

# Baron Funds®

December 31, 2022

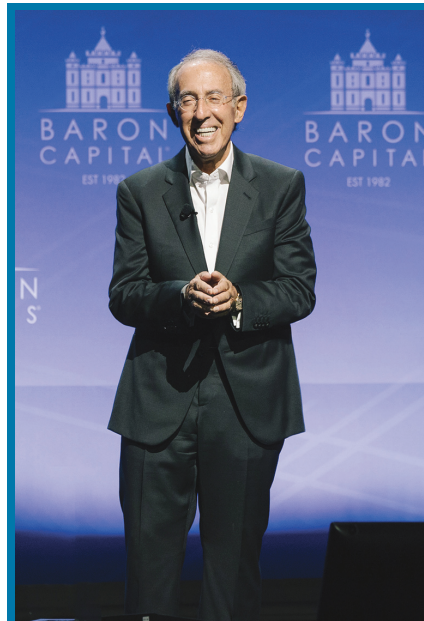
## Quarterly Report

**"Starting a new company is like eating glass and staring into the abyss." Elon Musk. Surprise interview with Ron. Baron Capital 29th Annual Investor Conference. 40th Anniversary. Metropolitan Opera House. New York City. November 4, 2022.**

"People ask me why I don't encourage more people to start a business. If you need encouragement to start a company...don't start a company!" was Elon's advice to would be entrepreneurs, which he followed with the colorful "eating glass and staring into the abyss" analogy. We, like other entrepreneurs, understood. The 29th Annual Baron Investment Conference celebrated the 40th Anniversary of Baron Capital's founding on March 16, 1982. The book value of our then thinly capitalized, startup family business was \$100,000. Baron Capital's assets under management were \$10 million. The Dow Jones Industrial Average was 798. The interest rate on 10-Year Treasury notes was 14%. Inflation in the prior year reached 10.95%. Baron Capital's assets under management currently approximate \$40 billion...and include about \$38 billion in earned realized and unrealized gains. As of the end of January, we have 191 employees, including 43 investment professionals.

In the 40 years since Baron Capital's founding by just three of us – Susan Robbins, Linda Martinson, and me – the daily news cycles have been mostly awful. Threats to our democracy... wars...inflation...terror attacks...oil supply disruptions...gun violence in schools and houses of worship...pandemics...financial crises... market crashes and panics...unrest in our streets.

Regardless, the stock market as measured by the Dow Jones Industrial Average, increased 41.7 times... from around 800 to more than 33,000!!!! Which validates our 2022 conference theme, "Anything is Possible." ...and the 1969 World Champion Mets' pitcher Tug McGraw's motto, "Ya Gotta Believe." Do you think Tug ever thought his son, Tim, would marry Faith Hill... become Kevin Costner's ancestor in the hit series "Yellowstone"...and perform with his wife as an outstanding country duo at the 2017 Annual Baron Investment Conference? Anything IS Possible!



Welcome Back...Welcome Back...Welcome Back...Welcome Back, Baron! Ron is all smiles as he welcomes shareholders back to the Met for the 29th Annual Baron Investment Conference.

More than 5,000 Baron Funds' shareholders and Baron Capital clients joined us to celebrate our anniversary on November 4, 2022. Just 60 years to go to *establish the foundation for an enduring business that will last more than 100 years*. A personal goal. That is to provide extraordinary investment opportunities to middle class individuals like my parents. Such opportunities are more

commonly available to institutions and wealthy individuals. Less so to middle class and working-class individuals.

That November morning, CEOs of three unique, competitively advantaged, growth businesses in which Baron Funds has been a long-term investor gave brief 15- to 20-minute "elevator pitches" to our investors. **ANSYS, Inc.**, the leading digital simulation business; **Alexandria Real Estate Equities, Inc.**, the owner/developer of mission critical life science campuses; and **Vail Resorts, Inc.**, the owner/operator of AWESOME ski resorts worldwide that sells more than 70% of its season lift tickets before it even snows!... described their businesses and then answered investors' questions.

Earlier that morning on CNBC's *Squawk Box*, Becky Quick and I interviewed two more truly exceptional CEOs of Baron's long-term, very successful investments...business/resort-oriented hotelier **Hyatt Hotels Corp.** and satellite constellation owner/operator **Iridium Communications Inc.** Our surprise guest, **Tesla, Inc.** and **Space Exploration Technologies Corp. (SpaceX)** CEO Elon Musk took a red-eye flight to arrive just in time...after a quick shower...for a fun 58-minute interview by me before lunch. He then answered a few questions from our audience, got back on his plane and returned to San Francisco to continue restructuring **Twitter**. We expect Elon to hire a replacement CEO at Twitter soon...hopefully an individual with newsroom and media experience. Just like Jeff Bezos has done with The Washington Post...Rupert Murdoch with Fox...and Mike Bloomberg with BusinessWeek.

During my career, low annual fee passive investment funds have experienced strong capital flows and asset growth. This has been at the expense of actively managed mutual funds like Baron Funds. We believe this is since few investment firms that manage active funds have achieved investment performance in excess of passive benchmark indexes. Baron Capital is among the few. Since their respective inceptions as mutual funds, 15 funds, representing 98.7% of



Elon shares the realities of the Twitter deal by channeling Michael Corleone. "Just when I thought I was out, they pull me back in!"



## Letter from Ron

Baron Funds' AUM, have outperformed their benchmarks and 13 Funds, representing 96.3% of Baron Funds' AUM, rank in the **top 20%** of their respective Morningstar categories. Nine funds, representing **52.5%** of Baron Funds' AUM, rank in the **top 10%** of their categories. Three funds, representing **41.9%** of Baron Funds' AUM, rank in the **top 1%** of their categories! We are hopeful the mediocre performance of several Baron Funds last year will prove to be a brief blip in our strong long-term results.

Almost forgot. Early in the morning of our conference, five of our portfolio manager/analyst teams participated in panel discussions and answered investors' questions. Lunch after my interview with Elon included amazing entertainment...comedian John Mulaney...country singer Miranda Lambert...and the cast of the Broadway show *MJ: The Musical*... After lunch, our Firm's Co-Chief Investment Officers, Cliff Greenberg and Andrew Peck, described our investment process, and our Director of Research Amy Chasen's video interviews with our analysts and portfolio managers followed. It was really enjoyable for me to listen to them describe why they came to Baron...what they do here...and why they stay here. Co-founder Linda Martinson's always humorous take on me and our business preceded my speech. Listening and watching from backstage was touching as they reminded me of the past 40 years.

Finally, before surprise end of day Super Bowl-caliber entertainment at The Met, which this year featured Bruno Mars...I spoke about the benefits of investing for the long term amid chaos and entropy. Also, why we continue to invest in **Baron Capital**, our own business, regardless of short-term economic and market uncertainty. I pointed out that our family-owned business has never had a layoff. Ever. Which we believe benefits our clients. We believe the long tenure of so many of our investors and the continuous and steady expansion of our team with the annual addition of recent MBAs whom we train make our Firm more likely to remain successful. At Baron we want to pack as much content into this conference program as possible...to allow our shareholders to see why we believe Baron Funds have been able to so substantially outperform markets and competitors. The short answer? In our opinion, "it's all about people!!!!"

When our guests that day filed out of the Met at 4 PM, a special treat awaited. Two "Scream" Ice Cream trucks with spectacular ice cream awaited. "It's a freebie. Just tell them Ron sent you," I told our investors leaving after Bruno's performance. I had lots of summer jobs to help pay for college...and to supplement my \$1,600 annual fellowship salary in a 1966 PhD program at Georgetown post college. I was a Jersey Shore beach



Following the performance of his awesome hit, *Billionaire*, Ron and Grammy Award winning Bruno Mars swap investment and musical advice backstage.

club locker boy...cabana boy...lifeguard...umbrella boy...busboy...waiter...hospital ER orderly...candy warehouse picker...mapping assistant to surveyor...Fuller Brush man. One college summer, in desperate need of money to pay fraternity dues and room and board the following fall, I drove an ice cream truck! As an ice cream man. As a result of that experience, I understood ice cream truck economics. So, when I had a chance to return to my roots by making a modest investment in the "Scream" ice cream truck business, I jumped at the chance. Especially since I believed the business was special and owned by a totally driven and obsessive young entrepreneur. My mistake this year? I had only two trucks at the Met at the end of the day. I won't make that mistake again. The lines were interminable. Next year five trucks!!!

At the after-party for our employees, a tall, attractive, blond woman whom I didn't recognize approached me. "Ron, you were fantastic. So was Elon. So was Bruno. In fact, if any of the three of you asked me to marry them, I wouldn't know whom to choose." The young man standing by her side looked startled. "You're married to me!!!!" he said.

*"It's always darkest before it turns pitch black."*  
Senator John McCain, 2016.

Our investment outlook, as always, remains positive as I discuss in my conference speech about investing amid entropy and chaos. Bottom line. "It's always darkest before it turns pitch black" is how Senator John McCain said it.

You can watch my 18-minute speech, Linda's speech, and Cliff and Andrew's on our website, [www.baronfunds.com](http://www.baronfunds.com). Also, of course, my 58-minute interview with Elon that went viral! Millions watched it on YouTube! ABC, NBC, CBS, *The New York Times*, and *The Wall Street Journal* all reported on that interview. Before I interviewed Elon, I had three followers on Twitter. All from my office. I now have 5,646 followers! Including Elon's mom. Who liked it so much she gave my post "double heart eyes!"

Respectfully,

A handwritten signature in blue ink that reads "Ronald Baron".

Ronald Baron  
CEO

January 31, 2023

P.S. Baron Capital pays all expenses associated with our annual Baron Investment Conferences. We don't charge clients anything to attend the conference. All expenses for the conference including the "Anything is Possible" Figs T-shirts...chocolate chip cookies...lunch...and other Baron swag are paid by Baron Capital, my family-owned management company. Baron Funds and our clients do not pay any of these expenses.

Addendum.

### Tesla.

From 2014 through 2016, Tesla's share price experienced extreme volatility. This was as engineer/entrepreneur Elon Musk and his team ramped its electric car manufacturing capacity and incurred significant plant and operational startup expenses. We then purchased 27.0 million Tesla shares at a cost of \$390 million. Our average split-adjusted purchase price was \$14.42 per share. At the end of 2016, our Tesla investment represented approximately 1.6% of our Firm's assets under management. Although we thought Tesla's opportunity was large and its competitive advantages were likely substantial, we regarded our investment in this disruptive business as riskier than most.

Few investors then believed this electric car company would be successful. We were among the few. In several guest appearances on CNBC's



Squawk Box from 2014 through 2016, I stated that we believed Tesla's share price could increase "20 times in the next 10 years if it is successful." We were right.

Tesla manufactured and sold 31,000 electric cars in 2014. Tesla has since become the largest electric car manufacturer in the world. In 2022 it sold more than 1.3 million electric cars....and is now producing cars at an annual rate of 1.8 million cars! Total annual car manufacturing on the planet is about 80 million cars per year. Only about 5% are electric. Tesla has also established unparalleled competitive advantages...which are about to increase further with its 2024 planned introduction of a **lower-priced version** of its exceptional vehicles designed from the ground up. Among factors distinguishing this vertically integrated car

manufacturer are batteries with proprietary form factor and chemistry. Tesla's version of a fully functional FSD (full self-driving) autonomous vehicle will be at least as significant.

Tesla's share price reached over \$400 per share in late 2021. Since its stock had increased so dramatically over the preceding two-year period, it had become a very large percentage of assets in two of our mutual funds and several managed accounts. To reduce the single stock risk of those two funds and other accounts, we sold 6.8 million shares from 2020-2022, about 25% of our shares. Our average selling price was \$221.56 per share.

We continue to hold 17.6 million shares of Tesla's stock, which is valued at about \$3.1 billion at the time we are writing this letter.

We believed Tesla's share price would reach \$500 per share in 2025 and \$1,500 by 2030. Still do. That's based on our expectations for Tesla's long-term sales growth and high, industry-leading profit margins achieved for its exceptional products. Not only are there approximately 80 million cars sold per year, but the "car park" worldwide that needs to be replaced is more than 2 billion cars. Those are cars powered by pollution emitting internal combustion engines.

Baron also has a significant investment in Elon Musk's private company SpaceX, which we are super excited about. Baron has been investing in that business since 2017. We will write more about this investment in future *Letters from Ron*.

#### Baron Fund (Institutional Shares) and Benchmark Performance 12/31/2022

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns				Annual Expense Ratio	Net Assets
					1-Year	3-Year	5-Year	10-Year		
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	12.80%	7.30%	12/31/1994	-22.40%	7.45%	11.15%	12.33%	1.04% <sup>(3)</sup>	\$6.86 billion
Baron Small Cap Fund†	Russell 2000 Growth Index	9.55%	5.65%	9/30/1997	-31.05%	3.96%	7.07%	10.21%	1.04% <sup>(3)</sup>	\$3.93 billion
Baron Discovery Fund†	Russell 2000 Growth Index	11.37%	6.69%	9/30/2013	-35.12%	4.17%	7.61%	N/A	1.06% <sup>(3)</sup>	\$1.15 billion
SMALL/MID CAP										
Baron Focused Growth Fund <sup>(1)</sup>	Russell 2500 Growth Index	12.84%	7.65%	5/31/1996	-28.14%	24.02%	20.94%	15.39%	1.05% <sup>(4)</sup>	\$727.52 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.21%	9.79% <sup>(2)</sup>	6/12/1987	-25.87%	4.12%	9.29%	12.40%	1.04% <sup>(3)</sup>	\$4.35 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	7.06%	10.05%	4/30/2004	-50.49%	-6.01%	2.48%	9.39%	0.76%/0.75% <sup>(3)(6)</sup>	\$328.58 million
Baron Durable Advantage Fund	S&P 500 Index	9.37%	9.42%	12/29/2017	-24.81%	6.14%	9.37%	N/A	1.10%/0.70% <sup>(3)(7)</sup>	\$50.61 million
ALL CAP										
Baron Partners Fund <sup>(1)</sup>	Russell Midcap Growth Index	14.35%	9.43%	1/31/1992	-42.41%	23.65%	21.98%	19.49%	1.11% <sup>(4)(5)</sup>	\$4.83 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	7.63%	5.45%	2/29/2000	-42.83%	6.71%	13.11%	13.13%	1.05% <sup>(3)</sup>	\$762.75 million
INTERNATIONAL										
Baron Emerging Markets Fund†	MSCI EM Index	2.77%	0.89%	12/31/2010	-25.82%	-3.44%	-2.70%	3.10%	1.08% <sup>(4)</sup>	\$4.77 billion
Baron Global Advantage Fund†	MSCI ACWI Index	9.23%	7.95%	4/30/2012	-51.57%	-4.28%	4.21%	9.43%	0.90% <sup>(4)(8)</sup>	\$770.73 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	9.04%	6.13%	12/31/2008	-27.29%	1.49%	2.17%	6.50%	0.96%/0.95% <sup>(4)(9)</sup>	\$482.66 million
Baron New Asia Fund	MSCI AC Asia ex Japan Index	-18.92%	-16.27%	7/30/2021	-26.94%	N/A	N/A	N/A	8.59%/1.20% <sup>(4)(10)</sup>	\$3.74 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	12.94%	10.20%	12/31/2009	-28.44%	8.69%	7.65%	10.28%	1.05% <sup>(4)</sup>	\$1.28 billion
Baron Real Estate Income Fund	MSCI US REIT Index	6.91%	2.48%	12/29/2017	-27.47%	4.75%	6.91%	N/A	1.08%/0.80% <sup>(4)(11)</sup>	\$77.32 million
Baron Health Care Fund†	Russell 3000 Health Care Index	13.90%	12.06%	4/30/2018	-16.90%	12.41%	N/A	N/A	0.89%/0.85% <sup>(4)(12)</sup>	\$210.01 million
Baron FinTech Fund†	S&P 500 Index	4.24%	7.66%	12/31/2019	-33.30%	4.24%	N/A	N/A	1.18%/0.95% <sup>(4)(13)</sup>	\$42.60 million
Baron Technology Fund	MSCI ACWI Information Technology Index	-44.30%	-31.07%	12/31/2021	-44.30%	N/A	N/A	N/A	1.73%/0.95% <sup>(4)(14)</sup>	\$3.31 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	10.36%	9.42%	12/29/2017	-32.59%	8.61%	10.36%	N/A	1.08%/1.05% <sup>(4)(15)</sup>	\$426.44 million

# Letter from Ron

- (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 December 31, 2022.
- (3) As of 9/30/2022.
- (4) As of 12/31/2021.
- (5) Comprised of operating expenses of 1.05% and interest expenses of 0.06%.
- (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 0.90%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers). Expense reimbursement was less than 0.01%.
- (9) Annual expense ratio was 0.96%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
- (10) Annual expense ratio was 8.59%, but the net annual expense ratio was 1.20% (net of Adviser's fee waivers).
- (11) Annual expense ratio was 1.08%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
- (12) Annual expense ratio was 0.89%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
- (13) Annual expense ratio was 1.18%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
- (14) Expense ratios are estimated for the current fiscal year.
- (15) Annual expense ratio was 1.08%, but the net annual expense ratio was 1.05% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
- \* Not annualized.
- † 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.

*You should consider the investment objectives, risks, charges, and expenses of the Baron Funds carefully before investing. The prospectus and summary prospectus contain this and other information about Baron Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting [www.BaronFunds.com](http://www.BaronFunds.com). Please read it 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 for Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron Focused Growth Fund, Baron International Growth Fund, Baron Real Estate Fund, Baron Emerging Markets Fund, Baron Global Advantage Fund, Baron Discovery Fund, Baron Durable Advantage Fund, Baron Real Estate Income Fund, Baron WealthBuilder Fund, Baron Health Care Fund, and Baron FinTech Fund (pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term) and all 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 above. For performance information current to the most recent month end, visit [www.BaronFunds.com/performance](http://www.BaronFunds.com/performance) or call 1-800-99BARON.*

**Baron Discovery Fund's 3- and 5-year, Baron Emerging Markets Fund's 10-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 Health Care Fund's 3-year, Baron International Growth Fund's 3- and 5-year, Baron Opportunity Fund's 3-, 5- and 10-year and Baron Small Cap Fund's 3-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.**

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.

**Risks:** All investments are subject to risk and may lose value.

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 presentation reflect those of the respective speaker. 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 **Retail Share Class** and is as of **12/31/2022**. 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 1,235, 1,054, and 804 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Opportunity Fund* in the 95th, 4th, 29th, and 10th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 2/29/2000, and the category consisted of 262 share classes. Morningstar ranked *Baron Partners Fund* in the 95th, 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 401 share classes. The **Morningstar Mid-Cap Growth Category** consisted of 586, 499, and 389 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 41st, 21st, 20th and 12th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 18 share classes. Morningstar ranked *Baron Growth Fund* in the 20th, 8th, 21st, 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 48 share classes. Morningstar ranked *Baron Focused Growth Fund* in the 60th, 1st, 3rd, and 5th 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 304 share classes. The **Morningstar Small Growth Category** consisted of 604, 530, and 399 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 75th, 46th, 55th, and 14th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 9/30/1997, and the category consisted of 86 share classes. Morningstar ranked *Baron Discovery Fund* in the 85th, 37th, and 7th percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 414 share classes. The **Morningstar Real Estate Category** consisted of 252, 210, and 152 share classes for the 1-, 5-, and 10-year time periods. Morningstar



ranked *Baron Real Estate Fund* in the 88th, 1st, 1st, and 2nd percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 123 share classes. Morningstar ranked *Baron Real Estate Income Fund* in the 78th, 3rd and 3rd percentiles for the 1-, 5-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 210 share classes. The **Morningstar Foreign Large Growth Category** consisted of 443, 346, 226, 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 68th, 53rd, 25th, and 15th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 816, 650, 394, and 279 share classes for the 1-, 5-, 10-year, and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 82nd, 80th, 19th, and 13th percentiles, respectively. The **Morningstar Health Category** consisted of 176 and 133 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron Health Care Fund* in the 66th and 3rd percentiles, respectively. The **Morningstar Allocation – 85%+ Equity Category** consisted of 200, 181 and 181 share classes for the 1-, 5-year and since inception (12/29/2017) periods. Morningstar ranked *Baron WealthBuilder Fund* in the 99th, 3rd and 3rd percentiles, respectively.

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**Portfolio holdings as a percentage of net investments as of December 31, 2022 for securities mentioned are as follows:** **Alexandria Real Estate Equities, Inc.** – Baron Asset Fund (0.6%), Baron Focused Growth Fund (0.7%), Baron Growth Fund (1.6%), Baron Real Estate Fund (1.4%), Baron Real Estate Income Fund (2.6%); **ANSYS, Inc.** – Baron Asset Fund (3.2%), Baron Focused Growth Fund (2.0%), Baron Growth Fund (3.5%); **Hyatt Hotels Corp.** – Baron Asset Fund (1.1%), Baron Focused Growth Fund (6.2%), Baron Partners Fund (5.2%\*), Baron Real Estate Fund (0.5%); **Iridium Communications Inc.** – Baron Focused Growth Fund (4.5%), Baron Growth Fund (5.9%), Baron Partners Fund (3.5%\*); **Space Exploration Technologies Corporation** – Baron Asset Fund (1.6%), Baron Fifth Avenue Growth Fund (1.2%), Baron Focused Growth Fund (11.8%), Baron Global Advantage Fund (3.1%), Baron Opportunity Fund (3.1%), Baron Partners Fund (10.2%\*); **Tesla, Inc.** – Baron Fifth Avenue Growth Fund (3.0%), Baron Focused Growth Fund (10.4%), Baron Global Advantage Fund (1.9%), Baron Opportunity Fund (3.4%), Baron Partners Fund (25.8%\*), Baron Technology Fund (3.5%); **Vail Resorts, Inc.** – Baron Asset Fund (3.3%), Baron Focused Growth Fund (5.2%), Baron Growth Fund (6.9%), Baron Partners Fund (4.3%\*), Baron Real Estate Fund (1.8%), Baron Real Estate Income Fund (0.5%).

\*% of Long Investments

**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.

The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies, the **Russell 1000® Growth Index** of large-sized U.S. companies that are classified as growth, the **Russell Midcap® Growth Index** of medium-sized U.S. companies that are classified as growth, the **Russell 2500™ Growth Index** of small to medium-sized companies that are classified as growth, the **Russell 2000® Growth Index** of small-sized U.S. companies that are classified as growth and 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. **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. 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 S&P and Russell indexes include reinvestment of dividends, which positively impact the performance results. The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The **MSCI ACWI ex USA Index Net USD** measures the equity market performance of large and mid-cap securities across developed and emerging markets, excluding the United States. The **MSCI EM (Emerging Markets Index Net USD)** is a free float-adjusted market capitalization weighted index designed to measure equity market performance of large, mid and small cap securities in the emerging markets. The MSCI indexes and the Funds include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The **MSCI US REIT Index** is an unmanaged 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. Index performance is not fund performance. 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. 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 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 indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The index is calculated with dividends net of withholding taxes. Its returns include reinvestment of interest, capital gains and dividends, which positively impact the performance results. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. 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.

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).



2022 Baron Investment Conference: (First row, from left to right) I scream, you scream! Ron Baron returned to his roots as an ice cream truck driver and served attendees on the Lincoln Center Plaza (Summer 1963... It's True!). Kelli O'Hara and Ron Baron take a selfie backstage before her performance of God Bless America. Out of this world! Elon Musk joined our CEO Ron Baron as the surprise guest at this year's conference. Linda Martinson, Co-founder, President, and Chief Operating Officer, celebrates 40 years of Baron Capital during her keynote presentation. (Second row, from left to right) Emmy Award-winning stand-up comedian and writer John Mulaney brings laughs to Baron Fund shareholders at the 2022 Baron Investment Conference. The amazing Myles Frost dazzled attendees as Michael Jackson of the hit Broadway musical "MJ" at the David H. Koch Theater. Miranda Lambert rocked the stage at the 2022 Baron Investment Conference. Baron employees were all smiles outside the Lincoln Center Plaza. (Third row, from left to right) David Baron, Portfolio Manager, Baron Focused Growth Fund, Kirsten Lynch, Chief Executive Officer, Vail Resorts, Inc. and Ron Baron, Founder, and Chief Executive Officer, Baron Capital. Raise the roof! Elon Musk enters the stage at the 2022 Baron Investment Conference. Dr. Ajei Gopal, President and Chief Executive Officer, ANSYS, Inc. (Fourth row, from left to right) 2022 was Baron Capital's 40th Anniversary, represented by the roman numeral 40 "XL" of last year's conference theme, Anything Is Possible. Michael Baron, Portfolio Manager, Baron Partners Fund and Baron WealthBuilder Fund, kicks off the afternoon sessions at the 2022 Baron Investment Conference. Joel S. Marcus, Executive Chairman and Founder, Alexandria Real Estate Equities, Inc.





2022 Baron Investment Conference: (First row, from left to right) David Baron, Portfolio Manager, Baron Focused Growth Fund, welcomes attendees to the 2022 Baron Investment Conference. Cliff Greenberg, Co-CIO and Portfolio Manager, Baron Small Cap Fund, Andrew Peck, Co-CIO and Portfolio Manager, Baron Asset Fund, and Amy Chasen, Director of Research, Baron Capital. Anuj Aggarwal, Portfolio Manager, Baron New Asia Fund, and Michael Kass, Baron Emerging Markets Fund, Baron International Growth Fund, and Baron New Asia Fund. Over 4000 Baron Funds' shareholders attended last year's conference, the first since 2019, at Lincoln Center in New York City. (Second row, from left to right) Matt Desch, CEO of Iridium Communications, Inc., Ron Baron, and Becky Quick share a laugh on CNBC's Squawk Box. Kirsten Lynch, Chief Executive Officer, Vail Resorts, Inc., Mark Hoplamazian, Chief Executive Officer, Hyatt Hotels Corporation, Ron Baron, Founder, and Chief Executive Officer, Baron Capital, and Becky Quick, Co-Anchor of CNBC's Squawk Box. (Third row, from left to right) Alex Umansky, Portfolio Manager, Baron Fifth Avenue Growth Fund, Baron Global Advantage Fund, and Baron Durable Advantage Fund, Ashim Mehra, Portfolio Manager, Baron Technology Fund, and Michael Lippert, Portfolio Manager, Baron Opportunity Fund, and Baron Technology Fund. Randy Gwirtzman, Portfolio Manager, Baron Discovery Fund, Cliff Greenberg, Co-CIO and Portfolio Manager, Baron Small Cap Fund, David Goldsmith, Assistant Portfolio Manager, Baron Small Cap Fund, Laird Bieger, Portfolio Manager, Baron Discovery Fund, and David Judice, VP, Head of Intermediary Sales and National Accounts. (Fourth row, from left to right) Josh Saltman, Portfolio Manager, Baron FinTech Fund, Jeff Kolitch, Portfolio Manager, Baron Real Estate Fund and Baron Real Estate Income Fund, and Neal Kaufman, Portfolio Manager, Baron Health Care Fund. Neal Rosenberg, Portfolio Manager, Baron Growth Fund, Andrew Peck, Co-CIO and Portfolio Manager, Baron Asset Fund, Michael Baron, Portfolio Manager, Baron Partners Fund and Baron WealthBuilder Fund, and James Barrett, VP, Head of Institutional Sales.



The duality of meanings for **"Anything is Possible"**... both good and bad, is intentional.

We believe there will be **AWESOME** opportunities to make substantial capital gains amid chaos.

I want to address three topics today.

1. Entropy: Chaos and Disorder.
2. "Not being afraid."
3. Baron Capital: Purpose. Strategy. Tactics.

### Entropy: Chaos and Disorder

Three years ago, few would have imagined that a microbe in a bat in Wuhan, China would decipher the code that allowed its transmission to humans and change everything!



...and that nine months ago, on the whim of one individual, Russia invaded Ukraine, disrupting supply chains, creating energy inflation, and terrorizing population centers.

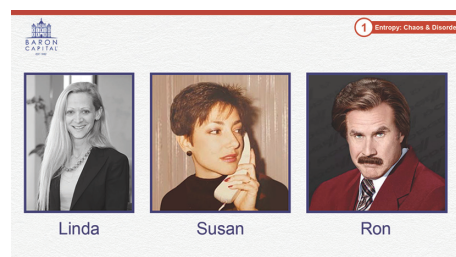


For those of you who didn't take A.P. Physics in high school...**Entropy** means a tendency to randomness and disorder.

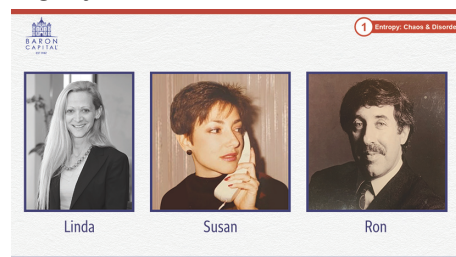
Baron invests in businesses that are "pro-entropic"... that flourish despite chaos and disorder or because of it.

Think **SpaceX's Starlink** maintaining critical communications in **Ukraine** after Russia's invasion and in **Florida** after Hurricane Ian...or **Tesla** replacing **oil** with **electricity** and **batteries** or humans with **robots** when there are not enough assembly workers to build its cars...or **Arch Capital** whose insurance business increases in value after natural disasters...

We founded Baron Capital on March 16, 1982.



It was Linda, Susan, and Ron. Not Ron Burgundy...the other Ron...me...



The United States' economy was then in recession, inflation was problematic, and interest rates were a lot higher than now. Further, *short term news cycles for nearly the entire past 40 years were either awful or terrifying...just like now!*

The Dow Jones Industrial Average was 800 then. It is now **32,000!!!** More than **40X** appreciation!!!

*The founding of our business amid chaos and disorder was not an accident.*

I believe you have a better chance to succeed if you start a business in tough times than in boom times.

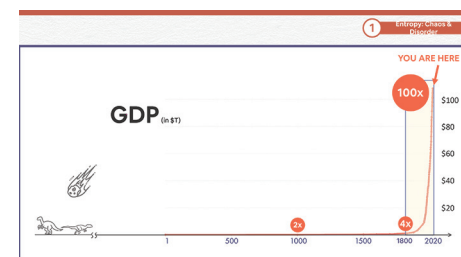


Everything is cheaper, talent is available, and competitive threats are less. The corollary?

*It's better to invest in businesses during troubled times than in boom times.*

We expect economic growth on Earth to soon **accelerate**! Despite entropy. Growth rates have been increasing since the **Industrial**

**Revolution!** For the 1,800 years following the birth of Christ, world GDP and population increased only four-fold...two doubles in 1,800 years!!!



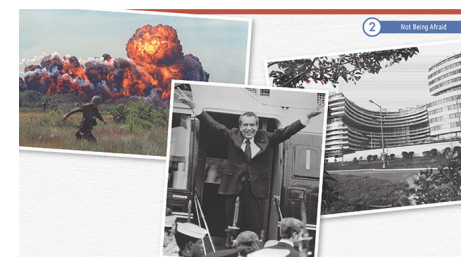
In contrast, during the last 220 years, world population has increased 8X....**world GDP 100X!** We expect even faster GDP growth due to technology innovation, the space and digital revolutions, and health care advances...and we *expect stronger stock market gains in the next 40 years than in the last 40 years! Think Dow Jones ONE MILLION in 2062!*

### Investing During Entropy: "Not being afraid"

In the aftermath of wars, pandemics, and financial panics, inflation abates, and financial markets perform exceptionally well!

We believe when the current inflation and supply chain disruptions caused by Covid and the war in Ukraine end, markets will rebound strongly.

I began my career as a securities analyst in 1970. The 1970s were a difficult time for the stock market and for America. Our country was traumatized by Vietnam, Watergate, the resignation of President Nixon, recession, the Iranian hostage crisis, inflation, gas lines, and three ineffective Presidents.





My experience during the 1970s was **foundational** as I learned to invest in "pro-entropic" businesses that grew materially during chaos. My institutional brokerage clients made a lot of money investing in growth companies I had researched and recommended, including Walt Disney, McDonalds, FedEx, Nike, Hyatt, Tropicana, Golden Nugget, Mattel, and Manor Care.



**That's because we invest in businesses, not stocks.**

**The lesson: Don't be afraid to invest.**

**Baron Capital. Purpose. Strategy. Tactics.**

#### Purpose

Baron's purpose is to enable individuals to participate in the growth of our economy and to protect their savings from inflation. Which in my lifetime has averaged 4% to 5% per year. That means the price of nearly everything you buy...tuition, housing, food, gasoline, cars...doubles about every 14 to 15 years. Our goal is to double your money every 5 to 6 years.

#### Strategy

Our strategy is to invest in businesses that

1. grow faster than our economy
2. are managed by exceptional people
3. and are competitively advantaged
4. for the long term.

**1. Growth opportunities** are easy to identify. Others can do this as well as we can. THAT'S not our competitive advantage.

**2. "We invest in people."** "Growth plus Values" was our conference theme in 2018.



In addition to intelligence and leadership... that's the growth...we assess character, culture, and empathy...that's the values.

We invest in people we trust. Since we speak with and visit so many executives every day, thousands and thousands every year, we learn about their character as well as the company they keep. These interactions enable us to identify individuals in whom to invest. Understanding character is an essential Baron competitive advantage. It's what algorithms can't do.

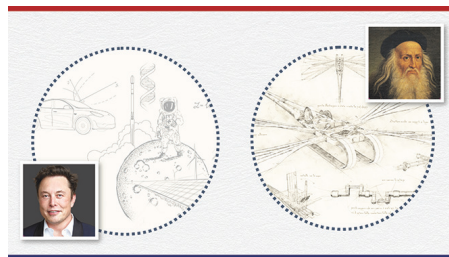
Our process is continuous...the interview never ends. A perfect example...it took me four years after I met **Elon Musk** in 2010 to realize that he is an exceptional person.



He is a mission- and vision-driven entrepreneur solving some of the world's biggest problems. He is also a brilliant engineer and inventor.

Others have compared Elon to John D. Rockefeller in the 1880s.

I think of Elon as a modern-day **Leonardo da Vinci**...a singular talent across multiple disciplines...and I can only imagine what people will think of him in 500 years.



**3. Competitive advantage. "Question Everything"** was our theme in 2015.



We deconstruct businesses in our heads to understand how they work, and then we ask, "why can't their competitors do the same thing?"

Dan Huttenlocker, Dean of the MIT Schwarzman College of Computing, recently visited me. Dan told me he "learns more about someone from the questions *they* ask than from the answers they give!" "Ron, we want students at MIT to ask questions like you do. Not to accept at face value what they are told."

The question Elon most frequently asks is, "Why does it have to be this way?"

*Before co-founding Tesla, he probably asked, "Why do cars need engines? Or why do they even need drivers?"*

CLIP: The Office



It's a good question — why do we need drivers?

**"Questioning everything?"** is hard.

We ask questions to determine if a business is competitively advantaged. Asking questions is Baron's competitive advantage. When we recently visited a Tesla factory, we watched a casting machine in operation. I had a million questions:

**Why is Tesla the only company that builds car frames by casting rather than welding?**

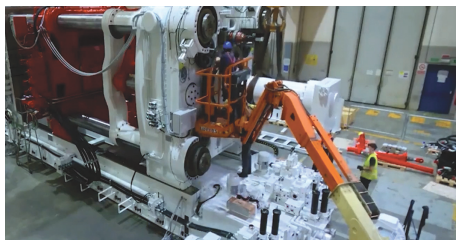
Casting is complex and uses novel materials invented by SpaceX to withstand extreme heat and cold in space. Molten metals are heated to 1,292 degrees F and injected into a mold under 6,000 tons of pressure! The liquified metal must cure in the blink of an eye...or it will crack.

**Tesla spent two years perfecting this method...WHY?**

Because casting delivers a stronger, more consistent product, produced faster, in half the floor space, with 70% fewer robots! ... and reduces 1,700 welds to 3!



CLIP: Tesla factory



Since casting machines cost tens of millions of dollars each and you need lots of them, casting is too risky for others to even try.

After we invested in Tesla, we began to study SpaceX. When we visited their factory and launch site, my first question was

#### Why is SpaceX the only company building reusable rockets?

The answer was obvious. Other aerospace companies are in the business of selling MORE rockets, not selling reusable rockets. Further, aerospace is a "cost plus" industry with guaranteed profit margins. This means aerospace companies benefit when they sell products that cost more. SpaceX is vertically integrated and through rapid innovation builds cutting-edge products at the lowest cost possible. That is SpaceX's competitive advantage.

#### 4. Long term. "Exceptional Takes Time" was the theme of our 2016 meeting.



As a family-owned business, Baron Capital is focused on long-term growth, not short-term profits. That is another one of our competitive advantages.

**Tactics.** How do we outperform.

#### 1. "Vision" was the theme of our 2013 meeting.



We invest when businesses are reinvesting their profits to grow and penalizing current earnings. Factset, CoStar, Gartner, Vail, SpaceX, and Tesla are just a few examples.

We also invest amidst uncertainty when news and sentiment are negative. That is when prices are most attractive. "Pro-entropic" investments make **valuation and timing less important....**We rely on our firm's 43 talented analysts to know what to buy and... to "not sell."

**We don't outsource our research.**

**Our primary source information gives us the vision to invest for the long term.**

#### 2. "Anything is Possible"

**This year's theme.**

That's especially true here in America.



My grandparents were immigrants from Eastern Europe. Poland....Ukraine....and The Pale in Russia where Jews had to live. My dad's father became the foreman of a candle factory in Brooklyn. My mom's father was a construction worker who emigrated from the Pale through Ukraine. He became a peddler on the Lower East Side of New York. Sold shoes from a pushcart.

My mom, aunt, uncle, and grandparents lived on the fifth floor of a five-story tenement.

You know, the penthouse.

It was a doorman building...you know...All the doormen lived there.

My immigrant grandparents would be amazed how their grandson is now recognized as "the Tesla guy" whom people thank every day on the streets of New York, my favorite city in the world.

My family history, like yours, and like millions of others, proves that...

**"Anything is Possible!"**

David Rubenstein, Founder of Carlyle Group and noted philanthropist, recently authored a book called *How to Invest: Masters on the Craft*.

Chapter two was an interview with me. The last question he asked, "If you could change anything about your reputation, what would it be?"

My answer: "Nothing."

I am pretty sure my younger self, if he could see me now, would be proud of my family's and employees' values...and of our business.

I am hopeful that *60 years from now, at the 100<sup>th</sup> anniversary* of Baron Capital, my grandchildren and their grandchildren will be as proud of their values...their business...and the lives they have lived...as I am.

Thank you for trusting us with your savings.

"Hey, Siri. How'd I do?"

**AUDIO: Siri answers in computer voice.**

"Calculating word cloud. Congratulations, Ron ...You...used...three... new... words... "wuhan"... "entropy"...and "Vinnie...Barbarino"...and you only mentioned Elon Musk seventeen times..."

Yeah, that sounds about right.

Siri, thank you for listening.

And to our shareholders, thank you all as well.

**Portfolio holdings as a percentage of net assets as of December 31, 2022 for securities mentioned are as follows: ANSYS, Inc.**—Baron Asset Fund (3.2%), Baron Focused Growth Fund (2.0%), Baron Growth Fund (3.5%); **Alexandria Real Estate Equities, Inc.**—Baron Asset Fund (0.6%), Baron Focused Growth Fund (0.7%), Baron Growth Fund (1.6%), Baron Real Estate Fund (1.4%), Baron Real Estate Income Fund (2.6%); **Vail Resorts, Inc.**—Baron Asset Fund (3.3%), Baron Focused Growth Fund (5.2%), Baron Growth Fund (6.9%), Baron Partners Fund (4.3%\*), Baron Real Estate Fund (1.8%), Baron Real Estate Income Fund (0.5%); **Tesla, Inc.**—Baron Fifth Avenue Growth Fund (3.0%), Baron Focused Growth Fund (10.4%), Baron Global Advantage Fund (1.9%), Baron Opportunity Fund (3.4%), Baron Partners Fund (25.8%\*), Baron Technology Fund (3.5%); **Space Exploration Technologies Corporation**—Baron Asset Fund (1.6%), Baron Fifth Avenue Growth Fund (1.2%), Baron Focused Growth Fund (11.8%), Baron Global Advantage Fund (3.1%), Baron Opportunity Fund (3.1%), Baron Partners Fund (10.2%\*).

\* % of Long Positions