented by one senior sales employee." Subsequently, the company replaced both its CEO and CFO and suspended the trading of its shares. Given these issues, we marked down our shares by 85%. In our 20 years of investing, we have never had a company, let alone one with a market capitalization above $1 billion, disclose such a degree of potential fraud. As we look back on our work on this company, we do not believe there were any major hints that we missed or that our diligence and research was not robust. Another Baron Fund has been an investor in the company for over four years. The company has passed several annual audits. In our research, we have questioned several company executives, in addition to the CEO and CFO, including the Chief Technology Officer and the Board Chairman, as well as many customers and business partners, and have carefully analyzed the company's announcements of business wins with top telecom and automotive companies. At this juncture, we await further disclosures from the company.

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Shares detracted from performance after the company shared a weaker top-line outlook driven by continued macro uncertainty. We have spoken with company management and conducted additional research to validate our longer-term thesis. ZoomInfo is a profitable and cash-generative business with the most comprehensive platform of software and data to improve the go-to-market efforts of its customers, not to mention new products in the marketing and talent-acquisition verticals. When the macro headwinds abate, we believe ZoomInfo will accelerate growth as it continues to penetrate its $70 billion-plus total addressable market.

Endava plc provides outsourced software development for business customers. Shares fell after the company reduced financial guidance to reflect slower bookings as macroeconomic uncertainty weighed on client decision making in December. The company reported solid quarterly results, with 30% revenue growth and 26% earnings growth. Management noted that bookings have improved in the first couple of months of 2023, and they expect annualized revenue growth to quickly return to more than 20%. We remain investors because we believe Endava will continue gaining share in a large global market for IT services.

GitLab Inc. provides a software platform that developers, IT professionals, and security teams use to manage all stages of the software development life cycle. While GitLab's fourth quarter performance was solid, with 58% revenue growth, management issued disappointing 2023 revenue guidance. New customer growth was healthy, but GitLab saw lower expansion rates in its base product as some existing customers cut back on paid licenses to reflect layoffs in their businesses, while others slowed purchasing in anticipation of lower developer hiring this year. Management is assuming this trend will continue through the remainder of 2023. Longer term, we believe GitLab can continue to gain share in the $40 billion software developer market because its ability to address all stages of the software lifecycle in a single, unified application give it an advantage over point solutions. Shorter term, we see upside to the guidance as: (1) customers continue to upgrade to GitLab's higher- priced product tier to add security and compliance features; (2) net new customer growth remains healthy; and (3) price increases should accelerate revenues toward the end of 2023 and into 2024. The company also continues to demonstrate solid operating leverage. We believe the price increases will help GitLab achieve profitability sooner than initially projected.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. After two straight quarters of robust performance, shares detracted during the quarter, likely due to profit taking. Despite the macro backdrop, CoStar's fundamentals remain solid, with net new sales growing 15% in the quarter and margins expanding by 200 bps excluding growth investments. We expect the company's core businesses to continue to benefit from the migration of real estate market spending from offline channels to online ones. CoStar has begun to invest aggressively in expanding its residential marketing platform and attacking the substantial residential market opportunity. We estimate CoStar invested around $230 million in this initiative in 2022; its initial 2023 guidance implies a total investment approaching $500 million. This is a significant upfront commitment, but we believe the residential market represents a transformative opportunity. The company's proprietary data, broker-oriented approach, and best-in-class management all position it to succeed in this endeavor.

Portfolio Structure

We invest in companies of any market capitalization that we believe will deliver durable growth from the development, advancement, and/or use of technology. The Fund invests principally in U.S. securities but may invest up to 35% in non-U.S. securities.

[5] CPU is an acronym for Central Processing Units.

At the end of first quarter, the largest market cap holding in the Fund was $2.6 trillion and the smallest was $783 million. The median market cap of the Fund was $40.5 billion and the weighted average market cap was $552.3 billion.

We had $4.2 million of assets under management. We had investments in 40 unique companies. Our top 10 positions accounted for 50.4% of net assets.

Table V.
Top 10 holdings as of March 31, 2023

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Microsoft Corporation	$2,146.0	$433.3	10.3%
Amazon.com, Inc.	1,058.4	359.9	8.6
NVIDIA Corporation	686.1	260.0	6.2
Tesla, Inc.	656.4	223.8	5.3
Taiwan Semiconductor Manufacturing Company Limited	454.0	154.1	3.7
ServiceNow, Inc.	94.3	150.6	3.6
Advanced Micro Devices, Inc.	157.9	145.1	3.5
ASML Holding N.V.	273.3	133.4	3.2
Workday, Inc.	53.5	131.6	3.1
Ceridian HCM Holding Inc.	11.2	125.9	3.0

By industry, (Please see Table V. below) Software was our largest weighting in the Fund at 32.7% followed by Semiconductors & Semiconductor Equipment at 27.1%.

Table VI.
Fund investments in GICS industries as of March 31, 2023

	Percent of Net Assets
Software	32.7%
Semiconductors & Semiconductor Equipment	27.1
Broadline Retail	8.6
IT Services	6.4
Automobiles	5.3
Financial Services	4.5
Interactive Media & Services	3.7
Technology Hardware Storage & Peripherals	2.6
Professional Services	2.1
Hotels Restaurants & Leisure	2.1
Electronic Equipment Instruments & Components	1.7
Media	1.5
Automobile Components	0.5
Cash and Cash Equivalents	1.4
Total	100.0%*

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

Recent Activity

Table VII.
Top net purchases for the quarter ended March 31, 2023

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Workday, Inc.	$ 53.5	$69.6
Taiwan Semiconductor Manufacturing Company Limited	454.0	65.5
Marvell Technology, Inc.	37.1	55.2
WANdisco plc	1.1	40.9
SiTime Corporation	3.1	30.5

During the quarter, we added to our position in **Workday, Inc.**, a leading software-as-a-service human capital management (HCM) and financial management (FINS) vendor. Over the past few years, the company has added planning, procurement, and analytics features to its resource hub, providing a full-service, customer-first experience. Workday is the industry leader in North America, with roughly 50% of the Fortune 500 as customers, and has also been driving an increasing number of full-platform deals with mid-market customers. In addition, Workday successfully expanded its presence overseas where penetration rates of HCM and FINS software are lower. We believe the impacts of the pandemic and the volatile economy of the last few years have highlighted for many companies the importance of a modern, digital, and data-informed back office, which may reaccelerate growth over the next few years. In addition to an attractive valuation, one of the factors that influenced our decision to add to our position was our optimism regarding the incoming Co-CEO Carl Eschenbach. Carl has earned a solid reputation as a strong operator, investor, and business leader. Carl was the Chief Operating Officer of cloud pioneer VMware, before becoming a venture capitalist at Sequoia, where he led investments in such companies as Snowflake, a Fund holding, and sat on many technology company boards, including Workday for the last five years. Carl has highlighted key areas of improvement, including: (1) overall go-to-market efficiency; (2) international growth (25% of Workday's revenue mix but over 50% of its total addressable market); and (3) improved partner enablement to offload more professional services and drive margin leverage. We believe Carl will raise the bar on the company's culture and operational execution, helping to drive durable revenue growth and higher operating margins in the years to come. Lastly, our research indicates Workday is innovating rapidly to enable AI functionality across its broad suite of products and customer data.

We also added to our position in **Taiwan Semiconductor Manufacturing Company Limited** (Taiwan Semi), the world's leading semiconductor foundry. We believed that the stock's weakness due to the semiconductor industry's macro-driven cyclical downturn afforded us an attractive valuation at which to increase our exposure. Morris Chang founded Taiwan Semi in 1987 as the world's first dedicated semiconductor manufacturing facility, called a foundry. Until then, semiconductor chips were both designed and manufactured by the same company, which Intel still does today. Taiwan Semi disrupted the industry by positioning itself purely as a contract manufacturer. This business model proved to be successful and paved the way for the emergence of fabless semiconductor innovators,[6]

[6] The term "fabless" means a company that designs and sells semiconductor chips but does not manufacture the silicon wafer or chip used in its products. Instead, it outsources the fabrication–the root of the term fabless–to a manufacturing plant or foundry.

such as NVIDIA, AMD, and Qualcomm, who became key customers. While many other foundry competitors have emerged over the last few decades, Taiwan Semi has outcompeted them all with superior technological execution and operating efficiency. Today, Taiwan Semi controls approximately 60% of the total semiconductor foundry market and has a near monopoly in manufacturing the world's most advanced chips. Taiwan Semi has established formidable competitive advantages given the steadily increasing cost and technological complexity of semiconductor manufacturing and its long-term customer relationships with fabless innovators who rely on Taiwan Semi's foundry services for technological differentiation versus their competitors. We believe Taiwan Semi will sustain strong double-digit earnings growth for years to come, with continued market share gains driven by its superior technology, reliability, and customer service as global demand increasingly shifts towards advanced chips for AI and high-performance computing. We expect Taiwan Semi to continue spinning the virtuous cycle of its scale advantage: higher market share yields higher profits, which funds more research and development and higher capital spending, which enables further technological differentiation and increased capacity, resulting in more market share, and so on. We are aware of the geopolitical risks concerning China but consider the likelihood of a military conflict over Taiwan to be a low-risk tail event without noticeable warning signs.

We took advantage of weakness to purchase shares of **Marvell Technology, Inc.**, a leading supplier of infrastructure semiconductor solutions that enable the rapid and efficient movement of data throughout the broader data economy, from the data center core to the network edge. Through both organic development and acquisitions led by CEO Matt Murphy since he took over in 2016, Marvell has built a portfolio of market-leading products and IP across compute, networking, security, electro-optics, and storage. Consequently, the company is a critical partner for hyperscale cloud service provider, data center, enterprise networking, carrier infrastructure, consumer, and automotive/industrial end-market customers. Marvell is targeting 15% to 20% average revenue growth through the semiconductor cycle in the coming years, largely driven by secular trends and company-specific product innovations within the cloud, 5G, and automotive end markets. We believe Marvell can deliver on or exceed this target because, among other growth opportunities, its market-leading optical products are critical to delivering increasing data transmission speeds required by hyperscale customers in AI training and inference. At the same time, the company is simultaneously ramping up a custom silicon business working directly with hyperscale partners. Given the dislocation in the stock on near-term cyclical concerns, we believe we paid an attractive price for the long-term growth of this industry-leading company.

Please see above for **WANdisco plc**. We purchased these shares before the company's disclosure.

We initiated a position in **SiTime Corporation**, a fabless semiconductor company that designs and sells microelectromechanical systems (MEMS) timing solutions across various industries, including consumer, communications, data center, automotive, industrial, etc. The company was founded in 2005 to commercialize its proprietary MEMS-based timing solutions. Today, it remains the only company deploying MEMS-based solutions at scale, beating out several competitors who were unable to get the technology to work. Timing devices are the heartbeat of electronic systems, delivering accurate, stable, and regular signals serving as a reference for all digital components within the system. Timing devices can cost as little as a few pennies, but without them, electronic devices would not function. Historically these devices were made from quartz crystals, which today still make up most of the timing industry. But MEMS-based solutions offer several benefits in many applications, including a smaller form factor, programmability, robustness in harsh conditions, and a resilient supply chain, which is leading to adoption across a wide range of applications. SiTime sells its product at premium pricing and is generally sole sourced, specifically choosing to sell to customers who value MEMS differentiation and capabilities. The company is targeting a 30% revenue growth CAGR from existing and new customers and application penetration, with several industry leaders already adopting MEMS-based solutions and many more expected to follow suit. Given its fabless operating structure and premium product, the company delivers top-tier gross and operating margins.

Table VIII.
Top net sales for the quarter ended March 31, 2023

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
Alphabet Inc.	$1,306.4	$74.2
Datadog, Inc.	23.2	59.9
ZoomInfo Technologies Inc.	10.0	45.0
Braze, Inc.	3.2	43.8
Gartner, Inc.	25.8	39.1

We exited our position in **Alphabet Inc.** because we believe that ChatGPT and/or similar AI-based services present a hard-to-measure risk to Google's virtual search monopoly.

We reduced our position in **Datadog, Inc.** to decrease our portfolio weight and to reallocate capital to other names.

Our sale of **ZoomInfo Technologies Inc.** was a tax-loss transaction, and we repurchased a small portion of our position later in the quarter.

We exited our position in **Braze, Inc.** during the quarter to help fund, in part, our purchase of additional Workday shares. We believe Workday offers better risk-adjusted returns for the portfolio.

Our sale of **Gartner, Inc.** was a trim because the stock performed relatively better than the rest of the portfolio last year and increased in position size. Gartner remains a meaningful position in the portfolio.

To conclude, despite the current uncertain macroeconomic environment, we remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends across the broader technology space.

Sincerely,

Michael A. Lippert and Ashim Mehra
Portfolio Managers

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: In addition to general market conditions, technology companies, including internet-related and information technology companies, as well as companies propelled by new technologies, may present the risk of rapid change and product obsolescence, and their successes may be difficult to predict for the long term. Technology companies may also be adversely affected by changes in governmental policies, competitive pressures and changing demand. 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. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. 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 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 managers 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 Technology 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.

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).

Portfolio Market Capitalization (Unaudited)

Baron Asset Fund

Baron Asset Fund invests in mid-sized growth companies with market capitalizations above $2.5 billion or the smallest market cap stock in the Russell Midcap Growth Index at reconstitution, whichever is larger, and below the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
The Charles Schwab Corp.	$96,502	2.0%
Equinix, Inc.	66,873	1.0
Amphenol Corporation	48,591	1.6
Roper Technologies Inc.	46,820	2.5
DexCom, Inc.	44,894	1.7
MSCI Inc.	44,811	0.4
IDEXX Laboratories, Inc.	41,458	7.4
Illumina, Inc.	36,743	1.0
Mettler-Toledo International, Inc.	33,772	6.0
Fidelity National Information Services, Inc.	32,160	0.0
The Trade Desk	29,894	0.8
Verisk Analytics, Inc.	29,680	4.0
Veeva Systems Inc.	29,371	1.9
ANSYS, Inc.	28,982	4.1
SBA Communications Corp.	28,206	1.6
CoStar Group, Inc.	28,006	3.7
CDW Corporation	26,425	1.7
Gartner, Inc.	25,756	9.1
West Pharmaceutical Services, Inc.	25,686	2.6
T. Rowe Price Group, Inc.	25,348	0.6
Arch Capital Group Ltd.	25,193	3.3
Willis Towers Watson Public Limited Company	24,767	0.8
Quanta Services, Inc.	23,996	0.7
CBRE Group, Inc.	22,563	0.9
Verisign, Inc.	22,164	2.8
Alexandria Real Estate Equities, Inc.	21,738	0.5
argenx SE	20,705	0.3
Tradeweb Markets Inc.	$18,515	0.6%
Rollins, Inc.	18,493	1.4
The Cooper Companies, Inc.	18,465	1.8
Fair Isaac Corporation	17,676	2.3
ICON Plc	17,455	0.9
IDEX Corporation	17,447	1.7
EPAM Systems, Inc.	17,246	0.3
LPL Financial Holdings Inc.	15,924	0.3
FactSet Research Systems Inc.	15,878	3.4
Aspen Technology, Inc.	14,824	0.9
MarketAxess Holdings Inc.	14,716	1.4
SS&C Technologies Holdings, Inc.	14,158	1.0
TransUnion	12,003	2.0
Liberty Broadband Corporation	11,957	0.3
Hyatt Hotels Corporation	11,878	1.3
Bio-Techne Corporation	11,668	2.5
Ceridian HCM Holding Inc.	11,181	2.6
Floor & Decor Holdings, Inc.	10,457	0.5
ZoomInfo Technologies Inc.	9,985	0.6
Vail Resorts, Inc.	9,424	3.1
Repligen Corporation	9,368	0.7
Guidewire Software, Inc.	6,693	2.6
Choice Hotels International, Inc.	6,029	1.4
		96.9%*

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

Baron Growth Fund

Baron Growth Fund invests in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
MSCI Inc.	$44,811	11.3%
IDEXX Laboratories, Inc.	41,458	3.5
Mettler-Toledo International, Inc.	33,772	1.4
ANSYS, Inc.	28,982	4.4
CoStar Group, Inc.	28,006	4.7
Gartner, Inc.	25,756	6.6
West Pharmaceutical Services, Inc.	25,686	2.2
Arch Capital Group Ltd.	25,193	8.2
Alexandria Real Estate Equities, Inc.	21,738	1.3
FactSet Research Systems Inc.	15,878	6.6
Gaming and Leisure Properties, Inc.	13,658	3.7
Bio-Techne Corporation	11,668	2.9
The Carlyle Group Inc.	11,313	0.7
Vail Resorts, Inc.	9,424	6.2
Morningstar, Inc.	8,625	2.5
Iridium Communications Inc.	7,839	6.5
Kinsale Capital Group, Inc.	6,933	4.0
Guidewire Software, Inc.	6,693	1.0
Littelfuse, Inc.	6,648	0.2
Boyd Gaming Corporation	6,533	0.4
Primerica, Inc.	6,312	3.4
Choice Hotels International, Inc.	6,029	4.6
Houlihan Lokey, Inc.	$6,004	0.5%
Altair Engineering Inc.	5,774	0.7
Trex Company, Inc.	5,293	0.7
Marriott Vacations Worldwide Corp.	5,022	2.2
Red Rock Resorts, Inc.	4,642	1.0
PENN Entertainment, Inc.	4,526	1.9
Bright Horizons Family Solutions, Inc.	4,451	1.1
Essent Group Ltd.	4,329	0.3
Neogen Corp.	4,004	0.3
Clearwater Analytics Holdings, Inc.	3,850	0.1
Dechra Pharmaceuticals PLC	3,722	0.1
Marel hf.	3,144	0.1
Cohen & Steers, Inc.	3,141	1.6
Moelis & Company	2,958	0.2
Krispy Kreme, Inc.	2,614	0.1
Douglas Emmett, Inc.	2,168	0.7
American Assets Trust, Inc.	1,129	0.0
Figs Inc.	1,031	0.4
Velo3D, Inc.	437	0.1
		98.7%*

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

BARON SMALL CAP FUND

Baron Small Cap Fund invests 80% of its net assets in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
DexCom, Inc.	$44,894	1.6%
IDEXX Laboratories, Inc.	41,458	0.7
TransDigm Group Incorporated	40,242	2.2
Waste Connections, Inc.	35,772	1.5
Mettler-Toledo International, Inc.	33,772	1.2
The Trade Desk	29,894	1.1
SBA Communications Corp.	28,206	1.5
Gartner, Inc.	25,756	5.4
ICON Plc	17,455	3.5
Liberty Media Corporation – Liberty Formula One	17,234	2.1
Aspen Technology, Inc.	14,824	1.9
Liberty Broadband Corporation	11,957	0.5
Ceridian HCM Holding Inc.	11,181	1.6
Floor & Decor Holdings, Inc.	10,457	3.2
Liberty SiriusXM Group	9,130	0.4
DraftKings Inc.	8,744	0.4
Cognex Corporation	8,559	1.7
WEX Inc.	7,932	1.2
Americold Realty Trust	7,684	0.6
Planet Fitness, Inc.	6,947	1.8
Kinsale Capital Group, Inc.	6,933	3.5
Inspire Medical Systems, Inc.	6,819	1.4
RBC Bearings Incorporated	6,754	1.6
Guidewire Software, Inc.	6,693	2.4
Clarivate Plc	6,343	1.1
SiteOne Landscape Supply, Inc.	6,156	3.2
Houlihan Lokey, Inc.	6,004	1.3
Altair Engineering Inc.	5,774	1.3
Vertiv Holdings Co	5,404	2.6
Chart Industries, Inc.	5,357	2.2
Trex Company, Inc.	5,293	0.9
Driven Brands Holdings Inc.	5,075	1.6
HealthEquity, Inc.	$4,978	1.1%
Madison Square Garden Sports Corp.	4,653	1.0
Red Rock Resorts, Inc.	4,642	2.9
PENN Entertainment, Inc.	4,526	0.3
Bright Horizons Family Solutions, Inc.	4,451	1.4
ASGN Incorporated	4,076	3.4
Neogen Corp.	4,004	1.3
Shoals Technologies Group, Inc.	3,864	1.0
Clearwater Analytics Holdings, Inc.	3,850	0.6
Endava plc	3,823	1.2
Avient Corporation	3,744	1.6
Dechra Pharmaceuticals PLC	3,722	0.8
John Bean Technologies Corporation	3,476	1.3
Sprout Social, Inc.	3,352	1.0
Installed Building Products, Inc.	3,228	2.1
Mercury Systems, Inc.	2,971	1.4
BRP Group, Inc.	2,956	1.8
Axonics, Inc.	2,726	1.3
UTZ Brands, Inc.	2,312	1.3
First Advantage Corporation	2,063	1.3
The Cheesecake Factory, Inc.	1,810	1.8
E2open Parent Holdings, Inc.	1,759	1.0
Kratos Defense & Security Solutions, Inc.	1,707	0.7
The Beauty Health Company	1,674	1.0
Hillman Solutions Corp.	1,638	0.4
Janus International Group, Inc.	1,447	1.3
European Wax Center, Inc.	1,192	1.2
Grid Dynamics Holdings, Inc.	858	0.8
Repay Holdings Corporation	646	0.6
Holley Inc.	324	0.3
		94.1%*

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

Baron Opportunity Fund

Baron Opportunity Fund invests in high growth businesses of any market capitalization selected for their capital appreciation potential.

Company	Equity Market Cap (in millions)	% of Net Assets
Microsoft Corporation	$2,146,049	14.4%
Alphabet Inc.	1,330,201	2.9
Amazon.com, Inc.	1,058,440	5.8
NVIDIA Corporation	686,092	6.5
Tesla, Inc.	656,425	6.2
Meta Platforms, Inc.	549,484	2.0
Visa Inc.	475,307	3.4
Mastercard Incorporated	346,418	2.9
ASML Holding N.V.	273,340	1.7
Advanced Micro Devices, Inc.	157,932	2.1
ServiceNow, Inc.	94,338	2.8
Intuitive Surgical, Inc.	89,480	1.6
Shopify Inc.	67,731	1.2
Equinix, Inc.	66,873	1.2
Workday, Inc.	53,494	1.8
Snowflake Inc.	50,144	1.5
DexCom, Inc.	44,894	0.8
Marvell Technology, Inc.	37,104	0.9
Illumina, Inc.	36,743	1.8
Mobileye Global Inc.	34,699	0.4
Electronic Arts Inc.	33,031	1.3
CrowdStrike Holdings, Inc.	32,375	1.2
The Trade Desk	29,894	1.5
CoStar Group, Inc.	$28,006	2.8%
Gartner, Inc.	25,756	3.1
Monolithic Power Systems, Inc.	23,678	1.5
Datadog, Inc.	23,243	0.9
HubSpot, Inc.	21,177	1.0
argenx SE	20,705	2.1
Cloudflare, Inc.	20,368	1.4
Take-Two Interactive Software, Inc.	20,123	1.1
Rivian Automotive, Inc.	14,351	0.9
Endeavor Group Holdings, Inc.	11,329	1.4
Ceridian HCM Holding Inc.	11,181	1.7
ZoomInfo Technologies Inc.	9,985	0.9
ShockWave Medical, Inc.	7,913	1.0
Guidewire Software, Inc.	6,693	1.6
GitLab Inc.	5,205	1.0
Endava plc	3,823	1.6
Arrowhead Pharmaceuticals, Inc.	2,751	0.4
indie Semiconductor, Inc.	1,690	2.2
Rocket Pharmaceuticals, Inc.	1,359	1.1
		93.5%*

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

Baron Partners Fund

Baron Partners Fund is a non-diversified fund that invests primarily in U.S. companies of any size with significant growth potential.

Company	Equity Market Cap (in millions)	% of Total Investments
Tesla, Inc.	$656,425	36.3%
The Charles Schwab Corp.	96,502	3.8
Adyen N.V.	49,082	1.3
MSCI Inc.	44,811	1.8
IDEXX Laboratories, Inc.	41,458	5.8
CoStar Group, Inc.	28,006	7.3
Spotify Technology S.A.	25,845	0.3
Gartner, Inc.	25,756	3.3
Arch Capital Group Ltd.	25,193	6.4
HEICO Corporation	20,524	0.5
FactSet Research Systems Inc.	15,878	4.4
Gaming and Leisure Properties, Inc.	13,658	1.4
Hyatt Hotels Corporation	11,878	5.4
Vail Resorts, Inc.	$9,424	3.7%
Iridium Communications Inc.	7,839	3.6
Guidewire Software, Inc.	6,693	1.1
Marriott Vacations Worldwide Corp.	5,022	1.5
Red Rock Resorts, Inc.	4,642	0.8
Cohen & Steers, Inc.	3,141	0.3
Krispy Kreme, Inc.	2,614	0.3
Douglas Emmett, Inc.	2,168	0.2
Figs Inc.	1,031	0.7
		90.1%*

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

Baron Fifth Avenue Growth Fund

Baron Fifth Avenue Growth Fund invests in large-sized growth companies with market capitalizations no smaller than the top 85th percentile by total market capitalization of the Russell 1000 Growth Index at June 30, or companies with market capitalizations above $10 billion, whichever is smaller.

Company	Equity Market Cap (in millions)	% of Net Assets
Amazon.com, Inc.	$1,058,440	7.4%
NVIDIA Corporation	686,092	7.7
Tesla, Inc.	656,425	4.9
Meta Platforms, Inc.	549,484	4.9
Mastercard Incorporated	346,418	5.4
ASML Holding N.V.	273,340	3.3
ServiceNow, Inc.	94,338	6.3
Intuitive Surgical, Inc.	89,480	4.7
Shopify Inc.	67,731	4.2
MercadoLibre, Inc.	66,243	3.9
Snowflake Inc.	50,144	5.0
Adyen N.V.	49,082	2.5
Atlassian Corporation Plc	43,869	1.5
Block, Inc.	41,329	2.2
Illumina, Inc.	36,743	2.7
Mobileye Global Inc.	$34,699	1.7%
CrowdStrike Holdings, Inc.	32,375	3.9
The Trade Desk	29,894	2.9
Veeva Systems Inc.	29,371	3.5
Datadog, Inc.	23,243	3.4
argenx SE	20,705	2.3
Cloudflare, Inc.	20,368	3.1
EPAM Systems, Inc.	17,246	2.6
Rivian Automotive, Inc.	14,351	1.5
ZoomInfo Technologies Inc.	9,985	2.1
GitLab Inc.	5,205	1.0
Endava plc	3,823	2.3
		96.8%*

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

Baron Focused Growth Fund

Baron Focused Growth Fund is a non-diversified fund that invests in small and mid-sized growth companies with market capitalizations up to the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
Tesla, Inc.	$656,425	14.1%
Shopify Inc.	67,731	1.1
MSCI Inc.	44,811	4.6
IDEXX Laboratories, Inc.	41,458	1.5
Interactive Brokers Group, Inc.	34,913	1.8
Verisk Analytics, Inc.	29,680	3.4
ANSYS, Inc.	28,982	3.3
CoStar Group, Inc.	28,006	4.4
Spotify Technology S.A.	25,845	1.8
Arch Capital Group Ltd.	25,193	6.7
Alexandria Real Estate Equities, Inc.	21,738	1.8
MGM Resorts International	16,564	2.0
FactSet Research Systems Inc.	15,878	4.6
Hyatt Hotels Corporation	11,878	6.2
American Homes 4 Rent	11,378	0.8
Vail Resorts, Inc.	$9,424	4.8%
Iridium Communications Inc.	7,839	4.4
Jefferies Financial Group Inc.	7,411	0.9
Guidewire Software, Inc.	6,693	4.3
Choice Hotels International, Inc.	6,029	2.0
Marriott Vacations Worldwide Corp.	5,022	2.3
Red Rock Resorts, Inc.	4,642	3.0
PENN Entertainment, Inc.	4,526	1.5
Manchester United plc	3,649	1.0
Krispy Kreme, Inc.	2,614	2.2
Douglas Emmett, Inc.	2,168	2.0
Figs Inc.	1,031	2.8
		89.3%*

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

Baron International Growth Fund

Baron International Growth Fund is a diversified fund that invests in non-U.S companies with significant growth potential. Investments may be made across all market capitalizations. The Fund invests principally in companies of developed countries and may invest up to 35% in companies of developing countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$467,805	0.7%
LVMH Moet Hennessy Louis Vuitton SE	459,752	1.4
Taiwan Semiconductor Manufacturing Company Limited	453,962	2.1
Nestle S.A.	335,007	1.3
Alibaba Group Holding Limited	264,391	1.3
AstraZeneca PLC	215,148	2.2
Reliance Industries Limited	191,911	1.0
Linde Plc	175,505	2.5
AIA Group Limited	122,869	0.6
Keyence Corporation	118,055	2.2
Meituan Inc.	114,096	0.0
Wuliangye Yibin Co., Ltd.	111,277	0.5
HDFC Bank Limited	109,280	0.7
Industria de Diseno Textil, S.A.	104,442	1.9
Compagnie Financiere Richemont SA	91,563	1.0
Mitsubishi UFJ Financial Group, Inc.	81,075	0.7
BNP Paribas S.A.	73,906	1.4
Glencore PLC	72,123	0.9
JD.com, Inc.	69,331	0.5
Sberbank of Russia PJSC	59,910	0.0
Pernod Ricard SA	58,383	1.9
Tokyo Electron Limited	55,973	0.7
Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	54,997	0.6
China Tourism Group Duty Free Corporation Limited	54,942	0.2
Midea Group Co., Ltd.	54,780	0.5
Baidu, Inc.	52,761	0.3
Bharti Airtel Limited	52,561	0.5
Recruit Holdings Co., Ltd.	46,622	0.5
Universal Music Group N.V.	45,854	1.1
Bajaj Finance Limited	41,378	0.6
Agilent Technologies, Inc.	40,907	1.4
Constellation Software, Inc.	39,842	2.0
Lloyds Banking Group plc	39,157	0.7
Grupo Mexico, S.A.B. de C.V.	36,864	0.9
Experian plc	31,875	1.1
Galaxy Entertainment Group Limited	29,192	0.5
Coupang, Inc.	28,388	0.6
Renesas Electronics Corporation	28,225	1.6
Cellnex Telecom, S.A.	27,398	0.4
Yum China Holdings Inc.	26,297	0.6
Arch Capital Group Ltd.	25,193	2.3
Genmab A/S	24,916	1.0
Agnico Eagle Mines Limited	23,301	1.1
Epiroc AB	22,964	1.1
Z Holdings Corporation	21,433	0.6
argenx SE	20,705	2.2
Koninklijke DSM N.V.	20,605	1.3
Techtronic Industries Co. Ltd.	19,832	0.5
Tenaris S.A.	16,775	0.9
Newcrest Mining Limited	16,050	0.6
Norsk Hydro ASA	15,375	0.4

Company	Equity Market Cap (in millions)	% of Net Assets
Symrise AG	$15,101	1.4%
Jiangsu Hengli Hydraulic Co., Ltd.	12,921	0.5
Eurofins Scientific SE	12,893	1.2
Glodon Company Limited	12,882	0.6
B3 S.A. – Brasil, Bolsa, Balcao	12,454	0.3
Vivendi SA	11,123	0.8
Suzano S.A.	10,868	1.2
Bank of Ireland Group plc	10,823	1.0
Credicorp Ltd.	10,528	0.9
Dino Polska S.A.	8,883	1.0
Kanzhun Limited	8,470	0.2
Full Truck Alliance Co. Ltd.	8,435	0.6
Stevanato Group S.p.A	6,856	0.9
Hyundai Heavy Industries Co., Ltd.	6,819	0.8
Kingsoft Corporation Ltd.	6,707	0.8
MonotaRO Co., Ltd.	6,257	0.5
B&M European Value Retail S.A.	5,958	1.0
Wix.com Ltd.	5,666	0.8
Kingdee International Software Group Company Limited	5,631	0.4
Clariant AG	5,482	1.2
Japan Airport Terminal Co., Ltd.	4,630	1.4
InPost S.A.	4,561	1.2
Korea Shipbuilding & Offshore Engineering Co., Ltd.	4,213	1.4
Endava plc	3,823	0.6
Dechra Pharmaceuticals PLC	3,722	0.6
Estun Automation Co., Ltd.	3,550	0.7
Godrej Properties Limited	3,488	0.4
Zai Lab Limited	3,256	0.5
StoneCo Ltd.	2,979	0.3
Max Financial Services Limited	2,667	0.4
Meyer Burger Technology AG	2,528	2.7
Watches of Switzerland Group Limited	2,410	0.8
SMS Co., Ltd.	2,097	1.3
Befesa S.A.	1,804	1.1
Future plc	1,728	0.6
Nippon Life India Asset Management Limited	1,593	0.4
AMG Advanced Metallurgical Group N.V.	1,383	1.6
S4 Capital plc	1,152	0.5
WANdisco plc	1,086	0.3
Afya Limited	1,004	0.5
Ceres Power Holdings plc	928	0.5
Taboola.com Ltd.	927	0.3
Aker Carbon Capture ASA	853	0.4
Lumine Group Inc.	804	0.0
eDreams ODIGEO SA	783	1.9
JM Financial Limited	692	0.4
Edelweiss Financial Services Limited	604	0.4
Okamoto Industries, Inc.	557	0.6
Waga Energy SA	545	1.3
		91.2%*

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

Baron Real Estate Fund

Baron Real Estate Fund is a diversified fund that invests 80% of its net assets in equity securities of U.S. and non-U.S. real estate and real estate-related companies of any size. The Fund's investment in non-U.S. companies will not exceed 25%.

Company	Equity Market Cap (in millions)	% of Net Assets
Lowe's Companies, Inc.	$119,253	2.8%
Prologis, Inc.	115,219	6.5
Blackstone Inc.	105,629	3.0
American Tower Corp.	95,150	2.8
Equinix, Inc.	66,873	3.4
Brookfield Corporation	53,393	6.3
Public Storage Incorporated	53,115	3.1
Las Vegas Sands Corporation	43,908	3.0
Hilton Worldwide Holdings Inc.	37,535	1.5
Welltower Inc.	35,174	1.8
D.R. Horton, Inc.	33,546	2.9
Lennar Corporation	29,726	3.7
CoStar Group, Inc.	28,006	4.0
Cellnex Telecom, S.A.	27,398	0.7
Vulcan Materials Company	22,827	0.6
CBRE Group, Inc.	22,563	2.5
Extra Space Storage Inc.	21,993	2.5
Alexandria Real Estate Equities, Inc.	21,738	0.2
Invitation Homes, Inc.	19,094	1.2
MGM Resorts International	16,564	3.3
Gaming and Leisure Properties, Inc.	13,658	0.1
Brookfield Asset Management Ltd.	13,493	1.2
Pool Corporation	$13,390	1.8%
Wynn Resorts, Limited	12,722	3.2
Hyatt Hotels Corporation	11,878	0.5
Rexford Industrial Realty, Inc.	11,735	3.6
Caesars Entertainment, Inc.	10,503	2.8
Floor & Decor Holdings, Inc.	10,457	2.6
Vail Resorts, Inc.	9,424	0.9
Fortune Brands Innovations, Inc.	7,457	1.3
EastGroup Properties, Inc.	7,200	1.9
Jones Lang LaSalle Incorporated	6,926	2.4
Toll Brothers, Inc.	6,647	6.8
Boyd Gaming Corporation	6,533	2.2
SiteOne Landscape Supply, Inc.	6,156	1.9
Terreno Realty Corporation	5,348	1.4
Trex Company, Inc.	5,293	0.1
Marriott Vacations Worldwide Corp.	5,022	1.5
Red Rock Resorts, Inc.	4,642	1.4
Fifth Wall Acquisition Corp III	360	0.9
		94.1%*

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

Baron Emerging Markets Fund

Baron Emerging Markets Fund is a diversified fund that invests 80% of its net assets in non-U.S. companies of all sizes domiciled, headquartered or whose primary business activities or principal trading markets are in developing countries. The Fund may invest up to 20% in companies in developed market countries and in Frontier Countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$467,805	3.2%
Taiwan Semiconductor Manufacturing Company Limited	453,962	6.7
Samsung Electronics Co., Ltd.	293,479	4.4
Alibaba Group Holding Limited	264,391	3.8
Reliance Industries Limited	191,911	1.6
Tata Consultancy Services Limited	142,738	0.5
AIA Group Limited	122,869	1.0
Keyence Corporation	118,055	1.3
Meituan Inc.	114,096	0.1
Wuliangye Yibin Co., Ltd.	111,277	1.1
HDFC Bank Limited	109,280	2.0
Naspers Limited	80,724	0.6
Hindustan Unilever Limited	73,200	0.7
Glencore PLC	72,123	1.0
Wal-Mart de Mexico, S.A.B. de C.V.	69,797	1.7
JD.com, Inc.	69,331	1.1
Sberbank of Russia PJSC	59,910	0.0
Pernod Ricard SA	58,383	0.8
Hong Kong Exchanges and Clearing Limited	56,238	0.3
Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	54,997	1.1
China Tourism Group Duty Free Corporation Limited	54,942	0.5
Midea Group Co., Ltd.	54,780	1.0
Baidu, Inc.	52,761	0.8
Bharti Airtel Limited	52,561	1.3
PT Bank Rakyat Indonesia (Persero) Tbk	47,809	1.6
Bajaj Finance Limited	41,378	1.7
MediaTek Inc.	41,347	0.3
Budweiser Brewing Company APAC Limited	40,406	1.2
Samsung SDI Co., Ltd.	38,823	0.3
LG Chem, Ltd.	38,608	0.3
Grupo Mexico, S.A.B. de C.V.	36,864	1.0
Galaxy Entertainment Group Limited	29,192	1.3
Coupang, Inc.	28,388	1.1
Titan Company Limited	27,168	0.6
NARI Technology Co. Ltd.	26,410	0.8
Yum China Holdings Inc.	26,297	1.8
Delta Electronics, Inc.	25,679	1.7
Techtronic Industries Co. Ltd.	19,832	0.8
Tenaris S.A.	16,775	0.9
China Mengniu Dairy Co. Ltd.	16,213	1.2
Shenzhou International Group Holdings Ltd.	15,779	0.8
Norsk Hydro ASA	15,375	0.5
Yunnan Baiyao Group Co., Ltd.	14,303	0.9
SBI Life Insurance Company Limited	13,410	1.1
Jiangsu Hengli Hydraulic Co., Ltd.	12,921	1.4
Glodon Company Limited	12,882	1.3
B3 S.A. – Brasil, Bolsa, Balcao	12,454	0.5

Company	Equity Market Cap (in millions)	% of Net Assets
BDO Unibank, Inc.	$12,443	1.3%
Godrej Consumer Products Limited	12,048	1.1
Gold Fields Limited	11,902	1.2
PT Bank Negara Indonesia (Persero) Tbk	11,629	0.5
Hangzhou Tigermed Consulting Co., Ltd.	11,593	0.4
Suzano S.A.	10,868	1.7
Credicorp Ltd.	10,528	1.2
Localiza Rent a Car S.A.	10,423	0.8
Divi's Laboratories Limited	9,120	0.5
Kanzhun Limited	8,470	0.3
Full Truck Alliance Co. Ltd.	8,435	1.3
Tata Consumer Products Limited	8,013	0.4
Ayala Land, Inc.	7,317	0.6
Hyundai Heavy Industries Co., Ltd.	6,819	0.9
Kingsoft Corporation Ltd.	6,707	1.7
XP Inc.	6,593	0.4
Kingdee International Software Group Company Limited	5,631	0.7
Ozon Holdings PLC	4,928	0.0
Muthoot Finance Ltd.	4,787	0.7
Lufax Holding Ltd	4,676	0.3
Venustech Group Inc.	4,609	1.1
InPost S.A.	4,561	1.1
Tata Communications Limited	4,319	1.2
Korea Shipbuilding & Offshore Engineering Co., Ltd.	4,213	1.7
Fix Price Group Ltd.	3,809	0.0
Estun Automation Co., Ltd.	3,550	1.6
Korea Aerospace Industries, Ltd.	3,549	0.7
Jubilant FoodWorks Limited	3,534	0.4
Godrej Properties Limited	3,488	0.5
Zai Lab Limited	3,256	0.8
StoneCo Ltd.	2,979	0.5
Max Financial Services Limited	2,667	0.8
Aarti Industries Limited	2,286	0.5
Network International Holdings Ltd.	1,620	0.2
Nippon Life India Asset Management Limited	1,593	0.5
Afya Limited	1,004	0.4
Shanghai Henlius Biotech, Inc.	782	0.1
JM Financial Limited	692	0.6
Inter & Co Inc.	689	0.1
Edelweiss Financial Services Limited	604	0.5
Aarti Pharmalabs Limited	304	0.1
Aeris Industria Comercio Equipamentos Geracao Energia SA	178	0.1
Codere Online Luxembourg, S.A.	138	0.1
Yandex N.V.	121	0.0
		89.5%*

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

Baron Global Advantage Fund

Baron Global Advantage Fund is a diversified fund that invests primarily in established and emerging markets companies located throughout the world with capitalization within the range of companies included in the MSCI ACWI Index.

Company	Equity Market Cap (in millions)	% of Net Assets
NVIDIA Corporation	$686,092	5.1%
Tesla, Inc.	656,425	3.1
ASML Holding N.V.	273,340	3.1
Meituan Inc.	114,096	2.2
Shopify Inc.	67,731	4.3
MercadoLibre, Inc.	66,243	8.0
Snowflake Inc.	50,144	4.6
Adyen N.V.	49,082	3.2
Bajaj Finance Limited	41,378	3.6
Block, Inc.	41,329	1.7
Illumina, Inc.	36,743	2.5
CrowdStrike Holdings, Inc.	32,375	4.7
Veeva Systems Inc.	29,371	2.9
Coupang, Inc.	28,388	3.5
Datadog, Inc.	23,243	3.2
argenx SE	20,705	3.0
Cloudflare, Inc.	20,368	2.8
EPAM Systems, Inc.	17,246	1.9
Zscaler, Inc.	16,954	1.5
Rivian Automotive, Inc.	$14,351	1.3%
ZoomInfo Technologies Inc.	9,985	2.1
BILL Holdings, Inc.	8,632	1.4
Globant S.A.	6,960	1.5
Wix.com Ltd.	5,666	1.1
Zomato Limited	5,308	0.6
InPost S.A.	4,561	2.0
Endava plc	3,823	5.5
Schrodinger, Inc.	1,882	1.3
Fiverr International Ltd.	1,319	1.3
Afya Limited	1,004	1.6
Taboola.com Ltd.	927	0.9
MaxCyte, Inc.	495	1.0
Innovid Corp.	192	0.6
Codere Online Luxembourg, S.A.	138	0.6
		88.0%*

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

Baron Discovery Fund

Baron Discovery Fund invests in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
Liberty Media Corporation – Liberty Formula One	$17,234	1.0%
Axon Enterprise, Inc.	16,383	2.9
Dynatrace, Inc.	12,227	1.4
Rexford Industrial Realty, Inc.	11,735	3.0
Ceridian HCM Holding Inc.	11,181	2.1
Floor & Decor Holdings, Inc.	10,457	3.0
On Holding AG	9,822	0.7
Allegro MicroSystems, Inc.	9,430	1.5
DraftKings Inc.	8,744	1.5
Texas Roadhouse, Inc.	7,242	1.5
Kinsale Capital Group, Inc.	6,933	4.6
RBC Bearings Incorporated	6,754	0.9
Guidewire Software, Inc.	6,693	1.6
Boyd Gaming Corporation	6,533	3.6
Smartsheet Inc.	6,335	1.5
SiteOne Landscape Supply, Inc.	6,156	2.4
CyberArk Software Ltd.	6,025	1.9
Novanta Inc.	5,686	0.7
RH	5,369	0.7
Chart Industries, Inc.	5,357	1.9
Trex Company, Inc.	5,293	0.8
GitLab Inc.	5,205	1.8
Qualys, Inc.	4,812	1.1
Red Rock Resorts, Inc.	4,642	1.3
ASGN Incorporated	4,076	1.7
Clearwater Analytics Holdings, Inc.	3,850	1.8
Certara, Inc.	3,845	1.0
Endava plc	3,823	1.6
Advanced Energy Industries, Inc.	3,672	3.2
Maravai LifeSciences Holdings, Inc.	3,515	0.6
Inari Medical, Inc.	3,353	1.7

Company	Equity Market Cap (in millions)	% of Net Assets
SiTime Corporation	$3,087	1.8%
Nova Ltd.	2,996	1.4
Mercury Systems, Inc.	2,971	1.7
BRP Group, Inc.	2,956	1.0
Varonis Systems, Inc.	2,799	1.0
Axonics, Inc.	2,726	2.7
Revance Therapeutics, Inc.	2,701	2.1
ACV Auctions Inc.	2,050	1.2
The Cheesecake Factory, Inc.	1,810	0.9
Kratos Defense & Security Solutions, Inc.	1,707	2.4
indie Semiconductor, Inc.	1,690	2.4
The Beauty Health Company	1,674	1.2
Establishment Labs Holdings Inc.	1,654	1.0
Definitive Healthcare Corp.	1,633	1.4
Veracyte, Inc.	1,609	1.0
Silk Road Medical, Inc.	1,505	1.9
Alkami Technology Inc.	1,176	0.8
S4 Capital plc	1,152	0.7
Navitas Semiconductor Corporation	1,122	1.6
Montrose Environmental Group, Inc.	1,066	2.1
Ichor Holdings, Ltd.	950	1.2
PAR Technology Corporation	928	2.0
Couchbase, Inc.	641	2.1
ViewRay Incorporated	629	1.2
Cerus Corporation	528	0.5
SmartRent, Inc.	508	0.4
Velo3D, Inc.	437	0.3
Markforged Holding Corporation	188	0.1
		93.1%*

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

Baron Durable Advantage Fund

Baron Durable Advantage Fund invests primarily in large-sized companies with market capitalizations no smaller than the top 90th percentile by market capitalization of the S&P 500 Index at June 30, or companies with market capitalizations above $10 billion, whichever is smaller.

Company	Equity Market Cap (in millions)	% of Net Assets
Microsoft Corporation	$2,146,049	9.1%
Alphabet Inc.	1,330,201	3.3
Amazon.com, Inc.	1,058,440	5.3
NVIDIA Corporation	686,092	3.9
Meta Platforms, Inc.	549,484	7.8
Visa Inc.	475,307	4.5
Taiwan Semiconductor Manufacturing Company Limited	453,962	1.8
UnitedHealth Group Incorporated	440,854	4.4
Mastercard Incorporated	346,418	3.7
Thermo Fisher Scientific Inc.	222,150	3.5
Costco Wholesale Corporation	220,354	2.7
Accenture plc	189,651	4.3
Danaher Corporation	183,631	3.3
Adobe Inc.	176,769	2.0
Texas Instruments Incorporated	168,775	2.6
Intuit Inc.	125,076	3.9
S&P Global Inc.	$113,066	3.3%
Blackstone Inc.	105,629	1.2
The Estee Lauder Companies Inc.	88,041	0.9
CME Group, Inc.	68,898	2.6
Moody's Corporation	56,063	2.4
Brookfield Corporation	53,393	3.6
MSCI Inc.	44,811	3.1
TE Connectivity Ltd.	41,503	1.4
Agilent Technologies, Inc.	40,907	1.1
Mettler-Toledo International, Inc.	33,772	1.2
Arch Capital Group Ltd.	25,193	4.5
Monolithic Power Systems, Inc.	23,678	3.8
HEICO Corporation	20,524	3.0
LPL Financial Holdings Inc.	15,924	1.2
		99.2%*

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

Baron Real Estate Income Fund

Baron Real Estate Income Fund is a non-diversified fund that under normal circumstances, invests at least 80% of its net assets in real estate income-producing securities and other real estate securities of any market capitalization, including common stocks and equity securities, debt and preferred securities, non-U.S. real estate income-producing securities, and any other real estate-related yield securities.

Company	Equity Market Cap (in millions)	% of Net Assets
Prologis, Inc.	$115,219	11.7%
American Tower Corp.	95,150	4.5
Equinix, Inc.	66,873	6.9
Brookfield Corporation	53,393	4.8
Public Storage Incorporated	53,115	5.8
Welltower Inc.	35,174	6.0
VICI Properties Inc.	32,757	3.4
Digital Realty Trust, Inc.	29,256	2.0
Cellnex Telecom, S.A.	27,398	0.6
AvalonBay Communities, Inc.	23,515	4.4
Equity Residential	22,716	4.7
Extra Space Storage Inc.	21,993	4.9
Alexandria Real Estate Equities, Inc.	21,738	0.5
Invitation Homes, Inc.	19,094	2.2
Sun Communities, Inc.	17,531	1.5
Ventas, Inc.	17,340	3.3
Gaming and Leisure Properties, Inc.	$13,658	0.5%
Brookfield Asset Management Ltd.	13,493	1.8
Brookfield Renewable Corporation	12,652	2.6
Equity Lifestyle Properties, Inc.	12,498	0.5
Rexford Industrial Realty, Inc.	11,735	4.7
American Homes 4 Rent	11,378	1.5
CubeSmart	10,383	4.2
EastGroup Properties, Inc.	7,200	4.6
First Industrial Realty Trust, Inc.	7,034	2.1
Toll Brothers, Inc.	6,647	2.7
Terreno Realty Corporation	5,348	2.2
Brookfield Infrastructure Corporation	5,094	1.6
Sunstone Hotel Investors, Inc.	2,057	0.7
		96.9%*

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

Baron Health Care Fund

Baron Health Care Fund is a non-diversified fund that under normal circumstances, invests at least 80% of its net assets in equity securities in the form of common stock of companies engaged in the research, development, production, sale, delivery or distribution of products and services related to the health care industry.

Company	Equity Market Cap (in millions)	% of Net Assets
UnitedHealth Group Incorporated	$440,854	8.9%
Eli Lilly and Company	326,351	6.0
AbbVie Inc.	281,989	1.2
Merck & Co., Inc.	270,081	4.0
Thermo Fisher Scientific Inc.	222,150	5.1
AstraZeneca PLC	215,148	2.1
Danaher Corporation	183,631	1.0
Abbott Laboratories	175,984	1.2
Elevance Health, Inc.	109,186	2.9
Intuitive Surgical, Inc.	89,480	3.9
Vertex Pharmaceuticals Incorporated	81,002	3.6
Zoetis Inc.	77,053	2.5
The Cigna Group	75,901	0.8
HCA Healthcare, Inc.	73,107	2.4
Humana Inc.	60,670	2.7
Moderna, Inc.	59,232	1.0
McKesson Corporation	48,757	1.7
DexCom, Inc.	44,894	2.9
IDEXX Laboratories, Inc.	41,458	1.6
Illumina, Inc.	36,743	1.5
Mettler-Toledo International, Inc.	33,772	2.8
West Pharmaceutical Services, Inc.	25,686	2.0
Genmab A/S	24,916	0.6
Insulet Corporation	22,181	1.5
argenx SE	$20,705	2.1%
The Cooper Companies, Inc.	18,465	2.6
ICON Plc	17,455	1.9
Exact Sciences Corporation	12,154	1.2
Bio-Techne Corporation	11,668	1.7
Repligen Corporation	9,368	1.4
Legend Biotech Corporation	7,960	1.0
ShockWave Medical, Inc.	7,913	0.3
Stevanato Group S.p.A	6,856	1.0
Inspire Medical Systems, Inc.	6,819	2.2
Ascendis Pharma A/S	6,128	1.9
Option Care Health, Inc.	5,702	1.2
Prometheus Biosciences, Inc.	5,101	2.3
Neogen Corp.	4,004	1.1
Dechra Pharmaceuticals PLC	3,722	0.7
Cytokinetics, Incorporated	3,349	0.8
Xenon Pharmaceuticals Inc.	2,256	1.3
Schrodinger, Inc.	1,882	0.2
Rocket Pharmaceuticals, Inc.	1,359	1.9
Inhibrx, Inc.	822	0.4
Opsens Inc.	136	0.8
		92.2%*

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

Baron FinTech Fund

Baron FinTech Fund is a non-diversified fund that, under normal circumstances, invests at least 80% of its net assets in securities of companies that develop, use, or rely on innovative technologies or services, in a significant way, for banking, lending, capital markets, financial data analytics, insurance, payments, asset management, or wealth management. The Fund may purchase securities of companies of any market capitalization and may invest in foreign stocks, including emerging market securities.

Company	Equity Market Cap (in millions)	% of Net Assets
Visa Inc.	$475,307	6.2%
Mastercard Incorporated	346,418	5.6
Accenture plc	189,651	4.0
Intuit Inc.	125,076	4.7
S&P Global Inc.	113,066	4.6
BlackRock Inc.	101,173	2.1
The Charles Schwab Corp.	96,502	1.5
The Progressive Corporation	83,743	3.5
Fiserv, Inc.	70,997	2.8
CME Group, Inc.	68,898	2.1
Shopify Inc.	67,731	1.3
MercadoLibre, Inc.	66,243	3.5
Moody's Corporation	56,063	2.5
Adyen N.V.	49,082	2.1
MSCI Inc.	44,811	4.1
Block, Inc.	41,329	1.8
Apollo Global Management, Inc.	36,042	1.3
Interactive Brokers Group, Inc.	34,913	1.3
Verisk Analytics, Inc.	29,680	2.3
CoStar Group, Inc.	28,006	1.5
Global Payments Inc.	27,761	1.9
Equifax Inc.	24,995	1.7
Tradeweb Markets Inc.	18,515	2.8
Fair Isaac Corporation	17,676	3.5
LPL Financial Holdings Inc.	15,924	3.6

Company	Equity Market Cap (in millions)	% of Net Assets
FactSet Research Systems Inc.	$15,878	2.9%
MarketAxess Holdings Inc.	14,716	1.4
TransUnion	12,003	1.3
Jack Henry & Associates, Inc.	11,001	1.4
BILL Holdings, Inc.	8,632	0.7
WEX Inc.	7,932	1.4
Globant S.A.	6,960	2.3
Kinsale Capital Group, Inc.	6,933	1.7
Wise Plc	6,874	1.7
Guidewire Software, Inc.	6,693	2.2
Houlihan Lokey, Inc.	6,004	2.0
Clearwater Analytics Holdings, Inc.	3,850	0.7
Endava plc	3,823	2.7
BRP Group, Inc.	2,956	0.9
nCino Inc.	2,772	0.5
Network International Holdings Ltd.	1,620	1.2
Alkami Technology Inc.	1,176	0.3
Paymentus Holdings, Inc.	1,092	0.3
CI&T, Inc.	737	0.4
Expensify, Inc.	672	0.3
Repay Holdings Corporation	646	0.2
		99.0%*

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

Baron New Asia Fund

Baron New Asia Fund is a diversified fund that seeks capital appreciation through investments primarily in equity securities located in Asia, but including all other developed, developing, and frontier countries in the Asian region.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$467,805	4.0%
Taiwan Semiconductor Manufacturing Company Limited	453,962	7.1
Samsung Electronics Co., Ltd.	293,479	4.9
Alibaba Group Holding Limited	264,391	3.9
Reliance Industries Limited	191,911	2.0
Tata Consultancy Services Limited	142,738	0.5
AIA Group Limited	122,869	1.8
Keyence Corporation	118,055	2.0
Wuliangye Yibin Co., Ltd.	111,277	1.3
HDFC Bank Limited	109,280	2.7
Hindustan Unilever Limited	73,200	1.2
JD.com, Inc.	69,331	1.2
Pernod Ricard SA	58,383	0.7
Hong Kong Exchanges and Clearing Limited	56,238	0.8
Tokyo Electron Limited	55,973	0.7
Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	54,997	1.3
China Tourism Group Duty Free Corporation Limited	54,942	0.6
Midea Group Co., Ltd.	54,780	1.0
Baidu, Inc.	52,761	1.0
Bharti Airtel Limited	52,561	1.5
PT Bank Rakyat Indonesia (Persero) Tbk	47,809	1.7
Bajaj Finance Limited	41,378	2.1
MediaTek Inc.	41,347	0.5
Budweiser Brewing Company APAC Limited	40,406	1.5
Hoya Corporation	39,737	1.2
Samsung SDI Co., Ltd.	38,823	0.3
LG Chem, Ltd.	38,608	0.3
Galaxy Entertainment Group Limited	29,192	1.5
Coupang, Inc.	28,388	1.3
Titan Company Limited	27,168	1.1
NARI Technology Co. Ltd.	26,410	1.0
Yum China Holdings Inc.	26,297	2.4
Delta Electronics, Inc.	25,679	1.6
Techtronic Industries Co. Ltd.	19,832	0.8
China Mengniu Dairy Co. Ltd.	16,213	1.4
Yunnan Baiyao Group Co., Ltd.	14,303	1.0
SBI Life Insurance Company Limited	13,410	1.5
Jiangsu Hengli Hydraulic Co., Ltd.	$12,921	1.5%
Glodon Company Limited	12,882	1.5
Godrej Consumer Products Limited	12,048	1.5
PT Bank Negara Indonesia (Persero) Tbk	11,629	0.8
Hangzhou Tigermed Consulting Co., Ltd.	11,593	0.5
Divi's Laboratories Limited	9,120	0.5
Kanzhun Limited	8,470	0.3
Full Truck Alliance Co. Ltd.	8,435	1.3
Tata Consumer Products Limited	8,013	0.5
Airtac International Group	7,784	0.5
Apollo Hospitals Enterprise Limited	7,542	0.5
Hyundai Heavy Industries Co., Ltd.	6,819	1.0
Kingsoft Corporation Ltd.	6,707	1.9
Silergy Corp.	6,016	0.7
Tube Investments of India Limited	5,984	0.3
Kingdee International Software Group Company Limited	5,631	0.9
PI Industries Limited	5,594	0.5
Zomato Limited	5,308	0.7
Lufax Holding Ltd	4,676	0.3
Venustech Group Inc.	4,609	1.1
Tata Communications Limited	4,319	1.2
Korea Shipbuilding & Offshore Engineering Co., Ltd.	4,213	1.5
Estun Automation Co., Ltd.	3,550	1.7
Korea Aerospace Industries, Ltd.	3,549	0.8
Jubilant FoodWorks Limited	3,534	0.5
Godrej Properties Limited	3,488	0.5
Zai Lab Limited	3,256	0.8
Max Financial Services Limited	2,667	0.5
Aarti Industries Limited	2,286	0.5
Dixon Technologies Ltd.	2,074	0.5
360 ONE WAM LIMITED	1,866	0.5
Amber Enterprises India Ltd.	748	0.5
JM Financial Limited	692	0.4
Neogen Chemicals Limited	390	0.9
Aarti Pharmalabs Limited	304	0.5
		89.3%*

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

Baron Technology Fund

Baron Technology Fund is a non-diversified fund that, under normal market conditions, invests at least 80% of its net assets in equity securities in the form of common stock of U.S. and non-U.S. technology companies of any market capitalization, selected for their durable growth potential from the development, advancement and use of technology.

Company	Equity Market Cap (in millions)	% of Net Assets
Apple Inc.	$2,609,039	2.6%
Microsoft Corporation	2,146,049	10.3
Amazon.com, Inc.	1,058,440	8.6
NVIDIA Corporation	686,092	6.2
Tesla, Inc.	656,425	5.3
Meta Platforms, Inc.	549,484	2.8
Visa Inc.	475,307	2.2
Taiwan Semiconductor Manufacturing Company Limited	453,962	3.7
Mastercard Incorporated	346,418	2.2
ASML Holding N.V.	273,340	3.2
Broadcom Inc.	267,473	2.0
Advanced Micro Devices, Inc.	157,932	3.5
Intuit Inc.	125,076	2.2
Meituan Inc.	114,096	0.5
ServiceNow, Inc.	94,338	3.6
Lam Research Corporation	71,532	1.8
Shopify Inc.	67,731	1.6
Workday, Inc.	53,494	3.1
Snowflake Inc.	50,144	1.7
Atlassian Corporation Plc	43,869	0.8
Marvell Technology, Inc.	37,104	1.9
Mobileye Global Inc.	$34,699	0.5%
CrowdStrike Holdings, Inc.	32,375	1.6
The Trade Desk	29,894	1.1
CoStar Group, Inc.	28,006	2.1
Gartner, Inc.	25,756	1.9
Monolithic Power Systems, Inc.	23,678	1.8
Datadog, Inc.	23,243	1.7
HubSpot, Inc.	21,177	2.2
Cloudflare, Inc.	20,368	1.5
Ceridian HCM Holding Inc.	11,181	3.0
ZoomInfo Technologies Inc.	9,985	0.9
GitLab Inc.	5,205	0.8
Endava plc	3,823	2.9
SiTime Corporation	3,087	0.8
indie Semiconductor, Inc.	1,690	2.3
S4 Capital plc	1,152	0.4
WANdisco plc	1,086	0.1
PAR Technology Corporation	928	1.7
eDreams ODIGEO SA	783	1.6
		98.6%*

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

Baron Asset Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (96.85%)			
Communication Services (1.73%)			
	Advertising (0.80%)		
594,000	The Trade Desk, Inc., Cl A[1]	$ 11,554,017	$ 36,180,540
	Cable & Satellite (0.31%)		
175,000	Liberty Broadband Corp., Cl C[1]	12,253,924	14,297,500
	Interactive Media & Services (0.62%)		
1,133,000	ZoomInfo Technologies, Inc.[1]	24,349,619	27,996,430
Total Communication Services		48,157,560	78,474,470
Consumer Discretionary (6.36%)			
	Home Improvement Retail (0.50%)		
230,000	Floor & Decor Holdings, Inc., Cl A[1]	20,284,647	22,590,600
	Hotels, Resorts & Cruise Lines (2.75%)		
546,442	Choice Hotels International, Inc.	5,198,084	64,037,538
543,233	Hyatt Hotels Corp., Cl A[1]	16,817,762	60,728,017
		22,015,846	124,765,555
	Leisure Facilities (3.11%)		
603,538	Vail Resorts, Inc.	11,683,688	141,034,760
Total Consumer Discretionary		53,984,181	288,390,915
Financials (12.81%)			
	Asset Management & Custody Banks (0.59%)		
237,514	T. Rowe Price Group, Inc.	5,729,988	26,815,331
	Financial Exchanges & Data (5.77%)		
370,725	FactSet Research Systems, Inc.	19,898,421	153,884,240
166,267	MarketAxess Holdings, Inc.	17,839,339	65,058,614
30,000	MSCI, Inc.	7,783,774	16,790,700
326,189	Tradeweb Markets, Inc., Cl A	11,978,713	25,775,455
		57,500,247	261,509,009
	Insurance Brokers (0.82%)		
158,421	Willis Towers Watson PLC[2]	19,439,430	36,813,872
	Investment Banking & Brokerage (2.29%)		
1,750,936	The Charles Schwab Corp.	1,542,899	91,714,028
60,000	LPL Financial Holdings, Inc.	13,576,561	12,144,000
		15,119,460	103,858,028
	Property & Casualty Insurance (3.30%)		
2,203,444	Arch Capital Group Ltd.[1]	7,933,936	149,547,744
	Transaction & Payment Processing Services (0.04%)		
34,217	Fidelity National Information Services, Inc.	1,885,058	1,859,010
Total Financials		107,608,119	580,402,994

Shares		Cost	Value
Common Stocks (continued)			
Health Care (26.87%)			
	Biotechnology (0.34%)		
41,366	argenx SE, ADR[1,2]	$ 13,431,821	$ 15,412,144
	Health Care Equipment (9.18%)		
682,000	DexCom, Inc.[1]	54,311,293	79,234,760
673,630	IDEXX Laboratories, Inc.[1]	12,186,829	336,868,890
		66,498,122	416,103,650
	Health Care Supplies (1.78%)		
215,418	The Cooper Companies, Inc.	36,713,299	80,428,465
	Health Care Technology (1.86%)		
459,386	Veeva Systems, Inc., Cl A[1]	27,115,596	84,430,553
	Life Sciences Tools & Services (13.71%)		
1,524,944	Bio-Techne Corporation	37,146,743	113,135,595
200,000	ICON PLC[1,2]	43,086,335	42,718,000
192,552	Illumina, Inc.[1]	8,187,333	44,777,968
179,117	Mettler-Toledo International, Inc.[1]	10,665,962	274,086,624
181,000	Repligen Corp.[1]	30,985,147	30,473,160
334,404	West Pharmaceutical Services, Inc.	14,419,530	115,860,954
		144,491,050	621,052,301
Total Health Care		288,249,888	1,217,427,113
Industrials (14.49%)			
	Construction & Engineering (0.72%)		
197,000	Quanta Services, Inc.	31,147,339	32,828,080
	Data Processing & Outsourced Services (0.96%)		
771,076	SS&C Technologies Holdings, Inc.	20,933,204	43,542,662
	Environmental & Facilities Services (1.36%)		
1,643,418	Rollins, Inc.	24,597,482	61,677,477
	Industrial Machinery & Supplies & Components (1.74%)		
340,760	IDEX Corporation	24,525,881	78,725,783
	Research & Consulting Services (9.71%)		
2,439,930	CoStar Group, Inc.[1]	59,005,227	167,989,181
1,438,500	TransUnion	77,172,718	89,388,390
951,206	Verisk Analytics, Inc.	23,582,787	182,498,383
		159,760,732	439,875,954
Total Industrials		260,964,638	656,649,956
Information Technology (30.60%)			
	Application Software (15.03%)		
557,856	ANSYS, Inc.[1]	19,939,586	185,654,477
176,026	Aspen Technology, Inc.[1]	32,258,986	40,287,071
1,636,093	Ceridian HCM Holding, Inc.[1]	64,026,865	119,794,729
150,000	Fair Isaac Corp.[1]	63,616,939	105,403,500
1,421,809	Guidewire Software, Inc.[1]	77,473,157	116,659,428
257,192	Roper Technologies, Inc.	26,184,327	113,341,943
		283,499,860	681,141,148

Baron Asset Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Electronic Components (1.63%)		
900,000	Amphenol Corp., Cl A	$ 42,881,684	$ 73,548,000
	Internet Services & Infrastructure (2.76%)		
592,103	Verisign, Inc.[1]	27,318,889	125,129,127
	IT Consulting & Other Services (9.47%)		
50,000	EPAM Systems, Inc.[1]	24,927,247	14,950,000
1,271,323	Gartner, Inc.[1]	27,028,517	414,158,893
		51,955,764	429,108,893
	Technology Distributors (1.71%)		
397,363	CDW Corp.	26,228,965	77,442,075
Total Information Technology		431,885,162	1,386,369,243
Real Estate (3.99%)			
	Data Center REITs (1.04%)		
65,416	Equinix, Inc.	4,258,856	47,167,553
	Office REITs (0.48%)		
175,000	Alexandria Real Estate Equities, Inc.	26,236,333	21,978,250
	Real Estate Services (0.87%)		
542,323	CBRE Group, Inc., Cl A[1]	6,067,334	39,486,537
	Telecom Tower REITs (1.60%)		
276,856	SBA Communications Corp.	6,889,422	72,278,796
Total Real Estate		43,451,945	180,911,136
TOTAL COMMON STOCKS		**1,234,301,493**	**4,388,625,827**
Private Common Stocks (0.83%)			
Communication Services (0.56%)			
	Movies & Entertainment (0.56%)		
197,613	StubHub Holdings, Inc., Cl A[1,3,4]	50,000,041	25,492,077
Industrials (0.27%)			
	Aerospace & Defense (0.27%)		
92,406	Space Exploration Technologies Corp., Cl A[1,3,4]	7,115,262	6,848,259
69,932	Space Exploration Technologies Corp., Cl C[1,3,4]	5,384,764	5,182,698
Total Industrials		12,500,026	12,030,957
TOTAL PRIVATE COMMON STOCKS		**62,500,067**	**37,523,034**
Private Preferred Stocks (1.58%)			
Industrials (1.58%)			
	Aerospace & Defense (1.58%)		
96,298	Space Exploration Technologies Corp., Series N[1,3,4]	**26,000,460**	**71,366,970**

Principal Amount		Cost	Value
Short Term Investments (0.78%)			
$35,238,344	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $35,251,118; (Fully Collateralized by $39,474,800 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $35,943,180)	**$ 35,238,344**	**$ 35,238,344**
TOTAL INVESTMENTS (100.04%)		**$1,358,040,364**	**4,532,754,175**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.04%)			**(1,624,770)**
NET ASSETS			**$4,531,129,405**
RETAIL SHARES (Equivalent to $91.42 per share based on 22,779,897 shares outstanding)			**$2,082,504,314**
INSTITUTIONAL SHARES (Equivalent to $96.59 per share based on 23,744,375 shares outstanding)			**$2,293,494,854**
R6 SHARES (Equivalent to $96.56 per share based on 1,606,490 shares outstanding)			**$ 155,130,237**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At March 31, 2023, the market value of restricted and fair valued securities amounted to $108,890,004 or 2.40% of net assets. These securities are not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[ADR] American Depositary Receipt.

Baron Growth Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (98.70%)			
Communication Services (6.46%)			
	Alternative Carriers (6.46%)		
7,825,000	Iridium Communications, Inc.[4]	$ 48,151,998	$ 484,602,250
Consumer Discretionary (17.66%)			
	Casinos & Gaming (3.31%)		
440,000	Boyd Gaming Corporation	11,056,072	28,212,800
4,820,000	Penn Entertainment, Inc.[1]	48,964,148	142,961,200
1,725,000	Red Rock Resorts, Inc., Cl A	32,179,860	76,883,250
		92,200,080	248,057,250
	Education Services (1.13%)		
1,100,000	Bright Horizons Family Solutions, Inc.[1]	34,585,154	84,689,000
	Hotels, Resorts & Cruise Lines (6.88%)		
2,965,000	Choice Hotels International, Inc.[4]	71,648,874	347,468,350
1,250,000	Marriott Vacations Worldwide Corp.	66,814,799	168,575,000
		138,463,673	516,043,350
	Leisure Facilities (6.23%)		
2,000,000	Vail Resorts, Inc.	56,102,209	467,360,000
	Restaurants (0.11%)		
560,009	Krispy Kreme, Inc.	8,703,783	8,708,140
Total Consumer Discretionary		330,054,899	1,324,857,740
Financials (39.34%)			
	Asset Management & Custody Banks (2.28%)		
1,670,000	The Carlyle Group, Inc.	34,063,971	51,870,200
1,860,000	Cohen & Steers, Inc.	40,191,523	118,965,600
		74,255,494	170,835,800
	Commercial & Residential Mortgage Finance (0.28%)		
520,000	Essent Group Ltd.	14,300,210	20,826,000
	Financial Exchanges & Data (20.44%)		
1,200,000	FactSet Research Systems, Inc.	59,954,575	498,108,000
925,000	Morningstar, Inc.	18,840,637	187,802,750
1,515,000	MSCI, Inc.	27,960,632	847,930,350
		106,755,844	1,533,841,100
	Investment Banking & Brokerage (0.70%)		
450,000	Houlihan Lokey, Inc.	19,625,873	39,370,500
350,000	Moelis & Co., Cl A	5,215,059	13,454,000
		24,840,932	52,824,500
	Life & Health Insurance (3.44%)		
1,500,000	Primerica, Inc.	31,190,716	258,360,000
	Property & Casualty Insurance (12.20%)		
9,060,000	Arch Capital Group Ltd.[1]	28,241,244	614,902,200
1,000,000	Kinsale Capital Group, Inc.	35,007,763	300,150,000
		63,249,007	915,052,200
Total Financials		314,592,203	2,951,739,600

Shares		Cost	Value
Common Stocks (continued)			
Health Care (10.81%)			
	Health Care Equipment (3.53%)		
530,000	IDEXX Laboratories, Inc.[1]	$ 7,424,926	$ 265,042,400
	Health Care Supplies (0.67%)		
4,632,307	Figs, Inc., Cl A[1]	37,385,940	28,673,980
1,157,434	Neogen Corp.[1]	13,318,938	21,435,678
		50,704,878	50,109,658
	Life Sciences Tools & Services (6.55%)		
2,940,000	Bio-Techne Corporation	38,609,088	218,118,600
70,000	Mettler-Toledo International, Inc.[1]	3,201,574	107,114,700
480,000	West Pharmaceutical Services, Inc.	16,306,090	166,305,600
		58,116,752	491,538,900
	Pharmaceuticals (0.06%)		
128,372	Dechra Pharmaceuticals PLC (United Kingdom)[2]	3,523,090	4,202,829
Total Health Care		119,769,646	810,893,787
Industrials (5.69%)			
	Building Products (0.75%)		
1,150,000	Trex Co., Inc.[1]	10,329,303	55,970,500
	Industrial Machinery & Supplies & Components (0.21%)		
1,830,612	Marel hf (Netherlands)[2]	7,676,818	7,464,722
3,500,000	Velo3D, Inc.[1]	7,997,500	7,945,000
		15,674,318	15,409,722
	Research & Consulting Services (4.73%)		
5,160,000	CoStar Group, Inc.[1]	21,547,653	355,266,000
Total Industrials		47,551,274	426,646,222
Information Technology (12.98%)			
	Application Software (6.21%)		
725,000	Altair Engineering, Inc., Cl A[1]	11,330,019	52,279,750
1,000,000	ANSYS, Inc.[1]	22,816,668	332,800,000
260,000	Clearwater Analytics Holdings, Inc., Cl A[1]	3,918,433	4,149,600
935,000	Guidewire Software, Inc.[1]	28,409,675	76,716,750
		66,474,795	465,946,100
	Electronic Components (0.21%)		
60,000	Littelfuse, Inc.	6,452,400	16,085,400
	IT Consulting & Other Services (6.56%)		
1,510,000	Gartner, Inc.[1]	20,973,165	491,912,700
Total Information Technology		93,900,360	973,944,200
Real Estate (5.76%)			
	Diversified REITs (0.05%)		
200,000	American Assets Trust, Inc.	3,350,429	3,718,000
	Office REITs (1.98%)		
750,000	Alexandria Real Estate Equities, Inc.	26,054,962	94,192,500
4,400,000	Douglas Emmett, Inc.	43,017,876	54,252,000
		69,072,838	148,444,500
	Other Specialized REITs (3.73%)		
5,385,000	Gaming and Leisure Properties, Inc.	114,093,295	280,343,100
Total Real Estate		186,516,562	432,505,600
TOTAL COMMON STOCKS		**1,140,536,942**	**7,405,189,399**

Baron Growth Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Private Convertible Preferred Stocks (0.45%)			
Industrials (0.22%)			
	Electrical Components & Equipment (0.22%)		
59,407,006	Northvolt AB (Sweden)[1,2,3,5]	$ 9,374,989	$ 16,516,573
Materials (0.23%)			
	Fertilizers & Agricultural Chemicals (0.23%)		
341,838	Farmers Business Network, Inc., Series F[1,2,3,5]	11,300,002	11,984,840
80,440	Farmers Business Network, Inc., Series G[1,2,3,5]	5,000,000	5,132,877
Total Materials		16,300,002	17,117,717
TOTAL PRIVATE CONVERTIBLE PREFERRED STOCKS		**25,674,991**	**33,634,290**

Principal Amount			
Short Term Investments (0.90%)			
$67,502,585	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $67,527,054; (Fully Collateralized by $75,617,800 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $68,852,640)	**67,502,585**	**67,502,585**
TOTAL INVESTMENTS (100.05%)		**$1,233,714,518**	**7,506,326,274**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.05%)			**(3,607,368)**
NET ASSETS			**$7,502,718,906**
RETAIL SHARES (Equivalent to $91.63 per share based on 25,359,318 shares outstanding)			**$2,323,788,637**
INSTITUTIONAL SHARES (Equivalent to $96.54 per share based on 51,399,175 shares outstanding)			**$4,962,173,468**
R6 SHARES (Equivalent to $96.55 per share based on 2,244,982 shares outstanding)			**$ 216,756,801**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At March 31, 2023, the market value of restricted and fair valued securities amounted to $33,634,290 or 0.45% of net assets. These securities are not deemed liquid.
4 An “Affiliated” investment may include any company in which the Fund owns 5% or more of its outstanding shares.
5 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).

Baron Small Cap Fund – PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (94.11%)			
Communication Services (5.13%)			
	Advertising (1.07%)		
750,000	The Trade Desk, Inc., Cl A[1]	$ 2,662,500	$ 45,682,500
	Cable & Satellite (0.93%)		
75,000	Liberty Broadband Corporation, Cl A[1]	298,828	6,159,000
200,000	Liberty Broadband Corporation, Cl C[1]	772,163	16,340,000
625,000	Liberty Media Corp.-Liberty SiriusXM, Cl C[1]	1,322,731	17,493,750
		2,393,722	39,992,750
	Movies & Entertainment (3.13%)		
1,200,000	Liberty Media Corporation-Liberty Formula One, Cl C[1]	21,262,385	89,796,000
225,000	Madison Square Garden Sports Corp.[1]	8,416,556	43,841,250
		29,678,941	133,637,250
Total Communication Services		34,735,163	219,312,500
Consumer Discretionary (15.40%)			
	Automotive Parts & Equipment (0.29%)		
4,500,000	Holley, Inc.[1]	37,719,254	12,330,000
	Casinos & Gaming (3.54%)		
875,000	DraftKings, Inc., Cl A[1]	11,187,787	16,940,000
400,000	Penn Entertainment, Inc.[1]	6,920,393	11,864,000
2,750,000	Red Rock Resorts, Inc., Cl A	75,439,769	122,567,500
		93,547,949	151,371,500
	Education Services (1.35%)		
750,000	Bright Horizons Family Solutions, Inc.[1]	29,824,721	57,742,500
	Home Improvement Retail (3.22%)		
1,400,000	Floor & Decor Holdings, Inc., Cl A[1]	55,967,953	137,508,000
	Homebuilding (2.13%)		
800,000	Installed Building Products, Inc.	38,183,412	91,224,000
	Leisure Facilities (1.82%)		
1,000,000	Planet Fitness, Inc., Cl A[1]	41,366,077	77,670,000
	Restaurants (1.80%)		
2,200,000	The Cheesecake Factory, Inc.	60,116,924	77,110,000
	Specialized Consumer Services (1.25%)		
2,800,000	European Wax Center, Inc., Cl A[1]	53,348,102	53,200,000
Total Consumer Discretionary		410,074,392	658,156,000
Consumer Staples (2.29%)			
	Packaged Foods & Meats (1.25%)		
3,250,000	UTZ Brands, Inc.	52,114,568	53,527,500
	Personal Care Products (1.04%)		
3,500,000	The Beauty Health Co.[1]	50,004,368	44,205,000
Total Consumer Staples		102,118,936	97,732,500
Common Stocks (continued)			
Financials (8.42%)			
	Insurance Brokers (1.85%)		
3,100,000	BRP Group, Inc., Cl A[1]	$ 50,723,405	$ 78,926,000
	Investment Banking & Brokerage (1.28%)		
625,000	Houlihan Lokey, Inc.	28,909,333	54,681,250
	Property & Casualty Insurance (3.51%)		
500,000	Kinsale Capital Group, Inc.	72,425,817	150,075,000
	Transaction & Payment Processing Services (1.78%)		
3,900,000	Repay Holdings Corporation[1]	33,541,410	25,623,000
275,000	WEX, Inc.[1]	14,404,804	50,569,750
		47,946,214	76,192,750
Total Financials		200,004,769	359,875,000
Health Care (12.76%)			
	Health Care Equipment (4.92%)		
1,000,000	Axonics, Inc.[1]	35,459,918	54,560,000
580,000	DexCom, Inc.[1]	1,922,937	67,384,400
60,000	IDEXX Laboratories, Inc.[1]	829,217	30,004,800
250,000	Inspire Medical Systems, Inc.[1]	12,675,917	58,517,500
		50,887,989	210,466,700
	Health Care Supplies (1.30%)		
3,000,000	Neogen Corp.[1]	44,690,676	55,560,000
	Life Sciences Tools & Services (4.66%)		
700,000	ICON plc[1]	38,492,341	149,513,000
32,500	Mettler-Toledo International, Inc.[1]	1,571,421	49,731,825
		40,063,762	199,244,825
	Managed Health Care (1.10%)		
800,000	HealthEquity, Inc.[1]	13,208,487	46,968,000
	Pharmaceuticals (0.78%)		
1,020,000	Dechra Pharmaceuticals PLC (United Kingdom)[2]	28,920,685	33,394,238
Total Health Care		177,771,599	545,633,763
Industrials (27.44%)			
	Aerospace & Defense (4.28%)		
2,200,000	Kratos Defense & Security Solutions, Inc.[1]	32,701,507	29,656,000
1,200,000	Mercury Systems, Inc.[1]	37,862,063	61,344,000
125,000	TransDigm Group, Inc.[1]	0	92,131,250
		70,563,570	183,131,250
	Building Products (2.12%)		
5,500,000	Janus International Group, Inc.[1]	54,266,533	54,230,000
750,000	Trex Co., Inc.[1]	28,530,038	36,502,500
		82,796,571	90,732,500
	Diversified Support Services (1.61%)		
2,275,000	Driven Brands Holdings, Inc.[1]	57,328,359	68,955,250

Baron Small Cap Fund – PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Industrials (continued)			
	Electrical Components & Equipment (3.52%)		
1,800,000	Shoals Technologies Group, Inc., Cl A[1]	$ 29,324,283	$ 41,022,000
7,650,000	Vertiv Holdings Co.	78,901,960	109,471,500
		108,226,243	150,493,500
	Environmental & Facilities Services (1.46%)		
450,000	Waste Connections, Inc.	19,650,000	62,581,500
	Human Resource & Employment Services (4.65%)		
1,750,000	ASGN, Inc.[1]	55,248,585	144,672,500
3,875,000	First Advantage Corp.[1]	63,180,840	54,095,000
		118,429,425	198,767,500
	Industrial Machinery & Supplies & Components (5.10%)		
750,000	Chart Industries, Inc.[1]	101,593,035	94,050,000
525,000	John Bean Technologies Corp.	45,760,616	57,377,250
285,000	RBC Bearings, Incorporated[1]	34,467,037	66,328,050
		181,820,688	217,755,300
	Research & Consulting Services (1.10%)		
5,000,000	Clarivate PLC[1]	55,404,082	46,950,000
	Trading Companies & Distributors (3.60%)		
2,000,000	Hillman Solutions Corp.[1,3]	21,912,701	16,840,000
1,000,000	SiteOne Landscape Supply, Inc.[1]	50,124,054	136,870,000
		72,036,755	153,710,000
Total Industrials		766,255,693	1,173,076,800
Information Technology (18.94%)			
	Application Software (9.74%)		
750,000	Altair Engineering, Inc., Cl A[1]	11,935,619	54,082,500
350,000	Aspen Technology, Inc.[1]	32,534,028	80,104,500
950,000	Ceridian HCM Holding, Inc.[1]	29,430,555	69,559,000
1,650,000	Clearwater Analytics Holdings, Inc., Cl A[1]	29,031,738	26,334,000
7,388,636	E2open Parent Holdings, Inc., Cl A[1]	65,043,584	43,001,861
1,225,000	Guidewire Software, Inc.[1]	31,269,358	100,511,250
700,000	Sprout Social, Inc., Cl A[1]	40,024,947	42,616,000
		239,269,829	416,209,111
	Electronic Equipment & Instruments (1.74%)		
1,500,000	Cognex Corp.	25,832,809	74,325,000
	IT Consulting & Other Services (7.46%)		
770,000	Endava plc, ADR[1,2]	25,677,665	51,728,600
715,000	Gartner, Inc.[1]	9,776,121	232,925,550
3,000,000	Grid Dynamics Holdings, Inc.[1]	36,322,597	34,380,000
		71,776,383	319,034,150
Total Information Technology		336,879,021	809,568,261

Shares		Cost	Value
Common Stocks (continued)			
Materials (1.64%)			
	Specialty Chemicals (1.64%)		
1,700,000	Avient Corp.	$ 53,733,696	$ 69,972,000
Real Estate (2.09%)			
	Industrial REITs (0.56%)		
850,000	Americold Realty Trust, Inc.	13,294,118	24,182,500
	Telecom Tower REITs (1.53%)		
250,000	SBA Communications Corp.	1,006,880	65,267,500
Total Real Estate		14,300,998	89,450,000
TOTAL COMMON STOCKS		**2,095,874,267**	**4,022,776,824**

Principal Amount		Cost	Value
Short Term Investments (5.93%)			
$253,636,574	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $253,728,517; (Fully Collateralized by $284,129,000 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $258,709,348)	**253,636,574**	**253,636,574**
TOTAL INVESTMENTS (100.04%)		**$2,349,510,841**	**4,276,413,398**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.04%)			**(1,825,399)**
NET ASSETS			**$4,274,587,999**
RETAIL SHARES (Equivalent to $26.94 per share based on 45,067,961 shares outstanding)			**$1,214,171,742**
INSTITUTIONAL SHARES (Equivalent to $28.98 per share based on 98,522,140 shares outstanding)			**$2,855,607,227**
R6 SHARES (Equivalent to $28.97 per share based on 7,069,096 shares outstanding)			**$ 204,809,030**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[ADR] American Depositary Receipt.

Baron Opportunity Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (93.46%)			
Communication Services (11.12%)			
	Advertising (1.52%)		
217,510	The Trade Desk, Inc., Cl A[1]	$ 4,644,174	$ 13,248,534
	Interactive Home Entertainment (2.35%)		
90,500	Electronic Arts, Inc.	9,676,455	10,900,725
80,700	Take-Two Interactive Software, Inc.[1]	8,525,083	9,627,510
		18,201,538	20,528,235
	Interactive Media & Services (5.83%)		
243,000	Alphabet, Inc., Cl C[1]	9,303,337	25,272,000
84,000	Meta Platforms, Inc., Cl A[1]	12,955,609	17,802,960
311,369	ZoomInfo Technologies, Inc.[1]	7,213,020	7,693,928
		29,471,966	50,768,888
	Movies & Entertainment (1.42%)		
516,000	Endeavor Group Holdings, Inc., Cl A[1]	12,384,000	12,347,880
Total Communication Services		64,701,677	96,893,537
Consumer Discretionary (13.22%)			
	Automobile Manufacturers (7.06%)		
484,183	Rivian Automotive, Inc., Cl A[1]	7,499,995	7,495,153
260,400	Tesla, Inc.[1]	19,644,628	54,022,584
		27,144,623	61,517,737
	Automotive Parts & Equipment (0.40%)		
81,200	Mobileye Global, Inc., Cl A[1]	3,158,840	3,513,524
	Broadline Retail (5.76%)		
485,500	Amazon.com, Inc.[1]	29,742,116	50,147,295
Total Consumer Discretionary		60,045,579	115,178,556
Financials (6.32%)			
	Transaction & Payment Processing Services (6.32%)		
69,800	MasterCard, Incorporated, Cl A	15,595,187	25,366,018
131,500	Visa, Inc., Cl A	21,184,507	29,647,990
Total Financials		36,779,694	55,014,008
Health Care (8.82%)			
	Biotechnology (3.60%)		
48,739	argenx SE, ADR[1,2]	1,347,608	18,159,177
124,561	Arrowhead Pharmaceuticals, Inc.[1]	2,494,474	3,163,849
584,000	Rocket Pharmaceuticals, Inc.[1]	11,268,776	10,003,920
		15,110,858	31,326,946
	Health Care Equipment (3.40%)		
59,800	DexCom, Inc.[1]	6,640,713	6,947,564
54,505	Intuitive Surgical, Inc.[1]	7,920,379	13,924,393
40,400	Shockwave Medical, Inc.[1]	1,988,318	8,759,932
		16,549,410	29,631,889
	Life Sciences Tools & Services (1.82%)		
68,315	Illumina, Inc.[1]	11,957,854	15,886,653
Total Health Care		43,618,122	76,845,488
Industrials (2.76%)			
	Research & Consulting Services (2.76%)		
349,330	CoStar Group, Inc.[1]	14,346,813	24,051,370

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (50.04%)			
	Application Software (9.97%)		
199,570	Ceridian HCM Holding, Inc.[1]	$ 9,380,035	$ 14,612,516
253,500	Gitlab, Inc., Cl A[1,4]	9,369,173	8,692,515
175,100	Guidewire Software, Inc.[1]	5,058,280	14,366,955
20,900	HubSpot, Inc.[1]	7,041,030	8,960,875
52,000	ServiceNow, Inc. [1,4]	15,689,186	24,165,440
77,500	Workday, Inc., Cl A[1]	12,581,374	16,006,850
		59,119,078	86,805,151
	Internet Services & Infrastructure (1.15%)		
209,500	Shopify, Inc., Cl A[1,2]	6,851,111	10,043,430
	IT Consulting & Other Services (4.66%)		
206,368	Endava plc, ADR[1,2]	7,524,784	13,863,802
82,087	Gartner, Inc.[1]	1,069,230	26,741,482
		8,594,014	40,605,284
	Semiconductor Materials & Equipment (1.66%)		
21,300	ASML Holding N.V.[2]	10,043,235	14,499,123
	Semiconductors (13.14%)		
183,000	Advanced Micro Devices, Inc.[1]	13,745,675	17,935,830
1,793,500	indie Semiconductor, Inc., Cl A[1]	12,356,509	18,921,425
174,000	Marvell Technology, Inc.	6,802,196	7,534,200
26,200	Monolithic Power Systems, Inc.	10,450,027	13,114,148
204,900	NVIDIA Corp.	18,068,512	56,915,073
		61,422,919	114,420,676
	Systems Software (19.46%)		
202,000	Cloudflare, Inc., Cl A[1,4]	8,494,557	12,455,320
77,623	Crowdstrike Holdings, Inc., Cl A[1]	5,534,067	10,654,533
113,000	Datadog, Inc., Cl A[1,4]	8,370,719	8,210,580
433,900	Microsoft Corporation	64,291,841	125,093,370
85,008	Snowflake, Inc., Cl A[1,4]	11,548,604	13,115,884
		98,239,788	169,529,687
Total Information Technology		244,270,145	435,903,351
Real Estate (1.18%)			
	Data Center REITs (1.18%)		
14,225	Equinix, Inc.	2,122,124	10,256,794
TOTAL COMMON STOCKS		**465,884,154**	**814,143,104**
Private Common Stocks (1.69%)			
Communication Services (0.51%)			
	Interactive Media & Services (0.51%)		
50,000	X Holdings I, Inc., Cl A[1,3,4]	5,000,000	4,476,000
Industrials (1.18%)			
	Aerospace & Defense (1.17%)		
105,020	Space Exploration Technologies Corp., Cl A[1,3,4]	4,607,169	7,783,089
31,890	Space Exploration Technologies Corp., Cl C[1,3,4]	1,392,972	2,363,385
		6,000,141	10,146,474
	Passenger Ground Transportation (0.01%)		
3,571	GM Cruise Holdings LLC, Cl B[1,3,4]	103,563	94,135
Total Industrials		6,103,704	10,240,609
TOTAL PRIVATE COMMON STOCKS		**11,103,704**	**14,716,609**

Baron Opportunity Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Private Convertible Preferred Stocks (0.88%)			
Materials (0.88%)			
	Fertilizers & Agricultural Chemicals (0.88%)		
219,321	Farmers Business Network, Inc., Series F[1,3,4]	$ 7,250,007	$ 7,689,394
Private Preferred Stocks (2.41%)			
Industrials (2.41%)			
	Aerospace & Defense (1.57%)		
18,519	Space Exploration Technologies Corp., Series N[1,3,4]	5,000,130	13,724,532
	Passenger Ground Transportation (0.84%)		
266,956	GM Cruise Holdings, Cl G[1,3,4]	7,034,290	7,285,229
TOTAL PRIVATE PREFERRED STOCKS		**12,034,420**	**21,009,761**
Principal Amount			
Short Term Investments (1.59%)			
$13,810,660	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $13,815,667; (Fully Collateralized by $15,471,000 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $14,086,884)	**13,810,660**	**13,810,660**
TOTAL INVESTMENTS (100.03%)		**$510,082,945**	**871,369,528**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.03%)			**(253,943)**
NET ASSETS			**$871,115,585**
RETAIL SHARES (Equivalent to $27.80 per share based on 16,525,039 shares outstanding)			**$459,444,274**
INSTITUTIONAL SHARES (Equivalent to $29.55 per share based on 13,054,053 shares outstanding)			**$385,741,809**
R6 SHARES (Equivalent to $29.58 per share based on 876,529 shares outstanding)			**$ 25,929,502**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At March 31, 2023, the market value of restricted and fair valued securities amounted to $43,415,764 or 4.98% of net assets. These securities are not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[ADR] American Depositary Receipt.

Baron Partners Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (105.00%)			
Communication Services (4.50%)			
	Alternative Carriers (4.16%)		
4,000,000	Iridium Communications, Inc.	$ 130,869,959	$ 247,720,000
	Movies & Entertainment (0.34%)		
150,000	Spotify Technology SA[1,2]	25,917,941	20,043,000
Total Communication Services		156,787,900	267,763,000
Consumer Discretionary (55.94%)			
	Automobile Manufacturers (42.35%)		
12,150,000	Tesla, Inc.[1,5]	183,531,738	2,520,639,000
	Casinos & Gaming (0.97%)		
1,300,000	Red Rock Resorts, Inc., Cl A	41,610,336	57,941,000
	Hotels, Resorts & Cruise Lines (7.97%)		
3,325,000	Hyatt Hotels Corp., Cl A[1]	115,871,182	371,701,750
759,736	Marriott Vacations Worldwide Corp.	89,753,636	102,457,997
		205,624,818	474,159,747
	Leisure Facilities (4.34%)		
1,105,000	Vail Resorts, Inc.	75,979,950	258,216,400
	Restaurants (0.31%)		
1,200,000	Krispy Kreme, Inc.	19,468,869	18,660,000
Total Consumer Discretionary		526,215,711	3,329,616,147
Financials (20.93%)			
	Asset Management & Custody Banks (0.37%)		
350,000	Cohen & Steers, Inc.	29,299,130	22,386,000
	Financial Exchanges & Data (7.21%)		
730,000	FactSet Research Systems, Inc.	59,424,553	303,015,700
225,000	MSCI, Inc.	76,652,233	125,930,250
		136,076,786	428,945,950
	Investment Banking & Brokerage (4.40%)		
5,000,000	The Charles Schwab Corp.	152,255,121	261,900,000
	Property & Casualty Insurance (7.47%)		
6,550,000	Arch Capital Group Ltd.[1]	30,153,582	444,548,500
	Transaction & Payment Processing Services (1.48%)		
55,246	Adyen N.V., 144A (Netherlands)[1,2]	50,139,123	88,030,514
Total Financials		397,923,742	1,245,810,964
Health Care (7.56%)			
	Health Care Equipment (6.72%)		
800,000	IDEXX Laboratories, Inc. [1]	35,048,047	400,064,000
	Health Care Supplies (0.84%)		
8,130,376	Figs, Inc., Cl A[1]	89,182,431	50,327,027
Total Health Care		124,230,478	450,391,027

Shares		Cost	Value
Common Stocks (continued)			
Industrials (9.13%)			
	Aerospace & Defense (0.63%)		
125,625	HEICO Corp.	$ 9,632,520	$ 21,486,900
116,875	HEICO Corp., Cl A	7,586,429	15,883,313
		17,218,949	37,370,213
	Research & Consulting Services (8.50%)		
7,350,000	CoStar Group, Inc. [1]	98,974,400	506,047,500
Total Industrials		116,193,349	543,417,713
Information Technology (5.09%)			
	Application Software (1.26%)		
915,053	Guidewire Software, Inc.[1]	74,374,020	75,080,099
	IT Consulting & Other Services (3.83%)		
700,000	Gartner, Inc. [1]	83,980,674	228,039,000
Total Information Technology		158,354,694	303,119,099
Real Estate (1.85%)			
	Office REITs (0.26%)		
1,250,000	Douglas Emmett, Inc.	23,880,147	15,412,500
	Other Specialized REITs (1.59%)		
1,819,296	Gaming and Leisure Properties, Inc.	57,529,251	94,712,550
Total Real Estate		81,409,398	110,125,050
TOTAL COMMON STOCKS		**1,561,115,272**	**6,250,243,000**
Private Common Stocks (4.47%)			
Communication Services (1.33%)			
	Interactive Media & Services (0.90%)		
600,000	X Holdings I, Inc., Cl A[1,3,4]	60,000,000	53,712,000
	Movies & Entertainment (0.43%)		
197,613	StubHub Holdings, Inc., Cl A[1,3,4]	50,000,041	25,492,077
Total Communication Services		110,000,041	79,204,077
Industrials (3.14%)			
	Aerospace & Defense (3.14%)		
2,216,310	Space Exploration Technologies Corp., Cl A[1,3,4]	29,920,185	164,251,931
302,210	Space Exploration Technologies Corp., Cl C[1,3,4]	4,079,835	22,396,946
Total Industrials		34,000,020	186,648,877
TOTAL PRIVATE COMMON STOCKS		**144,000,061**	**265,852,954**

Baron Partners Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Private Convertible Preferred Stocks (0.13%)			
Industrials (0.13%)			
	Electrical Components & Equipment (0.13%)		
21,213,656	Northvolt AB, Series E2 (Sweden)[1,2,3,4]	$ 7,843,621	$ 7,888,213
Private Preferred Stocks (6.90%)			
Industrials (6.90%)			
	Aerospace & Defense (6.90%)		
311,111	Space Exploration Technologies Corp., Cl H[1,3,4]	41,999,985	230,566,049
131,657	Space Exploration Technologies Corp., Cl I[1,3,4]	22,250,032	97,571,716
111,111	Space Exploration Technologies Corp., Cl N[1,3,4]	29,999,970	82,344,964
TOTAL PRIVATE PREFERRED STOCKS		**94,249,987**	**410,482,729**
Short Term Investments (0.01%)			
$499,734	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $499,915; (Fully Collateralized by $559,900 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $509,808)	**499,734**	**499,734**
TOTAL INVESTMENTS (116.51%)		**$1,807,708,675**	**6,934,966,630**
LIABILITIES LESS CASH AND OTHER ASSETS (-16.51%)			**(982,743,514)**
NET ASSETS			**$5,952,223,116**
RETAIL SHARES (Equivalent to $137.57 per share based on 19,083,882 shares outstanding)			**$2,625,326,454**
INSTITUTIONAL SHARES (Equivalent to $142.97 per share based on 20,164,954 shares outstanding)			**$2,882,935,707**
R6 SHARES (Equivalent to $142.95 per share based on 3,105,790 shares outstanding)			**$ 443,960,955**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At March 31, 2023, the market value of restricted and fair valued securities amounted to $684,223,896 or 11.50% of net assets. These securities are not deemed liquid.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
5 Investors in the Fund may view Tesla, Inc.’s financial statements on the EDGAR website of the U.S. Securities and Exchange Commission by going to https://www.sec.gov/cgi-bin/browse-edgar?CIK=1318605&owner=exclude. Please note that the Fund is not responsible for Tesla’s financial statements and can provide no assurances as to their accuracy or completeness.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $88,030,514 or 1.48% of net assets.

Baron Fifth Avenue Growth Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (96.81%)			
Communication Services (9.92%)			
	Advertising (2.93%)		
194,162	The Trade Desk, Inc., Cl A[1]	$ 10,112,120	$ 11,826,407
	Interactive Media & Services (6.99%)		
92,398	Meta Platforms Inc., Cl A[1]	6,934,348	19,582,832
348,023	ZoomInfo Technologies, Inc.[1]	12,177,461	8,599,649
		19,111,809	28,182,481
Total Communication Services		29,223,929	40,008,888
Consumer Discretionary (19.33%)			
	Automobile Manufacturers (6.36%)		
390,342	Rivian Automotive, Inc., Cl A[1]	10,968,291	6,042,494
94,524	Tesla, Inc. [1]	24,849,000	19,609,949
		35,817,291	25,652,443
	Automotive Parts & Equipment (1.72%)		
160,268	Mobileye Global, Inc., Cl A[1,2]	3,614,202	6,934,797
	Broadline Retail (11.25%)		
287,686	Amazon.com, Inc.[1]	2,726,880	29,715,087
11,905	MercadoLibre, Inc.[1,2]	6,864,818	15,691,504
		9,591,698	45,406,591
Total Consumer Discretionary		49,023,191	77,993,831
Financials (10.12%)			
	Transaction & Payment Processing Services (10.12%)		
6,222	Adyen N.V., 144A (Netherlands)[1,2]	4,719,451	9,914,308
132,183	Block, Inc.[1]	7,792,844	9,074,363
60,072	MasterCard Incorporated, Cl A	2,968,834	21,830,766
Total Financials		15,481,129	40,819,437
Health Care (13.22%)			
	Biotechnology (2.27%)		
24,633	argenx SE, ADR[1,2]	7,212,636	9,177,763
	Health Care Equipment (4.69%)		
74,020	Intuitive Surgical, Inc.[1]	8,617,282	18,909,889
	Health Care Technology (3.53%)		
77,581	Veeva Systems, Inc., Cl A[1]	5,455,270	14,258,612
	Life Sciences Tools & Services (2.73%)		
47,327	Illumina, Inc.[1]	5,397,461	11,005,894
Total Health Care		26,682,649	53,352,158

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (44.22%)			
	Application Software (8.81%)		
35,862	Atlassian Corp. Ltd., Cl A [1]	$ 9,312,661	$ 6,138,498
54,748	ServiceNow, Inc.[1,4]	20,976,884	25,442,491
115,217	Gitlab, Inc., Cl A[1,4]	7,496,851	3,950,791
		37,786,396	35,531,780
	Internet Services & Infrastructure (4.15%)		
349,300	Shopify, Inc., Cl A[1,2]	11,987,348	16,745,442
	IT Consulting & Other Services (4.86%)		
138,513	Endava PLC, ADR[1,2]	15,076,498	9,305,303
34,514	EPAM Systems, Inc.[1]	2,565,574	10,319,686
		17,642,072	19,624,989
	Semiconductor Materials & Equipment (3.30%)		
19,541	ASML Holding N.V.[2]	1,203,894	13,301,754
	Semiconductors (7.74%)		
112,398	NVIDIA Corp.	16,814,089	31,220,793
	Systems Software (15.36%)		
200,489	Cloudflare, Inc., Cl A[1,4]	15,502,481	12,362,151
114,467	Crowdstrike Holdings, Inc., Cl A[1]	9,838,034	15,711,740
189,945	Datadog, Inc., Cl A[1,4]	14,428,723	13,801,404
130,242	Snowflake, Inc., Cl A[1]	23,344,928	20,095,038
		63,114,166	61,970,333
Total Information Technology		148,547,965	178,395,091
TOTAL COMMON STOCKS		**268,958,863**	**390,569,405**
Private Common Stocks (0.99%)			
Industrials (0.99%)			
	Aerospace & Defense (0.99%)		
41,330	Space Exploration Technologies Corp., Cl A[1,3,4]	1,932,253	3,062,989
12,240	Space Exploration Technologies Corp., Cl C[1,3,4]	567,691	907,113
TOTAL PRIVATE COMMON STOCKS		**2,499,944**	**3,970,102**
Private Preferred Stocks (0.90%)			
Industrials (0.90%)			
	Passenger Ground Transportation (0.90%)		
133,288	GM Cruise Holdings, Cl G[1,3]	**3,512,139**	**3,637,429**

Baron Fifth Avenue Growth Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (1.61%)			
$6,506,945	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $6,509,303; (Fully Collateralized by $7,289,300 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $6,637,161)	$ 6,506,945	$ 6,506,945
TOTAL INVESTMENTS (100.31%)		$ 281,477,891	404,683,881
LIABILITIES LESS CASH AND OTHER ASSETS (-0.31%)			(1,240,084)
NET ASSETS			$403,443,797
RETAIL SHARES (Equivalent to $31.91 per share based on 2,723,437 shares outstanding)			$ 86,903,984
INSTITUTIONAL SHARES (Equivalent to $32.92 per share based on 8,905,545 shares outstanding)			$293,204,170
R6 SHARES (Equivalent to $32.92 per share based on 708,934 shares outstanding)			$ 23,335,643

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At March 31, 2023, the market value of restricted and fair valued securities amounted to $7,607,531 or 1.89% of net assets. These securities are not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[ADR] American Depositary Receipt.
[144A] Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $9,914,308 or 2.46% of net assets.

Baron Focused Growth Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
	Common Stocks (89.28%)		
	Communication Services (7.18%)		
	Alternative Carriers (4.36%)		
637,064	Iridium Communications, Inc.	$ 12,123,685	$ 39,453,373
	Movies & Entertainment (2.82%)		
400,000	Manchester United PLC, Cl A[2]	8,839,195	8,860,000
125,000	Spotify Technology SA[1,2]	15,017,316	16,702,500
		23,856,511	25,562,500
	Total Communication Services	35,980,196	65,015,873
	Consumer Discretionary (37.98%)		
	Automobile Manufacturers (14.08%)		
615,000	Tesla, Inc.[1,5]	8,168,271	127,587,900
	Casinos & Gaming (6.45%)		
400,000	MGM Resorts International	17,305,098	17,768,000
470,000	Penn Entertainment, Inc.[1]	8,830,397	13,940,200
600,000	Red Rock Resorts, Inc., Cl A	16,360,387	26,742,000
		42,495,882	58,450,200
	Hotels, Resorts & Cruise Lines (10.48%)		
155,000	Choice Hotels International, Inc.	5,375,923	18,164,450
500,000	Hyatt Hotels Corp., Cl A[1]	24,424,809	55,895,000
155,000	Marriott Vacations Worldwide Corp.	20,439,023	20,903,300
		50,239,755	94,962,750
	Leisure Facilities (4.76%)		
184,500	Vail Resorts, Inc.	25,813,302	43,113,960
	Restaurants (2.21%)		
1,288,154	Krispy Kreme, Inc.	18,378,057	20,030,795
	Total Consumer Discretionary	145,095,267	344,145,605
	Financials (18.65%)		
	Financial Exchanges & Data (9.21%)		
100,000	FactSet Research Systems, Inc.	16,005,186	41,509,000
75,000	MSCI, Inc.	36,079,366	41,976,750
		52,084,552	83,485,750
	Investment Banking & Brokerage (2.70%)		
200,000	Interactive Brokers Group, Inc., Cl A	15,472,772	16,512,000
250,000	Jefferies Financial Group, Inc.	7,732,070	7,935,000
		23,204,842	24,447,000
	Property & Casualty Insurance (6.74%)		
900,000	Arch Capital Group Ltd.[1]	25,104,585	61,083,000
	Total Financials	100,393,979	169,015,750
	Health Care (4.37%)		
	Health Care Equipment (1.55%)		
28,000	IDEXX Laboratories, Inc.[1]	12,242,434	14,002,240
	Health Care Supplies (2.82%)		
4,135,416	Figs, Inc., Cl A[1]	39,200,866	25,598,225
	Total Health Care	51,443,300	39,600,465

Shares		Cost	Value
	Common Stocks (continued)		
	Industrials (7.79%)		
	Research & Consulting Services (7.79%)		
580,000	CoStar Group, Inc.[1]	$ 10,184,660	$ 39,933,000
160,000	Verisk Analytics, Inc.	28,339,398	30,697,600
	Total Industrials	38,524,058	70,630,600
	Information Technology (8.72%)		
	Application Software (7.61%)		
90,000	ANSYS, Inc.[1]	22,563,649	29,952,000
475,000	Guidewire Software, Inc.[1]	44,328,221	38,973,750
		66,891,870	68,925,750
	Internet Services & Infrastructure (1.11%)		
210,000	Shopify, Inc., Cl A[1,2]	7,036,432	10,067,400
	Total Information Technology	73,928,302	78,993,150
	Real Estate (4.59%)		
	Office REITs (3.77%)		
130,000	Alexandria Real Estate Equities, Inc.	18,736,842	16,326,700
1,450,000	Douglas Emmett, Inc.	21,593,180	17,878,500
		40,330,022	34,205,200
	Single-Family Residential REITs (0.82%)		
235,000	American Homes 4 Rent, Cl A	5,062,679	7,390,750
	Total Real Estate	45,392,701	41,595,950
	TOTAL COMMON STOCKS	**490,757,803**	**808,997,393**
	Private Common Stocks (6.32%)		
	Industrials (6.32%)		
	Aerospace & Defense (6.32%)		
629,570	Space Exploration Technologies Corp., Cl A[1,3,4]	26,390,845	46,657,773
143,170	Space Exploration Technologies Corp., Cl C[1,3,4]	6,808,820	10,610,406
	TOTAL PRIVATE COMMON STOCKS	**33,199,665**	**57,268,179**
	Private Preferred Stocks (3.30%)		
	Industrials (3.30%)		
	Aerospace & Defense (3.30%)		
29,630	Space Exploration Technologies Corp.[1,3,4]	4,000,050	21,958,954
1,479	Space Exploration Technologies Corp., Cl I[1,3,4]	249,951	1,096,095
9,259	Space Exploration Technologies Corp., Series N[1,3,4]	2,499,930	6,861,895
	TOTAL PRIVATE PREFERRED STOCKS	**6,749,931**	**29,916,944**

Baron Focused Growth Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (1.48%)			
$13,375,578	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $13,380,427; (Fully Collateralized by $14,983,700 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $13,643,181)	$ 13,375,578	$ 13,375,578
TOTAL INVESTMENTS (100.38%)		$544,082,977	909,558,094
LIABILITIES LESS CASH AND OTHER ASSETS (-0.38%)			(3,464,703)
NET ASSETS			$906,093,391
RETAIL SHARES (Equivalent to $32.72 per share based on 6,679,820 shares outstanding)			$218,590,366
INSTITUTIONAL SHARES (Equivalent to $34.13 per share based on 11,629,714 shares outstanding)			$396,908,330
R6 SHARES (Equivalent to $34.16 per share based on 8,507,558 shares outstanding)			$290,594,695

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At March 31, 2023, the market value of restricted and fair valued securities amounted to $87,185,123 or 9.62% of net assets. These securities are not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[5] Investors in the Fund may view Tesla, Inc.'s financial statements on the EDGAR website of the U.S. Securities and Exchange Commission by going to https://www.sec.gov/cgi-bin/browse-edgar?CIK=1318605&owner=exclude. Please note that the Fund is not responsible for Tesla's financial statements and can provide no assurances as to their accuracy or completeness.

Baron International Growth Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (91.20%)			
Australia (0.63%)			
175,746	Newcrest Mining Ltd.	$ 3,412,014	$ 3,137,135
Brazil (2.34%)			
225,742	Afya Ltd., Cl A[1]	3,607,509	2,519,281
706,310	B3 S.A. - Brasil, Bolsa, Balcao	1,820,358	1,442,316
164,081	StoneCo Ltd., Cl A[1]	1,565,238	1,565,333
752,643	Suzano SA	7,359,682	6,177,421
Total Brazil		14,352,787	11,704,351
Canada (3.13%)			
105,758	Agnico Eagle Mines Ltd.	5,102,671	5,390,485
5,360	Constellation Software, Inc.	1,302,936	10,077,157
16,082	Lumine Group, Inc.[1]	167,636	175,040
Total Canada		6,573,243	15,642,682
China (10.20%)			
65,350	Alibaba Group Holding Limited, ADR[1]	6,239,337	6,677,463
10,589	Baidu, Inc., ADR[1]	1,053,565	1,598,092
45,539	China Tourism Group Duty Free Corporation Ltd., Cl A	1,259,779	1,216,076
911,536	Estun Automation Co. Ltd., Cl A	3,509,056	3,720,688
385,754	Full Truck Alliance Co. Ltd., ADR[1]	2,700,429	2,935,588
369,613	Galaxy Entertainment Group Ltd.[1]	2,307,895	2,472,402
267,328	Glodon Co. Ltd., Cl A[1]	2,689,143	2,890,524
47,707	JD.com, Inc., ADR	2,513,922	2,093,860
18,506	JD.com, Inc., Cl A	603,389	404,100
282,555	Jiangsu Hengli Hydraulic Co. Ltd., Cl A	2,396,532	2,723,800
51,788	Kanzhun Ltd., ADR[1]	993,472	985,526
1,227,095	Kingdee International Software Group Co. Ltd.[1]	817,670	1,982,218
863,889	Kingsoft Corp. Ltd.	3,255,745	4,246,808
4,177	Meituan Inc., Cl B, 144A[1]	79,022	75,780
323,244	Midea Group Co., Ltd., Cl A	2,108,937	2,529,306
65,570	Shenzhen Mindray Bio-Medical Electronics Co. Ltd., Cl A	2,095,737	2,975,050
41,773	Tencent Holdings Limited	633,697	2,041,417
29,893	Tencent Holdings Limited, ADR	1,870,476	1,461,469
84,690	Wuliangye Yibin Co. Ltd., Cl A	2,727,850	2,419,626
48,221	Yum China Holdings, Inc.	2,343,943	3,056,729
75,469	Zai Lab Limited, ADR[1]	1,902,863	2,510,099
Total China		44,102,459	51,016,621
Denmark (1.05%)			
138,945	Genmab A/S, ADR[1]	5,457,242	5,246,563
France (8.07%)			
121,044	BNP Paribas S.A.	4,425,280	7,228,448
88,938	Eurofins Scientific SE	2,011,102	5,955,260
7,407	LVMH Moët Hennessy Louis Vuitton SE	2,053,760	6,798,947
42,700	Pernod Ricard SA	8,253,650	9,668,598
418,139	Vivendi SE	8,416,052	4,228,032
242,654	Waga Energy SA[1]	6,991,693	6,469,004
Total France		32,151,537	40,348,289
Germany (2.50%)			
118,236	Befesa SA, 144A	5,206,699	5,372,738
65,317	Symrise AG	5,758,112	7,108,051
Total Germany		10,964,811	12,480,789
Hong Kong (1.10%)			
292,510	AIA Group Ltd.	2,439,137	3,067,656
225,454	Techtronic Industries Co. Ltd.	1,854,310	2,442,818
Total Hong Kong		4,293,447	5,510,474

Shares		Cost	Value
Common Stocks (continued)			
India (4.72%)			
46,954	Bajaj Finance Limited	$ 1,646,645	$ 3,221,733
537,348	Bharti Airtel Ltd. PP	2,772,162	2,396,272
2,775,632	Edelweiss Financial Services Ltd.	2,338,220	1,781,240
161,750	Godrej Properties Ltd.[1]	1,944,203	2,036,726
188,193	HDFC Bank Ltd.	2,954,888	3,701,537
2,458,395	JM Financial Limited	2,893,665	1,786,424
231,007	Max Financial Services Ltd.[1]	1,504,024	1,788,150
688,913	Nippon Life India Asset Management Ltd., 144A	2,429,190	1,764,143
181,018	Reliance Industries Limited	3,502,373	5,147,169
Total India		21,985,370	23,623,394
Ireland (0.99%)			
486,773	Bank of Ireland Group PLC	3,582,772	4,925,314
Israel (1.08%)			
557,482	Taboola.com Ltd.[1]	4,210,309	1,516,351
38,998	Wix.com Ltd.[1]	2,392,492	3,892,000
Total Israel		6,602,801	5,408,351
Italy (1.85%)			
177,130	Stevanato Group SpA	3,706,451	4,587,667
164,971	Tenaris SA	2,076,245	2,337,505
82,598	Tenaris SA, ADR	2,178,131	2,347,435
Total Italy		7,960,827	9,272,607
Japan (10.23%)			
137,747	Japan Airport Terminal Co. Ltd.[1]	5,802,383	6,880,844
22,724	Keyence Corporation	8,191,936	11,137,222
544,010	Mitsubishi UFJ Financial Group, Inc., ADR	4,020,535	3,476,224
210,600	MonotaRO Co, Ltd.	1,740,824	2,652,638
105,520	Okamoto Industries, Inc.	4,831,807	3,169,437
91,200	Recruit Holdings Co, Ltd.	1,550,835	2,508,823
539,870	Renesas Electronics Corp.[1]	6,631,232	7,817,751
272,300	SMS Co. Ltd.	7,612,593	6,622,466
30,693	Tokyo Electron Limited	2,338,995	3,749,642
1,101,744	Z Holdings Corporation	5,279,772	3,123,940
Total Japan		48,000,912	51,138,987
Korea, Republic of (2.78%)			
188,803	Coupang, Inc., Cl A[1]	2,586,659	3,020,848
52,842	Hyundai Heavy Industries Co. Ltd.[1]	4,885,166	4,084,646
113,443	Korea Shipbuilding & Offshore Engineering Co. Ltd.[1]	10,589,116	6,783,761
Total Korea, Republic of		18,060,941	13,889,255
Mexico (0.93%)			
982,287	Grupo Mexico S.A.B. de C.V., Series B	2,636,647	4,646,512
Netherlands (6.29%)			
190,455	AMG Advanced Metallurgical Group NV	5,037,611	8,121,422
29,524	argenx SE, ADR[1]	1,290,467	11,000,052
56,691	Koninklijke DSM NV	8,276,192	6,709,057
221,130	Universal Music Group NV	6,534,986	5,600,060
Total Netherlands		21,139,256	31,430,591
Norway (0.77%)			
1,269,288	Aker Carbon Capture ASA[1]	2,445,773	1,789,222
277,292	Norsk Hydro ASA	1,730,891	2,069,547
Total Norway		4,176,664	3,858,769
Peru (0.88%)			
33,255	Credicorp, Ltd.	4,742,171	4,402,629

Baron International Growth Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Poland (2.18%)			
55,785	Dino Polska SA, 144A[1]	$ 4,025,149	$ 5,066,970
639,195	InPost SA[1]	8,324,865	5,845,677
Total Poland		12,350,014	10,912,647
Russia (0.00%)			
487,800	Sberbank of Russia PJSC[1,2]	1,650,983	364
Spain (4.12%)			
52,997	Cellnex Telecom S.A., 144A	2,551,939	2,060,928
1,515,207	eDreams ODIGEO SA[1]	11,635,862	9,275,617
276,031	Industria de Diseno Textil, S.A.	8,603,470	9,273,314
Total Spain		22,791,271	20,609,859
Sweden (1.11%)			
279,514	Epiroc AB, Cl A	4,149,952	5,548,357
Switzerland (6.24%)			
360,168	Clariant AG	7,368,151	5,974,950
31,051	Compagnie Financiere Richemont SA, Cl A	3,679,974	4,979,216
19,291,346	Meyer Burger Technology AG[1]	8,176,050	13,556,105
54,668	Nestle S.A.	5,615,401	6,665,697
Total Switzerland		24,839,576	31,175,968
Taiwan (2.08%)			
111,534	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	10,999,933	10,374,893
United Kingdom (12.21%)			
158,887	AstraZeneca PLC, ADR	7,322,282	11,028,347
855,972	B&M European Value Retail S.A.	3,563,157	5,099,688
497,416	Ceres Power Holdings PLC[1]	4,517,890	2,414,431
85,286	Dechra Pharmaceuticals PLC	2,771,384	2,792,217
46,289	Endava plc, ADR[1]	1,598,693	3,109,695
170,217	Experian plc	3,928,940	5,604,855
198,540	Future PLC	2,670,216	2,853,605
751,616	Glencore PLC	3,059,951	4,324,960
34,980	Linde Public Limited Company	6,288,750	12,294,995
5,933,386	Lloyds Banking Group	2,467,667	3,488,516
1,369,337	S4 Capital PLC[1]	3,246,091	2,746,558
563,159	WANdisco plc[1,2]	5,713,222	1,365,110
389,494	Watches of Switzerland Group PLC, 144A[1]	3,446,482	3,928,482
Total United Kingdom		50,594,725	61,051,459
United States (3.72%)			
50,934	Agilent Technologies, Inc.	2,577,583	7,046,210
170,560	Arch Capital Group Ltd.[1]	3,653,747	11,575,907
Total United States		6,231,330	18,622,117
TOTAL COMMON STOCKS		**393,803,685**	**455,978,977**
Warrants (0.00%)			
Israel (0.00%)			
56,745	Taboola.com Ltd. Exp 6/29/2026[1]	**104,541**	**23,266**

Principal Amount		Cost	Value
Short Term Investments (8.32%)			
$41,580,463	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $41,595,536; (Fully Collateralized by $46,579,300 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $42,412,075)	**$ 41,580,463**	**$ 41,580,463**
TOTAL INVESTMENTS (99.52%)		**$ 435,488,689**	**497,582,706**
CASH AND OTHER ASSETS LESS LIABILITIES (0.48%)			**2,419,678**
NET ASSETS			**$500,002,384**
RETAIL SHARES (Equivalent to $24.67 per share based on 2,881,118 shares outstanding)			**$ 71,075,778**
INSTITUTIONAL SHARES (Equivalent to $25.20 per share based on 12,416,367 shares outstanding)			**$312,851,421**
R6 SHARES (Equivalent to $25.18 per share based on 4,609,369 shares outstanding)			**$116,075,185**

% Represents percentage of net assets.
1 Non-income producing securities.
2 At March 31, 2023, the market value of restricted and fair valued securities amounted to $1,365,474 or 0.27% of net assets. These securities are not deemed liquid.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $18,269,041 or 3.65% of net assets.

Summary of Investments by Sector as of March 31, 2023	Percentage of Net Assets
Information Technology	14.0%
Materials	13.8%
Industrials	13.6%
Consumer Discretionary	12.7%
Financials	11.0%
Health Care	10.6%
Communication Services	7.0%
Consumer Staples	4.8%
Energy	3.3%
Real Estate	0.4%
Cash and Cash Equivalents*	8.8%
	100.0%**

* Includes short term investments.
** Individual weights may not sum to displayed total due to rounding.

Baron Real Estate Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (94.11%)			
Communication Services (0.65%)			
	Integrated Telecommunication Services (0.65%)		
240,250	Cellnex Telecom S.A., 144A (Spain)[1,2]	$ 9,470,451	$ 9,342,753
Consumer Discretionary (40.78%)			
	Casinos & Gaming (15.90%)		
482,250	Boyd Gaming Corporation	14,467,995	30,921,870
818,100	Caesars Entertainment, Inc.[1]	39,310,312	39,931,461
760,205	Las Vegas Sands Corp.[1]	36,152,380	43,673,777
1,061,656	MGM Resorts International	39,370,834	47,158,760
451,840	Red Rock Resorts, Inc., Cl A	3,157,474	20,138,509
411,811	Wynn Resorts Ltd.[1]	40,373,729	46,085,769
		172,832,724	227,910,146
	Distributors (1.80%)		
75,050	Pool Corp.	25,505,891	25,700,122
	Home Improvement Retail (5.35%)		
372,550	Floor & Decor Holdings, Inc., Cl A[1]	27,007,512	36,591,861
200,500	Lowe's Companies, Inc.	33,518,986	40,093,985
		60,526,498	76,685,846
	Homebuilding (13.35%)		
418,997	D.R. Horton, Inc.	28,230,852	40,931,817
510,699	Lennar Corp., Cl A	38,141,974	53,679,572
1,612,000	Toll Brothers, Inc.	79,200,643	96,768,360
		145,573,469	191,379,749
	Hotels, Resorts & Cruise Lines (3.47%)		
154,800	Hilton Worldwide Holdings, Inc.	21,206,801	21,806,676
62,350	Hyatt Hotels Corp., Cl A[1]	5,994,709	6,970,106
155,536	Marriott Vacations Worldwide Corp.	11,063,068	20,975,585
		38,264,578	49,752,367
	Leisure Facilities (0.91%)		
55,600	Vail Resorts, Inc.	14,517,796	12,992,608
Total Consumer Discretionary		457,220,956	584,420,838
Financials (10.56%)			
	Asset Management & Custody Banks (10.56%)		
490,800	Blackstone, Inc.	45,949,779	43,111,872
539,906	Brookfield Asset Management Ltd., Cl A[2]	14,447,415	17,665,724
2,781,225	Brookfield Corp.[2]	83,795,054	90,640,123
Total Financials		144,192,248	151,417,719
Industrials (7.27%)			
	Building Products (1.41%)		
319,636	Fortune Brands Innovations, Inc.	19,047,172	18,772,222
29,500	Trex Co., Inc. [1]	1,261,324	1,435,765
		20,308,496	20,207,987

Shares		Cost	Value
Common Stocks (continued)			
Industrials (continued)			
	Research & Consulting Services (3.98%)		
827,463	CoStar Group, Inc. [1]	$ 45,077,349	$ 56,970,828
	Trading Companies & Distributors (1.88%)		
197,235	SiteOne Landscape Supply, Inc.[1]	23,094,274	26,995,554
Total Industrials		88,480,119	104,174,369
Materials (0.61%)			
	Construction Materials (0.61%)		
50,600	Vulcan Materials Co.	5,195,148	8,680,936
Real Estate (33.35%)			
	Data Center REITs (3.44%)		
68,390	Equinix, Inc.	30,050,086	49,311,926
	Health Care REITs (1.77%)		
353,700	Welltower, Inc.	26,212,346	25,356,753
	Industrial REITs (13.42%)		
166,900	EastGroup Properties, Inc.	27,583,317	27,591,908
747,950	Prologis, Inc.	79,763,824	93,321,721
858,109	Rexford Industrial Realty, Inc.	45,379,938	51,186,202
312,172	Terreno Realty Corp.	18,318,299	20,166,311
		171,045,378	192,266,142
	Office REITs (0.15%)		
17,148	Alexandria Real Estate Equities, Inc.	1,350,142	2,153,617
	Other Specialized REITs (0.11%)		
29,848	Gaming and Leisure Properties, Inc.	702,594	1,553,887
	Real Estate Services (4.91%)		
492,900	CBRE Group, Inc., Cl A[1]	31,160,653	35,888,049
237,257	Jones Lang LaSalle, Inc.[1]	32,462,893	34,518,521
		63,623,546	70,406,570
	Self Storage REITs (5.58%)		
217,450	Extra Space Storage, Inc.	34,593,736	35,429,128
147,604	Public Storage	47,579,272	44,597,073
		82,173,008	80,026,201
	Single-Family Residential REITs (1.21%)		
557,200	Invitation Homes, Inc.	14,922,511	17,401,356
	Telecom Tower REITs (2.76%)		
193,300	American Tower Corp.	29,679,061	39,498,922
Total Real Estate		419,758,672	477,975,374
Special Purpose Acquisition Company (0.89%)			
1,250,000	Fifth Wall Acquisition Corp. III, Cl A [1,2]	12,500,000	12,775,000
TOTAL COMMON STOCKS		**1,136,817,594**	**1,348,786,989**

Baron Real Estate Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (7.07%)			
$101,358,030	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $101,394,772; (Fully Collateralized by $113,543,400 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $103,385,219)	**$ 101,358,030**	**$ 101,358,030**
TOTAL INVESTMENTS (101.18%)		**$1,238,175,624**	**1,450,145,019**
LIABILITIES LESS CASH AND OTHER ASSETS (-1.18%)			**(16,891,553)**
NET ASSETS			**$1,433,253,466**
RETAIL SHARES (Equivalent to $29.81 per share based on 11,424,251 shares outstanding)			**$ 340,550,039**
INSTITUTIONAL SHARES (Equivalent to $30.76 per share based on 34,617,098 shares outstanding)			**$1,064,858,246**
R6 SHARES (Equivalent to $30.76 per share based on 905,251 shares outstanding)			**$ 27,845,181**

% Represents percentage of net assets.

[1] Non-income producing securities.

[2] Foreign corporation.

[144A] Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $9,342,753 or 0.65% of net assets.

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (89.48%)			
Brazil (4.51%)			
19,523,896	Aeris Indústria E Comércio De Equipamentos Para Geracão De Energia SA[1]	$ 20,530,702	$ 4,545,413
1,903,796	Afya Ltd., Cl A[1]	44,840,355	21,246,363
12,105,223	B3 S.A. - Brasil, Bolsa, Balcao	29,506,117	24,719,403
2,063,647	Inter & Co., Inc. BDR[1]	8,276,549	3,546,324
3,753,530	Localiza Rent a Car SA	22,413,547	39,546,311
2,579,621	StoneCo Ltd., Cl A[1]	26,910,593	24,609,584
10,273,846	Suzano SA	96,375,600	84,324,003
1,482,956	XP, Inc., Cl A[1]	32,962,222	17,602,688
Total Brazil		281,815,685	220,140,089
China (30.56%)			
1,837,254	Alibaba Group Holding Limited, ADR[1]	161,185,917	187,730,614
264,620	Baidu, Inc., ADR[1]	29,680,457	39,936,450
14,701,725	China Mengniu Dairy Co. Ltd.	31,619,318	60,268,905
865,074	China Tourism Group Duty Free Corporation Ltd., Cl A	12,370,353	23,100,982
19,074,817	Estun Automation Co. Ltd., Cl A	71,773,526	77,859,173
8,309,534	Full Truck Alliance Co. Ltd., ADR[1]	64,756,272	63,235,554
9,650,531	Galaxy Entertainment Group Ltd.[1]	66,589,520	64,553,984
5,726,445	Glodon Co. Ltd., Cl A	35,892,189	61,918,036
1,518,877	Hangzhou Tigermed Consulting Co. Ltd., Cl A	18,437,300	21,164,634
1,150,404	JD.com, Inc., ADR	63,738,702	50,491,231
200,061	JD.com, Inc., Cl A	7,298,261	4,368,571
6,874,905	Jiangsu Hengli Hydraulic Co. Ltd., Cl A	57,781,428	66,273,355
879,569	Kanzhun Ltd., ADR[1]	16,878,322	16,738,198
22,207,666	Kingdee International Software Group Co. Ltd.[1]	9,948,397	35,873,699
16,696,323	Kingsoft Corp. Ltd.	60,954,337	82,077,774
7,260,274	Lufax Holding Ltd., ADR	31,294,952	14,810,959
276,562	Meituan Inc., Cl B, 144A[1]	5,232,102	5,017,447
6,278,477	Midea Group Co., Ltd., Cl A	33,526,952	49,127,558
9,682,804	NARI Technology Co. Ltd., Cl A[3]	37,058,483	38,176,748
2,049,679	Shanghai Henlius Biotech, Inc., Cl H, 144A[1]	12,312,939	2,954,968
1,176,777	Shenzhen Mindray Bio-Medical Electronics Co. Ltd., Cl A	35,972,057	53,392,871
3,641,454	Shenzhou International Group Holdings Ltd.	15,657,974	38,199,426
2,908,146	Tencent Holdings Limited	61,044,152	142,119,042
315,378	Tencent Holdings Limited, ADR	16,011,687	15,418,830
10,977,720	Venustech Group, Inc., Cl A	54,758,142	53,160,509
1,886,046	Wuliangye Yibin Co. Ltd., Cl A	54,792,052	53,885,055
847,322	Yum China Holdings, Inc.	42,937,446	53,711,742
550,529	Yum China Holdings, Inc., (Hong Kong)	29,260,696	34,478,121
5,446,371	Yunnan Baiyao Group Co. Ltd., Cl A	54,381,334	43,349,443
1,135,634	Zai Lab Limited, ADR[1]	24,925,473	37,771,187
Total China		1,218,070,740	1,491,165,066
France (0.76%)			
164,014	Pernod Ricard SA	34,902,192	37,137,832
Hong Kong (3.27%)			
4,473,029	AIA Group Ltd.	41,547,330	46,910,244
19,106,298	Budweiser Brewing Co. APAC Ltd., 144A	59,315,525	58,146,713
344,820	Hong Kong Exchanges & Clearing Ltd.	14,304,280	15,284,041
3,609,474	Techtronic Industries Co. Ltd.	14,160,590	39,109,029
Total Hong Kong		129,327,725	159,450,027

Shares		Cost	Value
Common Stocks (continued)			
India (17.39%)			
3,795,889	Aarti Industries Ltd.	$ 38,153,414	$ 23,998,163
1,023,320	Aarti Pharmalabs Ltd.[1]	5,978,189	3,434,829
1,215,681	Bajaj Finance Limited	37,689,897	83,413,548
6,309,018	Bharti Airtel Ltd.	45,898,019	57,535,114
877,087	Bharti Airtel Ltd. PP	1,566,815	3,911,318
689,318	Divi's Laboratories Ltd.	6,557,264	23,735,642
35,628,987	Edelweiss Financial Services Ltd.	49,279,250	22,864,620
4,351,089	Godrej Consumer Products Ltd.[1]	53,761,977	51,356,267
1,984,539	Godrej Properties Ltd.[1]	38,450,193	24,988,946
5,049,761	HDFC Bank Ltd.	84,485,143	99,322,917
1,062,707	Hindustan Unilever Ltd.	33,652,383	33,187,570
43,464,202	JM Financial Limited	61,649,851	31,583,816
3,986,299	Jubilant FoodWorks Ltd.	32,813,492	21,410,927
5,053,057	Max Financial Services Ltd.[1]	36,649,139	39,114,075
2,971,482	Muthoot Finance Ltd.	44,548,839	35,533,110
10,371,017	Nippon Life India Asset Management Ltd., 144A	35,610,795	26,557,720
2,819,465	Reliance Industries Limited	52,300,246	80,170,274
4,070,839	SBI Life Insurance Company Limited, 144A	42,499,651	54,613,704
3,809,752	Tata Communications Ltd.	23,023,202	57,943,576
603,801	Tata Consultancy Services Ltd.	25,528,900	23,667,683
2,512,411	Tata Consumer Products Ltd.	8,772,574	21,711,208
919,048	Titan Co. Ltd.	12,822,104	28,227,854
Total India		771,691,337	848,282,881
Indonesia (2.09%)			
245,266,971	Bank Rakyat Indonesia (Persero) Tbk PT	71,907,718	77,713,513
38,406,371	PT Bank Negara Indonesia (Persero) Tbk	23,149,233	24,032,406
Total Indonesia		95,056,951	101,745,919
Italy (0.94%)			
1,605,828	Tenaris SA	20,187,119	22,753,276
804,027	Tenaris SA, ADR	20,541,409	22,850,447
Total Italy		40,728,528	45,603,723
Japan (1.31%)			
130,467	Keyence Corporation	48,359,834	63,942,964
Korea, Republic of (9.40%)			
3,352,191	Coupang, Inc., Cl A[1]	44,811,785	53,635,056
567,031	Hyundai Heavy Industries Co. Ltd.[1]	29,713,415	43,831,059
923,409	Korea Aerospace Industries Ltd.	30,289,331	33,721,426
1,371,746	Korea Shipbuilding & Offshore Engineering Co. Ltd.[1]	136,290,606	82,028,838
25,683	LG Chem Ltd.	14,639,627	14,104,938
4,343,585	Samsung Electronics Co., Ltd.	150,315,319	214,794,434
29,152	Samsung SDI Co. Ltd.	17,271,994	16,559,463
Total Korea, Republic of		423,332,077	458,675,214
Mexico (2.69%)			
10,536,946	Grupo Mexico S.A.B. de C.V., Series B	26,506,506	49,842,912
20,380,218	Wal-Mart de Mexico, S.A.B de C.V.	47,750,710	81,430,394
Total Mexico		74,257,216	131,273,306
Norway (0.45%)			
2,950,296	Norsk Hydro ASA	18,510,069	22,019,302
Peru (1.24%)			
458,041	Credicorp, Ltd.	57,988,607	60,640,048

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Philippines (1.97%)			
62,435,865	Ayala Land, Inc.	$ 45,778,416	$ 30,600,189
27,652,201	BDO Unibank, Inc.	48,718,104	65,582,108
Total Philippines		94,496,520	96,182,297
Poland (1.10%)			
5,852,652	InPost SA[1]	88,481,393	53,524,685
Russia (0.02%)			
2,384,838	Fix Price Group Ltd., GDR[1,2]	20,761,023	95,394
4,746,202	Fix Price Group Ltd., GDR, 144A[1,2]	46,272,864	189,848
1,873,612	Ozon Holdings PLC, ADR[1,2]	76,824,628	374,722
17,949,100	Sberbank of Russia PJSC[1,2]	64,430,586	13,384
809,897	Yandex N.V., Cl A[1,2]	16,974,482	299,662
Total Russia		225,263,583	973,010
South Africa (1.76%)			
1,275,729	Gold Fields Ltd.	13,380,242	17,089,161
3,141,105	Gold Fields Ltd., ADR	31,898,626	41,839,519
146,391	Naspers Ltd., Cl N	21,456,370	27,125,409
Total South Africa		66,735,238	86,054,089
Spain (0.13%)			
1,791,760	Codere Online Luxembourg, S.A. Forward Shares[1]	17,917,600	5,285,692
358,352	Codere Online Luxembourg, S.A. Founders Share[1]	3,116	1,057,138
26,518	Codere Online Luxembourg, S.A. Private Shares[1]	265,181	78,228
Total Spain		18,185,897	6,421,058
Taiwan (8.70%)			
8,380,054	Delta Electronics, Inc.	36,125,676	83,143,847
620,875	MediaTek, Inc.	11,108,050	16,096,877
3,494,883	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	155,249,622	325,094,017
Total Taiwan		202,483,348	424,334,741
United Arab Emirates (0.23%)			
3,772,092	Network International Holdings plc, 144A[1]	22,252,784	11,391,156
United Kingdom (0.96%)			
8,160,600	Glencore PLC	24,827,837	46,957,849
TOTAL COMMON STOCKS		**3,936,767,561**	**4,365,915,256**
Private Common Stocks (1.22%)			
India (1.22%)			
27,027	Pine Labs PTE. Ltd., Series 1[1,2]	10,077,362	14,995,120
6,833	Pine Labs PTE. Ltd., Series A[1,2]	2,547,771	3,791,085
7,600	Pine Labs PTE. Ltd., Series B[1,2]	2,833,757	4,216,632
6,174	Pine Labs PTE. Ltd., Series B2[1,2]	2,302,055	3,425,459
9,573	Pine Labs PTE. Ltd., Series C[1,2]	3,569,416	5,311,292
1,932	Pine Labs PTE. Ltd., Series C1[1,2]	720,371	1,071,912
2,459	Pine Labs PTE. Ltd., Series D[1,2]	916,870	1,364,302
45,680	Pine Labs PTE. Ltd., Series J[1,2]	17,032,398	25,344,178
TOTAL PRIVATE COMMON STOCKS		**40,000,000**	**59,519,980**

Shares		Cost	Value
Private Convertible Preferred Stocks (2.38%)			
India (2.38%)			
11,578	Bundl Technologies Private Ltd., Series K[1,2]	$ 76,776,872	$ 45,758,616
15,334	Think & Learn Private Limited, Series F[1,2]	49,776,072	70,451,633
TOTAL PRIVATE CONVERTIBLE PREFERRED STOCKS		**126,552,944**	**116,210,249**
Rights (0.00%)			
Brazil (0.00%)			
16,794	Localiza Rent a Car SA, Cl A[1], Exp. 5/11/2023	**0**	**43,505**
Warrants (0.00%)			
Spain (0.00%)			
	Casinos & Gaming (0.00%)		
13,259	Codere Online Luxembourg S.A. Private Shares, Exp. 11/30/2026[1]	**0**	**2,165**

Principal Amount		Cost	Value
Short Term Investments (6.60%)			
$322,096,792	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $322,213,552; (Fully Collateralized by $360,819,600 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $328,538,810)	**322,096,792**	**322,096,792**
TOTAL INVESTMENTS (99.68%)		**$4,425,417,297**	**4,863,787,947**
CASH AND OTHER ASSETS LESS LIABILITIES (0.32%)			**15,822,541**
NET ASSETS			**$4,879,610,488**
RETAIL SHARES (Equivalent to $13.29 per share based on 20,860,890 shares outstanding)			**$ 277,331,091**
INSTITUTIONAL SHARES (Equivalent to $13.39 per share based on 342,864,167 shares outstanding)			**$4,592,390,550**
R6 SHARES (Equivalent to $13.40 per share based on 737,952 shares outstanding)			**$ 9,888,847**

% Represents percentage of net assets.
1 Non-income producing securities.
2 At March 31, 2023, the market value of restricted and fair valued securities amounted to $176,703,239 or 3.62% of net assets. These securities are not deemed liquid.
ADR American Depositary Receipt.
GDR Global Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $158,871,556 or 3.26% of net assets.

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Summary of Investments by Sector as of March 31, 2023	Percentage of Net Assets
Information Technology	18.3%
Financials	17.2%
Consumer Discretionary	16.1%
Industrials	11.1%
Communication Services	8.5%
Consumer Staples	8.1%
Materials	6.2%
Health Care	3.8%
Energy	2.6%
Real Estate	1.1%
Cash and Cash Equivalents*	6.9%
	100.0%**

* Includes short term investments.
** Individual weights may not sum to displayed total due to rounding.

Baron Global Advantage Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (87.97%)			
Argentina (9.50%)			
73,496	Globant S.A.[1]	$ 5,218,034	$ 12,054,079
48,856	MercadoLibre, Inc.[1]	34,222,253	64,395,139
Total Argentina		39,440,287	76,449,218
Brazil (1.57%)			
1,130,157	Afya Ltd., Cl A[1]	23,679,303	12,612,552
Canada (4.33%)			
727,369	Shopify, Inc., Cl A[1]	27,502,905	34,870,070
China (2.16%)			
959,865	Meituan Inc., Cl B, 144A[1]	12,096,383	17,414,076
India (4.18%)			
422,391	Bajaj Finance Limited	25,863,235	28,982,218
7,379,067	Zomato Ltd.[1]	12,454,605	4,614,292
Total India		38,317,840	33,596,510
Israel (3.95%)			
294,257	Fiverr International Ltd.[1]	6,621,757	10,275,455
3,375,264	Innovid Corp.[1]	32,939,278	4,759,122
2,753,705	Taboola.com Ltd.[1]	26,501,176	7,490,078
92,553	Wix.com Ltd.[1]	7,477,921	9,236,789
Total Israel		73,540,132	31,761,444
Korea, Republic of (3.54%)			
1,778,267	Coupang, Inc., Cl A[1]	36,953,125	28,452,272
Netherlands (9.24%)			
16,186	Adyen N.V., 144A[1]	16,437,273	25,791,223
64,152	argenx SE, ADR[1]	4,836,569	23,901,752
36,212	ASML Holding N.V.	7,770,132	24,676,594
Total Netherlands		29,043,974	74,369,569
Poland (2.03%)			
1,782,866	InPost SA[1]	28,082,950	16,304,974
Spain (0.63%)			
996,069	Codere Online Luxembourg S.A.[1]	9,115,057	2,938,404
584,567	Codere Online Luxembourg, S.A. Forward Shares[1]	5,845,670	1,724,473
116,913	Codere Online Luxembourg, S.A. Founders Share[1]	1,017	344,893
8,652	Codere Online Luxembourg, S.A. Private Shares[1]	86,516	25,523
Total Spain		15,048,260	5,033,293
United Kingdom (5.54%)			
662,883	Endava plc, ADR[1]	27,376,109	44,532,480
United States (41.30%)			
141,583	Bill.Com Holdings, Inc.[1]	6,149,064	11,488,045
204,952	Block, Inc.[1]	16,736,676	14,069,955
371,841	Cloudflare, Inc., Cl A[1]	9,123,087	22,927,716
276,634	Crowdstrike Holdings, Inc., Cl A[1]	29,482,752	37,970,783
358,515	Datadog, Inc., Cl A[1]	28,000,451	26,049,700
52,185	EPAM Systems, Inc.[1]	7,072,220	15,603,315
87,246	Illumina, Inc.[1]	26,550,697	20,289,057

Shares		Cost	Value
Common Stocks (continued)			
United States (continued)			
1,620,760	MaxCyte, Inc.[1]	$ 19,775,690	$ 8,022,762
146,664	NVIDIA Corp.	31,174,401	40,738,859
660,574	Rivian Automotive, Inc., Cl A[1]	14,000,003	10,225,686
404,429	Schrödinger, Inc.[1]	13,135,223	10,648,615
241,005	Snowflake, Inc., Cl A[1]	38,654,482	37,184,661
120,215	Tesla, Inc.[1]	34,613,214	24,939,804
125,611	Veeva Systems, Inc., Cl A[1]	17,220,895	23,086,046
695,589	ZoomInfo Technologies, Inc.[1]	20,561,485	17,188,004
101,370	Zscaler, Inc.[1]	5,407,322	11,843,057
Total United States		317,657,662	332,276,065
TOTAL COMMON STOCKS		**668,738,930**	**707,672,523**
Private Common Stocks (3.02%)			
United States (3.02%)			
252,130	Space Exploration Technologies Corp., Cl A[1,2]	11,571,518	18,685,490
75,250	Space Exploration Technologies Corp., Cl C[1,2]	3,428,124	5,576,818
TOTAL PRIVATE COMMON STOCKS		**14,999,642**	**24,262,308**
Private Convertible Preferred Stocks (7.33%)			
India (5.25%)			
9,201	Think & Learn Private Limited, Series F[1,2]	29,867,591	42,273,736
United States (2.08%)			
219,321	Farmers Business Network, Inc., Series F[1,2]	7,250,006	7,689,394
80,440	Farmers Business Network, Inc., Series G[1,2]	5,000,000	5,132,877
69,926	Resident Home, Inc., Series B1[1,2]	4,999,968	3,894,878
Total United States		17,249,974	16,717,149
TOTAL PRIVATE CONVERTIBLE PREFERRED STOCKS		**47,117,565**	**58,990,885**
Private Preferred Stocks (1.57%)			
United States (1.57%)			
461,004	GM Cruise Holdings, Cl G[1,2]	**12,147,455**	**12,580,799**
Warrants (0.02%)			
Israel (0.01%)			
68,986	Innovid Corp., Exp 12/31/2027[1]	117,942	6,898
228,748	Taboola.com Ltd., Exp 6/29/2026[1]	417,100	93,787
Total Israel		535,042	100,685
Spain (0.01%)			
502,360	Codere Online Luxembourg S.A. Private Shares, Exp 11/30/2026[1]	845,632	82,036
TOTAL WARRANTS		**1,380,674**	**182,721**

Baron Global Advantage Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (0.33%)			
$2,692,990	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $2,693,966; (Fully Collateralized by $3,016,800 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $2,746,901)	$ 2,692,990	$ 2,692,990
TOTAL INVESTMENTS (100.24%)		$747,077,256	806,382,226
LIABILITIES LESS CASH AND OTHER ASSETS (-0.24%)			(1,894,171)
NET ASSETS			$804,488,055
RETAIL SHARES (Equivalent to $26.80 per share based on 8,432,243 shares outstanding)			$226,000,518
INSTITUTIONAL SHARES (Equivalent to $27.44 per share based on 20,708,846 shares outstanding)			$568,350,190
R6 SHARES (Equivalent to $27.46 per share based on 369,156 shares outstanding)			$ 10,137,347

% Represents percentage of net assets.
1 Non-income producing securities.
2 At March 31, 2023, the market value of restricted and fair valued securities amounted to $95,833,992 or 11.91% of net assets. These securities are not deemed liquid.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $43,205,299 or 5.37% of net assets.

Summary of Investments by Sector as of March 31, 2023	Percentage of Net Assets
Information Technology	40.9%
Consumer Discretionary	26.6%
Health Care	10.7%
Financials	8.6%
Industrials	7.9%
Communication Services	3.7%
Materials	1.6%
Cash and Cash Equivalents*	0.1%
	100.0%**

* Includes short term investments.
** Individual weights may not sum to displayed total due to rounding.

Baron Discovery Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (93.11%)			
Communication Services (1.62%)			
	Advertising (0.66%)		
4,250,000	S4 Capital PLC (United Kingdom)[1,2]	$ 15,642,612	$ 8,524,468
	Movies & Entertainment (0.96%)		
185,000	Liberty Media Corporation-Liberty Formula One, Cl A[1]	5,634,811	12,487,500
Total Communication Services		21,277,423	21,011,968
Consumer Discretionary (13.41%)			
	Casinos & Gaming (6.47%)		
735,000	Boyd Gaming Corporation	46,928,841	47,128,200
1,035,000	DraftKings, Inc., Cl A[1]	18,755,879	20,037,600
375,000	Red Rock Resorts, Inc., Cl A	13,003,045	16,713,750
		78,687,765	83,879,550
	Footwear (0.72%)		
300,000	On Holding AG, Cl A[1,2]	6,466,000	9,309,000
	Home Improvement Retail (2.99%)		
395,000	Floor & Decor Holdings, Inc., Cl A[1]	14,885,596	38,796,900
	Homefurnishing Retail (0.74%)		
39,500	RH[1]	9,880,813	9,620,225
	Restaurants (2.49%)		
350,000	The Cheesecake Factory, Inc.	10,177,178	12,267,500
185,000	Texas Roadhouse, Inc.	15,924,197	19,991,100
		26,101,375	32,258,600
Total Consumer Discretionary		136,021,549	173,864,275
Consumer Staples (1.17%)			
	Personal Care Products (1.17%)		
1,200,000	The Beauty Health Co.[1]	12,467,467	15,156,000
Financials (5.61%)			
	Insurance Brokers (0.98%)		
500,007	BRP Group, Inc., Cl A[1]	8,065,826	12,730,178
	Property & Casualty Insurance (4.63%)		
200,000	Kinsale Capital Group, Inc.	11,768,138	60,030,000
Total Financials		19,833,964	72,760,178
Health Care (15.21%)			
	Health Care Equipment (7.57%)		
637,982	Axonics, Inc.[1]	28,878,670	34,808,298
359,823	Inari Medical, Inc.[1]	17,919,524	22,215,472
640,208	Silk Road Medical, Inc.[1,3]	27,145,351	25,051,339
4,660,000	ViewRay, Inc.[1]	23,738,157	16,123,600
		97,681,702	98,198,709
	Health Care Supplies (1.51%)		
2,029,967	Cerus Corp. [1]	10,468,349	6,029,002
199,000	Establishment Labs Holdings, Inc.[1,2]	14,245,456	13,480,260
		24,713,805	19,509,262
	Health Care Technology (2.45%)		
550,591	Certara, Inc.[1]	11,505,296	13,274,749
1,789,366	Definitive Healthcare Corp.[1]	39,602,669	18,484,151
		51,107,965	31,758,900
	Life Sciences Tools & Services (1.54%)		
514,595	Maravai LifeSciences Holdings, Inc., Cl A[1]	7,455,504	7,209,476
573,790	Veracyte, Inc.[1,3]	14,716,344	12,795,517
		22,171,848	20,004,993

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Pharmaceuticals (2.14%)		
859,432	Revance Therapeutics, Inc.[1]	$ 16,520,729	$ 27,682,304
Total Health Care		212,196,049	197,154,168
Industrials (18.43%)			
	Aerospace & Defense (6.97%)		
166,095	Axon Enterprise, Inc.[1]	18,709,889	37,346,461
2,302,370	Kratos Defense & Security Solutions, Inc.[1]	35,640,286	31,035,947
430,380	Mercury Systems, Inc.[1]	19,621,174	22,001,026
		73,971,349	90,383,434
	Building Products (0.75%)		
200,000	Trex Co., Inc.[1]	6,713,309	9,734,000
	Diversified Support Services (1.19%)		
1,200,000	ACV Auctions, Inc., Cl A[1]	31,541,757	15,492,000
	Environmental & Facilities Services (2.12%)		
769,606	Montrose Environmental Group, Inc.[1]	16,499,889	27,451,846
	Human Resource & Employment Services (1.73%)		
272,131	ASGN, Inc.[1]	27,515,869	22,497,070
	Industrial Machinery & Supplies & Components (3.24%)		
200,000	Chart Industries, Inc.[1]	27,220,567	25,080,000
1,705,185	Markforged Holding Corp.[1]	14,565,523	1,634,931
50,000	RBC Bearings, Inc.[1]	10,475,838	11,636,500
1,591,680	Velo3D, Inc.[1]	13,139,523	3,613,114
		65,401,451	41,964,545
	Trading Companies & Distributors (2.43%)		
230,000	SiteOne Landscape Supply, Inc.[1]	16,419,324	31,480,100
Total Industrials		238,062,948	239,002,995
Information Technology (34.67%)			
	Application Software (9.95%)		
800,000	Alkami Technology, Inc.[1]	19,067,545	10,128,000
375,000	Ceridian HCM Holding, Inc.[1]	20,590,143	27,457,500
1,500,000	Clearwater Analytics Holdings, Inc., Cl A[1]	27,680,932	23,940,000
667,889	Gitlab, Inc., Cl A[1]	30,802,571	22,901,914
250,357	Guidewire Software, Inc.[1]	19,464,650	20,541,792
2,000,000	SmartRent, Inc.[1,3]	5,193,040	5,100,000
395,000	Smartsheet, Inc., Cl A[1]	13,837,158	18,881,000
		136,636,039	128,950,206
	Electronic Equipment & Instruments (5.84%)		
425,321	Advanced Energy Industries, Inc.	30,735,779	41,681,458
54,131	Novanta, Inc.[1]	5,885,852	8,611,701
750,000	PAR Technology Corp.[1]	22,434,021	25,470,000
		59,055,652	75,763,159
	IT Consulting & Other Services (1.55%)		
300,000	Endava PLC, ADR[1,2]	7,125,604	20,154,000
	Semiconductor Materials & Equipment (2.65%)		
490,800	Ichor Holdings Ltd.[1]	11,435,027	16,068,792
175,000	Nova Ltd.[1]	4,080,928	18,282,250
		15,515,955	34,351,042

Baron Discovery Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Semiconductors (7.22%)		
405,000	Allegro MicroSystems, Inc.[1]	$ 5,670,000	$ 19,435,950
2,910,000	indie Semiconductor, Inc., Cl A[1]	27,712,225	30,700,500
2,750,000	Navitas Semiconductor Corp.[1]	24,385,564	20,102,500
164,000	SiTime Corp.[1]	19,523,628	23,325,720
		77,291,417	93,564,670
	Systems Software (7.46%)		
1,894,900	Couchbase, Inc.[1,3]	44,495,903	26,642,294
165,200	CyberArk Software Ltd.[1,2]	21,254,706	24,446,296
430,775	Dynatrace, Inc.[1,3]	10,425,483	18,221,782
112,100	Qualys, Inc.[1]	6,566,711	14,575,242
491,000	Varonis Systems, Inc.[1]	13,122,176	12,770,910
		95,864,979	96,656,524
Total Information Technology		391,489,646	449,439,601
Real Estate (2.99%)			
	Industrial REITs (2.99%)		
650,000	Rexford Industrial Realty, Inc.	31,657,136	38,772,500
TOTAL COMMON STOCKS		**1,063,006,182**	**1,207,161,685**

Principal Amount			
Short Term Investments (6.68%)			
$86,654,673	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $86,686,085; (Fully Collateralized by $97,072,400 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $88,387,800)	**86,654,673**	**86,654,673**
TOTAL INVESTMENTS (99.79%)		**$1,149,660,855**	**1,293,816,358**
CASH AND OTHER ASSETS LESS LIABILITIES (0.21%)			**2,677,690**
NET ASSETS			**$1,296,494,048**
RETAIL SHARES (Equivalent to $24.80 per share based on 6,174,226 shares outstanding)			**$ 153,106,324**
INSTITUTIONAL SHARES (Equivalent to $25.41 per share based on 43,125,758 shares outstanding)			**$1,096,025,599**
R6 SHARES (Equivalent to $25.42 per share based on 1,863,406 shares outstanding)			**$ 47,362,125**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
[ADR] American Depositary Receipt.

Baron Durable Advantage Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (99.17%)			
Communication Services (11.03%)			
	Interactive Media & Services (11.03%)		
19,160	Alphabet, Inc., Cl C[1]	$ 1,610,665	$ 1,992,640
22,486	Meta Platforms, Inc., Cl A[1]	3,201,520	4,765,683
Total Communication Services		4,812,185	6,758,323
Consumer Discretionary (5.30%)			
	Broadline Retail (5.30%)		
31,417	Amazon.com, Inc.[1]	3,564,717	3,245,062
Consumer Staples (3.66%)			
	Consumer Staples Merchandise Retail (2.74%)		
3,376	Costco Wholesale Corp.	1,384,589	1,677,433
	Personal Care Products (0.92%)		
2,280	The Estée Lauder Companies, Inc., Cl A	570,117	561,929
Total Consumer Staples		1,954,706	2,239,362
Financials (29.88%)			
	Asset Management & Custody Banks (4.78%)		
8,022	Blackstone, Inc.	806,051	704,652
68,201	Brookfield Corp.[2]	2,523,822	2,222,671
		3,329,873	2,927,323
	Financial Exchanges & Data (11.30%)		
8,348	CME Group, Inc.	1,571,552	1,598,809
4,747	Moody's Corp.	1,220,145	1,452,677
3,359	MSCI, Inc.	1,539,846	1,879,999
5,776	S&P Global, Inc.	1,634,262	1,991,391
		5,965,805	6,922,876
	Investment Banking & Brokerage (1.17%)		
3,538	LPL Financial Holdings, Inc.	721,510	716,091
	Property & Casualty Insurance (4.47%)		
40,299	Arch Capital Group Ltd.[1]	1,657,143	2,735,093
	Transaction & Payment Processing Services (8.16%)		
6,208	MasterCard, Incorporated, Cl A	1,977,751	2,256,049
12,169	Visa, Inc., Cl A	2,639,058	2,743,623
		4,616,809	4,999,672
Total Financials		16,291,140	18,301,055
Health Care (13.51%)			
	Life Sciences Tools & Services (9.13%)		
4,745	Agilent Technologies, Inc.	568,932	656,423
8,096	Danaher Corp.	1,765,474	2,040,516
493	Mettler-Toledo International, Inc.[1]	545,646	754,393
3,721	Thermo Fisher Scientific, Inc.	1,764,329	2,144,673
		4,644,381	5,596,005
	Managed Health Care (4.38%)		
5,674	UnitedHealth Group, Incorporated	2,282,134	2,681,476
Total Health Care		6,926,515	8,277,481

Shares		Cost	Value
Common Stocks (continued)			
Industrials (2.97%)			
	Aerospace & Defense (2.97%)		
13,404	HEICO Corp., Cl A	$ 1,540,134	$ 1,821,604
Information Technology (32.82%)			
	Application Software (5.86%)		
3,168	Adobe, Inc.[1]	1,027,222	1,220,852
5,307	Intuit, Inc.	2,260,412	2,366,020
		3,287,634	3,586,872
	Electronic Manufacturing Services (1.43%)		
6,675	TE Connectivity Ltd.	831,184	875,426
	IT Consulting & Other Services (4.26%)		
9,132	Accenture plc, Cl A	2,520,167	2,610,017
	Semiconductors (12.13%)		
4,662	Monolithic Power Systems, Inc.	1,786,178	2,333,518
8,633	NVIDIA Corp.	1,317,360	2,397,988
12,178	Taiwan Semiconductor Manufacturing Co., Ltd., ADR[2]	1,119,851	1,132,798
8,432	Texas Instruments, Inc.	1,446,702	1,568,436
		5,670,091	7,432,740
	Systems Software (9.14%)		
19,420	Microsoft Corporation	4,415,943	5,598,786
Total Information Technology		16,725,019	20,103,841
TOTAL COMMON STOCKS		**51,814,416**	**60,746,728**

Principal Amount		Cost	Value
Short Term Investments (0.64%)			
$390,576	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $390,718; (Fully Collateralized by $437,600 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $398,450)	**390,576**	**390,576**
TOTAL INVESTMENTS (99.81%)		**$52,204,992**	**61,137,304**
CASH AND OTHER ASSETS LESS LIABILITIES (0.19%)			**115,269**
NET ASSETS			**$61,252,573**
RETAIL SHARES (Equivalent to $17.79 per share based on 514,880 shares outstanding)			**$ 9,158,202**
INSTITUTIONAL SHARES (Equivalent to $18.01 per share based on 2,657,581 shares outstanding)			**$47,857,521**
R6 SHARES (Equivalent to $18.01 per share based on 235,257 shares outstanding)			**$ 4,236,850**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[ADR] American Depositary Receipt.

Baron Real Estate Income Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (96.91%)			
Communication Services (0.62%)			
	Integrated Telecommunication Services (0.62%)		
13,026	Cellnex Telecom S.A., 144A (Spain)[1,2]	$ 515,640	$ 506,550
Consumer Discretionary (2.69%)			
	Homebuilding (2.69%)		
36,865	Toll Brothers, Inc.	2,127,389	2,213,006
Financials (6.62%)			
	Asset Management & Custody Banks (6.62%)		
122,162	Brookfield Corp.[2]	4,057,427	3,981,260
44,381	Brookfield Asset Management Ltd., Cl A[2]	1,372,332	1,452,146
Total Financials		5,429,759	5,433,406
Real Estate (82.82%)			
	Data Center REITs (8.90%)		
16,844	Digital Realty Trust, Inc.	1,792,095	1,655,934
7,846	Equinix, Inc.	4,936,217	5,657,280
		6,728,312	7,313,214
	Health Care REITs (9.31%)		
63,009	Ventas, Inc.	3,082,217	2,731,440
68,583	Welltower, Inc.	4,903,736	4,916,715
		7,985,953	7,648,155
	Hotel & Resort REITs (0.66%)		
54,817	Sunstone Hotel Investors, Inc.	600,246	541,592
	Industrial REITs (25.35%)		
22,806	EastGroup Properties, Inc.	3,404,564	3,770,288
33,066	First Industrial Realty Trust, Inc.	1,776,360	1,759,111
77,088	Prologis, Inc.	8,393,673	9,618,270
65,348	Rexford Industrial Realty, Inc.	3,551,872	3,898,008
27,455	Terreno Realty Corp.	1,565,319	1,773,593
		18,691,788	20,819,270
	Multi-Family Residential REITs (9.12%)		
21,475	AvalonBay Communities, Inc.	3,849,702	3,609,089
64,700	Equity Residential	4,139,621	3,882,000
		7,989,323	7,491,089
	Office REITs (0.49%)		
3,227	Alexandria Real Estate Equities, Inc.	442,934	405,279
	Other Specialized REITs (3.88%)		
7,873	Gaming and Leisure Properties, Inc.	317,520	409,868
85,029	VICI Properties, Inc.	2,805,120	2,773,646
		3,122,640	3,183,514
	Self Storage REITs (14.92%)		
75,103	CubeSmart	3,283,583	3,471,260
24,543	Extra Space Storage, Inc.	3,935,545	3,998,791
15,841	Public Storage	4,405,248	4,786,200
		11,624,376	12,256,251
	Single-Family Residential REITs (5.69%)		
39,975	American Homes 4 Rent, Cl A	1,237,910	1,257,214
6,078	Equity LifeStyle Properties, Inc.	372,518	408,016
57,852	Invitation Homes, Inc.	1,713,053	1,806,718
8,536	Sun Communities, Inc.	1,097,090	1,202,552
		4,420,571	4,674,500
	Telecom Tower REITs (4.50%)		
18,086	American Tower Corp.	3,558,647	3,695,693
Total Real Estate		65,164,790	68,028,557

Shares		Cost	Value
Common Stocks (continued)			
Utilities (4.16%)			
	Multi-Utilities (1.56%)		
27,870	Brookfield Infrastructure Corp., Cl A[2,3]	$ 1,068,712	$ 1,283,692
	Renewable Electricity (2.60%)		
60,969	Brookfield Renewable Corp., Cl A[2]	1,872,702	2,130,867
Total Utilities		2,941,414	3,414,559
TOTAL COMMON STOCKS		**76,178,992**	**79,596,078**

Principal Amount		Cost	Value
Short Term Investments (3.41%)			
$2,800,302	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $2,801,317; (Fully Collateralized by $3,137,000 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $2,856,348)	**2,800,302**	**2,800,302**
TOTAL INVESTMENTS (100.32%)		**$78,979,294**	**82,396,380**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.32%)			**(259,342)**
NET ASSETS			**$82,137,038**
RETAIL SHARES (Equivalent to $13.22 per share based on 1,054,955 shares outstanding)			**$13,941,455**
INSTITUTIONAL SHARES (Equivalent to $13.37 per share based on 5,050,426 shares outstanding)			**$67,520,341**
R6 SHARES (Equivalent to $13.36 per share based on 50,554 shares outstanding)			**$ 675,242**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $506,550 or 0.62% of net assets.

Baron WealthBuilder Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Affiliated Mutual Funds (100.02%)			
Small Cap Funds (33.10%)			
897,523	Baron Discovery Fund - Institutional Shares	$ 23,060,556	$ 22,806,059
755,519	Baron Growth Fund - Institutional Shares	72,487,734	72,937,808
2,084,114	Baron Small Cap Fund - Institutional Shares	70,580,277	60,397,617
Total Small Cap Funds		166,128,567	156,141,484
Small to Mid Cap Funds (6.41%)			
886,475	Baron Focused Growth Fund - Institutional Shares	29,517,961	30,255,398
Mid Cap Funds (13.15%)			
642,491	Baron Asset Fund - Institutional Shares	62,690,159	62,058,187
Large Cap Funds (6.58%)			
692,685	Baron Durable Advantage Fund - Institutional Shares	10,892,077	12,475,252
563,653	Baron Fifth Avenue Growth Fund - Institutional Shares	20,440,748	18,555,472
Total Large Cap Funds		31,332,825	31,030,724
All Cap Funds (17.73%)			
634,196	Baron Opportunity Fund - Institutional Shares	16,107,846	18,740,499
454,000	Baron Partners Fund - Institutional Shares	41,225,808	64,908,385
Total All Cap Funds		57,333,654	83,648,884
International Funds (9.63%)			
1,023,653	Baron Emerging Markets Fund - Institutional Shares	14,953,191	13,706,708
600,558	Baron Global Advantage Fund - Institutional Shares	16,295,882	16,479,309
604,542	Baron International Growth Fund - Institutional Shares	16,655,087	15,234,450
Total International Funds		47,904,160	45,420,467
Sector Funds (13.42%)			
984,659	Baron FinTech Fund - Institutional Shares	13,820,720	11,530,352
778,087	Baron Health Care Fund - Institutional Shares	13,848,436	13,414,215
905,967	Baron Real Estate Fund - Institutional Shares	30,937,505	27,867,539
785,520	Baron Real Estate Income Fund - Institutional Shares	12,642,883	10,502,397
Total Sector Funds		71,249,544	63,314,503
TOTAL AFFILIATED INVESTMENTS (100.02%)		**$466,156,870**	**471,869,647**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.02%)			**(92,223)**
NET ASSETS			**$471,777,424**
RETAIL SHARES (Equivalent to $15.49 per share based on 5,503,343 shares outstanding)			**$ 85,229,146**
TA SHARES (Equivalent to $15.68 per share based on 2,684,846 shares outstanding)			**$ 42,099,118**
INSTITUTIONAL SHARES (Equivalent to $15.69 per share based on 21,955,198 shares outstanding)			**$344,449,160**

% Represents percentage of net assets.

Baron Health Care Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (92.17%)			
Health Care (92.17%)			
	Biotechnology (18.19%)		
15,000	AbbVie, Inc.	$ 2,044,403	$ 2,390,550
11,178	argenx SE, ADR[1,2]	2,365,060	4,164,699
35,306	Ascendis Pharma A/S, ADR[1,2]	3,868,666	3,785,509
48,100	Cytokinetics, Incorporated[1]	1,867,920	1,692,639
30,000	Genmab A/S, ADR[1,2]	1,058,118	1,132,800
42,500	Inhibrx, Inc.[1]	1,141,513	801,975
40,000	Legend Biotech Corp., ADR[1,2]	1,947,441	1,928,800
13,500	Moderna, Inc.[1]	1,907,130	2,073,330
42,750	Prometheus Biosciences, Inc.[1]	4,770,977	4,587,930
226,000	Rocket Pharmaceuticals, Inc.[1]	4,211,043	3,871,380
23,000	Vertex Pharmaceuticals, Incorporated[1]	5,946,486	7,246,610
73,000	Xenon Pharmaceuticals, Inc.[1,2]	2,515,719	2,612,670
		33,644,476	36,288,892
	Health Care Distributors (1.75%)		
9,800	McKesson Corp.	2,206,216	3,489,290
	Health Care Equipment (14.46%)		
24,362	Abbott Laboratories	2,641,070	2,466,896
49,624	DexCom, Inc.[1]	5,014,673	5,765,316
6,395	IDEXX Laboratories, Inc.[1]	2,645,380	3,198,012
18,936	Inspire Medical Systems, Inc.[1]	3,082,025	4,432,350
9,565	Insulet Corp.[1]	2,270,026	3,050,852
30,233	Intuitive Surgical, Inc.[1]	7,267,519	7,723,624
1,387,480	Opsens, Inc. (Canada)[1,2]	2,019,084	1,683,661
2,500	Shockwave Medical, Inc.[1]	114,375	542,075
		25,054,152	28,862,786
	Health Care Facilities (2.42%)		
18,300	HCA Healthcare, Inc.	4,144,546	4,825,344
	Health Care Services (1.99%)		
77,000	Option Care Health, Inc.[1]	2,366,239	2,446,290
6,000	The Cigna Group (formerly, Cigna Corp.)	1,763,630	1,533,180
		4,129,869	3,979,470
	Health Care Supplies (3.69%)		
120,000	Neogen Corp.[1]	2,264,548	2,222,400
13,750	The Cooper Companies, Inc.	4,704,834	5,133,700
		6,969,382	7,356,100
	Health Care Technology (0.20%)		
15,000	Schrödinger, Inc.[1]	312,233	394,950
	Life Sciences Tools & Services (19.63%)		
46,000	Bio-Techne Corporation	3,664,624	3,412,740
8,200	Danaher Corp.	2,190,367	2,066,728
35,000	Exact Sciences Corp.[1,3]	2,342,587	2,373,350
18,200	ICON plc[1,2]	3,689,560	3,887,338
12,737	Illumina, Inc.[1]	2,648,837	2,961,989
3,610	Mettler-Toledo International, Inc.[1]	4,090,788	5,524,058
16,200	Repligen Corp.[1]	2,953,716	2,727,432
75,665	Stevanato Group SpA[2]	1,771,695	1,959,724
17,749	Thermo Fisher Scientific, Inc.	8,573,805	10,229,991
11,650	West Pharmaceutical Services, Inc.	3,438,733	4,036,376
		35,364,712	39,179,726
Common Stocks (continued)			
Health Care (continued)			
	Managed Health Care (14.49%)		
12,500	Elevance Health, Inc.	$ 5,697,964	$ 5,747,625
11,150	Humana, Inc.	4,911,341	5,412,879
37,572	UnitedHealth Group, Incorporated	13,933,453	17,756,151
		24,542,758	28,916,655
	Pharmaceuticals (15.35%)		
61,500	AstraZeneca PLC, ADR[2]	3,622,369	4,268,715
45,000	Dechra Pharmaceuticals PLC (United Kingdom)[2]	1,967,101	1,473,275
34,592	Eli Lilly & Co.	8,224,141	11,879,585
75,300	Merck & Co., Inc.	6,807,238	8,011,167
30,000	Zoetis, Inc.	4,610,388	4,993,200
		25,231,237	30,625,942
TOTAL COMMON STOCKS		**161,599,581**	**183,919,155**

Principal Amount		Cost	Value
Short Term Investments (8.19%)			
$16,342,388	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $16,348,312; (Fully Collateralized by $18,307,100 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $16,669,252)	**16,342,388**	**16,342,388**
TOTAL INVESTMENTS (100.36%)		**$177,941,969**	**200,261,543**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.36%)			**(709,053)**
NET ASSETS			**$199,552,490**
RETAIL SHARES (Equivalent to $17.02 per share based on 2,931,975 shares outstanding)			**$ 49,911,993**
INSTITUTIONAL SHARES (Equivalent to $17.24 per share based on 8,364,438 shares outstanding)			**$144,190,642**
R6 SHARES (Equivalent to $17.23 per share based on 316,254 shares outstanding)			**$ 5,449,855**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[ADR] American Depositary Receipt.

Baron FinTech Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (98.99%)			
Consumer Discretionary (3.54%)			
	Broadline Retail (3.54%)		
1,200	MercadoLibre, Inc.[1]	$ 1,841,556	$ 1,581,672
Financials (65.09%)			
	Asset Management & Custody Banks (2.10%)		
1,400	BlackRock, Inc.	1,234,392	936,768
	Diversified Financial Services (1.27%)		
9,000	Apollo Global Management, Inc.	634,021	568,440
	Financial Exchanges & Data (20.53%)		
5,000	CME Group, Inc.	1,058,873	957,600
3,100	FactSet Research Systems, Inc.	1,306,275	1,286,779
1,600	MarketAxess Holdings, Inc.	690,718	626,064
3,700	Moody's Corp.	1,322,778	1,132,274
3,300	MSCI, Inc.	1,495,793	1,846,977
6,000	S&P Global, Inc.	2,367,167	2,068,620
16,000	Tradeweb Markets, Inc., Cl A	1,359,703	1,264,320
		9,601,307	9,182,634
	Insurance Brokers (0.85%)		
15,000	BRP Group, Inc., Cl A[1]	449,157	381,900
	Investment Banking & Brokerage (8.39%)		
10,000	Houlihan Lokey, Inc.	751,325	874,900
7,000	Interactive Brokers Group, Inc., Cl A	558,923	577,920
8,000	LPL Financial Holdings, Inc.	1,345,493	1,619,200
13,000	The Charles Schwab Corp.	972,540	680,940
		3,628,281	3,752,960
	Property & Casualty Insurance (5.26%)		
2,600	Kinsale Capital Group, Inc.	458,703	780,390
11,000	The Progressive Corp.	1,328,173	1,573,660
		1,786,876	2,354,050
	Transaction & Payment Processing Services (26.69%)		
600	Adyen N.V., 144A (Netherlands)[1,2]	1,306,284	956,057
12,000	Block, Inc.[1]	2,404,198	823,800
11,000	Fiserv, Inc.[1]	1,149,631	1,243,330
8,000	Global Payments, Inc.	1,050,768	841,920
4,200	Jack Henry & Associates, Inc.	706,988	633,024
6,900	MasterCard, Incorporated, Cl A	2,396,095	2,507,529
175,000	Network International Holdings plc, 144A (United Kingdom)[1,2]	662,160	528,474
15,000	Paymentus Holdings, Inc., Cl A[1]	346,901	132,900
15,000	Repay Holdings Corporation[1]	290,606	98,550
12,400	Visa, Inc., Cl A	2,671,206	2,795,704
3,300	WEX, Inc.[1]	656,987	606,837
115,000	Wise PLC, Cl A (United Kingdom)[1,2]	1,400,081	772,017
		15,041,905	11,940,142
Total Financials		32,375,939	29,116,894
Industrials (6.78%)			
	Research & Consulting Services (6.78%)		
10,000	CoStar Group, Inc.[1]	863,804	688,500
3,700	Equifax, Inc.	799,376	750,508
9,000	TransUnion	936,137	559,260
5,400	Verisk Analytics, Inc.	1,011,064	1,036,044
Total Industrials		3,610,381	3,034,312

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (23.58%)			
	Application Software (12.89%)		
10,000	Alkami Technology, Inc.[1]	$ 273,107	$ 126,600
4,000	Bill.Com Holdings, Inc.[1]	482,722	324,560
20,000	Clearwater Analytics Holdings, Inc., Cl A[1]	484,321	319,200
16,000	Expensify, Inc., Cl A[1]	455,818	130,400
2,200	Fair Isaac Corp.[1]	1,008,137	1,545,918
12,200	Guidewire Software, Inc.[1]	1,382,023	1,001,010
4,700	Intuit, Inc.	1,795,987	2,095,401
9,000	nCino, Inc.[1]	650,126	223,020
		6,532,241	5,766,109
	Internet Services & Infrastructure (1.29%)		
12,000	Shopify, Inc., Cl A[1,2]	1,697,734	575,280
	IT Consulting & Other Services (9.40%)		
6,200	Accenture plc, Cl A[2]	1,784,552	1,772,022
35,000	CI&T, Inc., Cl A[1,2]	517,710	192,850
18,000	Endava plc, ADR[1,2]	1,318,397	1,209,240
6,300	Globant S.A.[1,2]	1,572,878	1,033,263
		5,193,537	4,207,375
Total Information Technology		13,423,512	10,548,764
TOTAL COMMON STOCKS		**51,251,388**	**44,281,642**

Principal Amount			
Short Term Investments (1.00%)			
$447,705	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $447,867; (Fully Collateralized by $501,600 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $456,724)	**447,705**	**447,705**
TOTAL INVESTMENTS (99.99%)		**$51,699,093**	**44,729,347**
CASH AND OTHER ASSETS LESS LIABILITIES (0.01%)			**3,718**
NET ASSETS			**$44,733,065**
RETAIL SHARES (Equivalent to $11.62 per share based on 575,200 shares outstanding)			**$ 6,686,201**
INSTITUTIONAL SHARES (Equivalent to $11.71 per share based on 2,521,898 shares outstanding)			**$29,541,560**
R6 SHARES (Equivalent to $11.72 per share based on 725,960 shares outstanding)			**$ 8,505,304**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[ADR] American Depositary Receipt.
[144A] Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $1,484,531 or 3.32% of net assets.

Baron New Asia Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (89.28%)			
China (33.32%)			
1,557	Alibaba Group Holding Limited, ADR[1]	$ 191,356	$ 159,094
183	Baidu, Inc., ADR[1]	29,105	27,618
689	Baidu, Inc., Cl A[1]	11,357	12,982
14,442	China Mengniu Dairy Co. Ltd.	56,426	59,204
861	China Tourism Group Duty Free Corporation Ltd., Cl A	31,550	22,992
17,458	Estun Automation Co. Ltd., Cl A	69,137	71,260
7,053	Full Truck Alliance Co. Ltd., ADR[1]	51,867	53,673
8,937	Galaxy Entertainment Group Ltd.[1]	59,000	59,781
5,660	Glodon Co. Ltd., Cl A	44,223	61,200
1,547	Hangzhou Tigermed Consulting Co. Ltd., Cl A	32,191	21,556
1,004	JD.com, Inc., ADR	65,822	44,066
167	JD.com, Inc., Cl A	3,908	3,647
6,601	Jiangsu Hengli Hydraulic Co. Ltd., Cl A	58,312	63,633
740	Kanzhun Ltd., ADR[1]	14,201	14,082
22,515	Kingdee International Software Group Co. Ltd.[1]	51,247	36,370
16,190	Kingsoft Corp. Ltd.	71,799	79,589
6,010	Lufax Holding Ltd., ADR	32,204	12,260
5,194	Midea Group Co., Ltd., Cl A	56,108	40,642
9,936	NARI Technology Co. Ltd., Cl A	43,713	39,175
1,136	Shenzhen Mindray Bio-Medical Electronics Co. Ltd., Cl A	57,856	51,543
3,336	Tencent Holdings Limited, ADR	187,008	163,097
9,456	Venustech Group, Inc., Cl A	39,717	45,791
1,832	Wuliangye Yibin Co. Ltd., Cl A	54,293	52,341
1,592	Yum China Holdings, Inc.	93,074	99,703
5,094	Yunnan Baiyao Group Co. Ltd., Cl A	49,907	40,545
998	Zai Lab Limited, ADR[1]	72,108	33,193
Total China		1,527,489	1,369,037
France (0.75%)			
136	Pernod Ricard SA	30,480	30,795
Hong Kong (4.80%)			
6,864	AIA Group Ltd.	75,289	71,985
19,827	Budweiser Brewing Co. APAC Ltd., 144A	55,454	60,340
735	Hong Kong Exchanges & Clearing Ltd.	41,763	32,579
2,965	Techtronic Industries Co. Ltd.	48,621	32,126
Total Hong Kong		221,127	197,030
India (23.46%)			
3,704	360 ONE WAM Ltd.	20,342	19,454
3,447	Aarti Industries Ltd.	39,147	21,792
5,981	Aarti Pharmalabs Ltd.[1]	25,781	20,076
1,011	Amber Enterprises India Ltd.[1]	36,760	22,499
402	Apollo Hospitals Enterprise Ltd.	26,281	21,142
1,262	Bajaj Finance Limited	111,323	86,592
6,677	Bharti Airtel Ltd.	61,307	60,891
610	Bharti Airtel Ltd. PP	1,353	2,720
621	Divi's Laboratories Ltd.	42,040	21,383
552	Dixon Technologies India Ltd.	33,083	19,299
5,215	Godrej Consumer Products Ltd.[1]	65,597	61,553
1,518	Godrej Properties Ltd.[1]	37,002	19,114
5,621	HDFC Bank Ltd.	112,545	110,559
1,585	Hindustan Unilever Ltd.	50,397	49,498
23,863	JM Financial Limited	22,613	17,340
3,551	Jubilant FoodWorks Ltd.	37,275	19,073
2,394	Max Financial Services Ltd.[1]	36,282	18,531
2,249	Neogen Chemicals Ltd.	34,982	35,295
526	PI Industries Ltd.	23,063	19,436
2,874	Reliance Industries Limited	90,551	81,721
4,488	SBI Life Insurance Company Limited, 144A	72,504	60,210
3,309	Tata Communications Ltd.	58,511	50,328
493	Tata Consultancy Services Ltd.	20,845	19,325
2,150	Tata Consumer Products Ltd.	23,813	18,579
1,508	Titan Co. Ltd.	44,780	46,317
427	Tube Investments of India Ltd.	14,748	13,267
44,631	Zomato Ltd.[1]	53,928	27,909
Total India		1,196,853	963,903
Common Stocks (continued)			
Indonesia (2.57%)			
226,900	Bank Rakyat Indonesia (Persero) Tbk PT	$ 66,794	$ 71,894
53,800	PT Bank Negara Indonesia (Persero) Tbk	32,117	33,665
Total Indonesia		98,911	105,559
Japan (3.90%)			
440	Hoya Corp.	61,199	48,626
166	Keyence Corporation	94,244	81,358
249	Tokyo Electron Limited	36,124	30,419
Total Japan		191,567	160,403
Korea, Republic of (10.16%)			
3,374	Coupang, Inc., Cl A[1]	47,753	53,984
543	Hyundai Heavy Industries Co. Ltd.[1]	45,856	41,973
872	Korea Aerospace Industries Ltd.	29,592	31,844
1,061	Korea Shipbuilding & Offshore Engineering Co. Ltd.[1]	85,082	63,447
21	LG Chem Ltd.	11,971	11,533
4,062	Samsung Electronics Co., Ltd.	225,446	200,870
24	Samsung SDI Co. Ltd.	14,230	13,633
Total Korea, Republic of		459,930	417,284
Taiwan (10.32%)			
556	Airtac International Group	19,790	21,745
6,437	Delta Electronics, Inc.	54,849	63,866
761	MediaTek, Inc.	23,590	19,730
1,771	Silergy Corp.	45,236	28,117
3,122	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	328,699	290,408
Total Taiwan		472,164	423,866
TOTAL COMMON STOCKS		**4,198,521**	**3,667,877**

Principal Amount		Cost	Value
Short Term Investments (11.57%)			
$475,095	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $475,267; (Fully Collateralized by $532,300 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $484,678)	**475,095**	**475,095**
TOTAL INVESTMENTS (100.85%)		**$4,673,616**	**4,142,972**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.85%)			**(34,803)**
NET ASSETS			**$4,108,169**
RETAIL SHARES (Equivalent to $7.61 per share based on 136,658 shares outstanding)			**$1,040,560**
INSTITUTIONAL SHARES (Equivalent to $7.64 per share based on 179,936 shares outstanding)			**$1,375,589**
R6 SHARES (Equivalent to $7.65 per share based on 221,149 shares outstanding)			**$1,692,020**

% Represents percentage of net assets.
1 Non-income producing securities.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $120,550 or 2.93% of net assets.

Baron New Asia Fund — PORTFOLIO HOLDINGS (Continued)

March 31, 2023 (Unaudited)

Summary of Investments by Sector as of March 31, 2023	Percentage of Net Assets
Information Technology	21.7%
Consumer Discretionary	15.4%
Financials	13.0%
Industrials	10.2%
Communication Services	10.0%
Consumer Staples	8.1%
Health Care	6.3%
Materials	2.1%
Energy	2.0%
Real Estate	0.5%
Cash and Cash Equivalents*	10.7%
	100.0%**

* Includes short term investments.
** Individual weights may not sum to displayed total due to rounding.

Baron Technology Fund — PORTFOLIO HOLDINGS

March 31, 2023 (Unaudited)

Shares		Cost	Value
Common Stocks (98.64%)			
Communication Services (5.18%)			
	Advertising (1.53%)		
8,754	S4 Capital PLC (United Kingdom)[1,2]	$ 72,306	$ 17,558
766	The Trade Desk, Inc., Cl A[1]	60,063	46,657
		132,369	64,215
	Interactive Media & Services (3.65%)		
553	Meta Platforms, Inc., Cl A[1]	70,897	117,203
1,468	ZoomInfo Technologies, Inc.[1]	86,048	36,274
		156,945	153,477
Total Communication Services		289,314	217,692
Consumer Discretionary (16.45%)			
	Automobile Manufacturers (5.32%)		
1,079	Tesla, Inc.[1]	276,225	223,849
	Automotive Parts & Equipment (0.52%)		
500	Mobileye Global, Inc., Cl A[1]	19,692	21,635
	Broadline Retail (8.56%)		
3,484	Amazon.com, Inc.[1]	516,116	359,862
	Hotels, Resorts & Cruise Lines (1.58%)		
10,835	eDreams ODIGEO SA (Spain)[1,2]	82,839	66,329
	Restaurants (0.47%)		
1,100	Meituan Inc., Cl B, 144A (Hong Kong)[1,2]	19,761	19,957
Total Consumer Discretionary		914,633	691,632
Financials (4.47%)			
	Transaction & Payment Processing Services (4.47%)		
257	MasterCard, Incorporated, Cl A	95,521	93,396
419	Visa, Inc., Cl A	92,823	94,468
Total Financials		188,344	187,864
Industrials (2.13%)			
	Research & Consulting Services (2.13%)		
1,301	CoStar Group, Inc.[1]	99,150	89,574
Information Technology (70.41%)			
	Application Software (15.75%)		
207	Atlassian Corp. Ltd., Cl A[1,2]	62,227	35,432
1,720	Ceridian HCM Holding, Inc.[1]	148,433	125,938
946	Gitlab, Inc., Cl A[1,4]	39,565	32,438
217	HubSpot, Inc.[1]	110,218	93,039
209	Intuit, Inc.	118,879	93,179
324	ServiceNow, Inc.[1,4]	178,279	150,569
637	Workday, Inc., Cl A[1]	135,936	131,566
		793,537	662,161
	Electronic Equipment & Instruments (1.68%)		
2,075	PAR Technology Corp.[1]	93,818	70,467
	Internet Services & Infrastructure (1.59%)		
1,396	Shopify, Inc., Cl A[1,2]	123,741	66,924
	IT Consulting & Other Services (4.76%)		
1,785	Endava plc, ADR[1,2]	210,931	119,916
246	Gartner, Inc.[1]	79,625	80,140
		290,556	200,056
	Semiconductor Materials & Equipment (4.99%)		
196	ASML Holding N.V.[2]	128,731	133,419
144	Lam Research Corp.	93,712	76,337
		222,443	209,756

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Semiconductors (22.09%)		
1,480	Advanced Micro Devices, Inc.[1]	$ 163,878	$ 145,055
128	Broadcom, Inc.	83,031	82,117
9,232	indie Semiconductor, Inc., Cl A[1]	67,263	97,397
1,892	Marvell Technology, Inc.	96,349	81,924
149	Monolithic Power Systems, Inc.	63,826	74,580
936	NVIDIA Corp.	223,641	259,993
238	SiTime Corp.[1]	30,497	33,851
4,439	Taiwan Semiconductor Manufacturing Co. Ltd. (Taiwan)[2]	96,403	77,792
820	Taiwan Semiconductor Manufacturing Co., Ltd., ADR[2]	72,880	76,276
		897,768	928,985
	Systems Software (16.91%)		
1,022	Cloudflare, Inc., Cl A[1,4]	55,801	63,017
475	Crowdstrike Holdings, Inc., Cl A[1]	86,183	65,199
981	Datadog, Inc., Cl A[1,4]	99,982	71,279
1,503	Microsoft Corporation	480,138	433,315
468	Snowflake, Inc., Cl A[1,4]	111,284	72,208
2,508	WANdisco PLC[1,2,3]	40,876	6,079
		874,264	711,097
	Technology Hardware, Storage & Peripherals (2.64%)		
674	Apple, Inc.	98,264	111,143
Total Information Technology		3,394,391	2,960,589
TOTAL COMMON STOCKS		**4,885,832**	**4,147,351**

Principal Amount			
Short Term Investments (3.07%)			
$129,085	Repurchase Agreement with Fixed Income Clearing Corp., dated 3/31/2023, 4.35% due 4/3/2023; Proceeds at maturity $129,131; (Fully Collateralized by $144,700 U.S. Treasury Note, 0.25% due 10/31/2025 Market value - $131,754)	**129,085**	**129,085**
TOTAL INVESTMENTS (101.71%)		**$5,014,917**	**4,276,436**
LIABILITIES LESS CASH AND OTHER ASSETS (-1.71%)			**(71,865)**
NET ASSETS			**$4,204,571**
RETAIL SHARES (Equivalent to $6.79 per share based on 262,067 shares outstanding)			**$1,779,194**
INSTITUTIONAL SHARES (Equivalent to $6.82 per share based on 85,040 shares outstanding)			**$ 580,247**
R6 SHARES (Equivalent to $6.81 per share based on 271,044 shares outstanding)			**$1,845,130**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At March 31, 2023, the market value of restricted and fair valued securities amounted to $6,079 or 0.14% of net assets. This security is not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At March 31, 2023, the market value of Rule 144A securities amounted to $19,957 or 0.47% of net assets.

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