DEAR BARON OPPORTUNITY FUND SHAREHOLDER:

PERFORMANCE

After a robust first half of the year, Baron Opportunity Fund (the "Fund") gave back some of its outperformance in the third quarter. The Fund retreated 4.56% (Institutional Shares), underperforming both the Russell 3000 Growth Index, which advanced 1.10% and the S&P 500 Index, which rose 1.70%. Year-to-date, the Fund is up 23.05%, ahead of both indexes, which have increased 22.75% and 20.55%, respectively.

MICHAEL A. LIPPERT

PORTFOLIO MANAGER

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

Table I.
Performance†
Annualized for periods ended September 30, 2019

	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]	(4.57)%	(4.56)%	1.10%	1.70%
Nine Months[4]	22.89%	23.05%	22.75%	20.55%
One Year	2.51%	2.78%	2.70%	4.25%
Three Years	20.53%	20.84%	16.36%	13.39%
Five Years	13.22%	13.52%	13.07%	10.84%
Ten Years	13.45%	13.74%	14.74%	13.24%
Fifteen Years	11.24%	11.44%	10.31%	9.01%
Since Inception (February 29, 2000)	7.00%	7.14%	4.70%	6.10%

REVIEW & OUTLOOK

While we have written for several quarters about the macro-economic, geo-political and political uncertainties at play around the world, the storm of uncertainty and its impact on market sentiment gathered strength during the quarter. The storm clouds, to list just a few, include:

- The trade dispute with China – and the potential for it to deteriorate into a tariff war and destabilize the global economy;
- Brexit uncertainty – and the very present risk that the U.K. may exit the EU (we were recently in the U.K. for meetings and each CEO we asked admitted they had "no idea" how Brexit would turn out);
- An inverted U.S. domestic yield curve (viewed by some as a recession indicator) and over 40% of global sovereign debt carrying negative yields (investors pay for the right to lend);
- Domestic political dysfunction and polarization – with only the fourth President in our nation's history facing impeachment proceedings (Johnson, Nixon [resigned before impeachment], Clinton, and now Trump); and
- Flares of hostilities in the Middle East involving Iran, Saudi Arabia, Turkey, Syria, ISIS, and the Kurds.

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, 2018 was 1.37% and 1.11%, 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 Baron Fund expenses pursuant to a contract expiring on August 29, 2030, 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 historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. 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. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group.

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.

Over the last couple of months, uncertainty became rampant and short-term investor sentiment turned negative. This prompted risk-off/value trades in the broader market, as well as defensive rotations out of industries like software, internet, biotechnology, and so-called "momentum" stocks. Traders sought refuge in the "defensive" safe havens of Consumer Staples, Real Estate, Utilities, and the like. This is the age-old "bird in the hand" human reaction to fear and doubt. In the stock market context, a shift to shorter-duration earnings over longer-duration earnings – effectively, favoring earnings today regardless of growth prospects over the highest net present value of future earnings and cash flow driven by long-term growth. This is rarely a favorable environment for our strategy, and we underperformed in the quarter. Yet the economy remains strong and the first slate of earnings reports show that the long-term secular trends we emphasize in our portfolio remain intact and that fears of a macro-driven business slowdown remains, at the very least, premature.

We believe it is nearly impossible to call when, how long, or how deep these sentiment-or-fear driven cycles, rotations or pullbacks will be – to use the Benjamin Graham analogy, the market is acting like a voting machine. So, we don't. We stick to our knitting – focusing on secular and sustainable growth driven by innovation, disruption, and creative destruction driving tectonic shifts in industry dynamics and user adoption/behavior. In our view, many of these safety, defensive, or risk-off sectors are not much more than a mirage. Trying to call whether we will have an economic or industrial recovery around the corner is more difficult – and thus riskier – than whether we will journey a few more steps down the path paved by durable long-term secular trends. While we can make no promises, we recommend that our shareholders mirror our long-term horizon and try not to trade these inevitable – but often short-term – gyrations in sentiment.

A few brief history lessons (from this undergraduate history major):

- Remember the market after the 2016 election – what I call the "Trump trade," the abrupt shift after President Trump was voted into office. As 20/20 hindsight has since revealed, this was due to speculation and sentiment, not changes in fundamentals. Sector rotations were sudden and significant, as Mr. Market strove to surmise which industries might gain from the country's new leadership. Internet, cloud, software-as-a-service ("SaaS"), and many Information Technology ("IT") stocks sold off, as traders chased and piled into sectors like Financials (expected rollback of Dodd-Frank), Industrials (hope of infrastructure spending legislation) and sectors or businesses that would benefit from lower corporate tax rates. Our Fund suffered and underperformed for the balance of 2016. But market leadership literally snapped back as we turned the calendar page to 2017. We had a strong start to the year and, while enduring a few short-term pullbacks such as at the end of 2018, have generally outperformed the broader market for the past three years (for the trailing three-year period, as of September 30, 2019, Morningstar ranked Baron Opportunity Fund Retail and Institutional shares in the top 3% of similarly categorized U.S. mutual funds).* After the 2016 election, we faced the choice of engaging in speculation and shifting our portfolio to chase the sectors that were then momentarily in favor. We chose not to change and chase, but to stick with our consistent strategy and approach, which we believe has benefited our long-term shareholders.
- And don't forget 2007 and 2008 – the Great Recession – the scariest and worst market many of us have endured. Everything was sold regardless of fundamentals or long-term prospects. Investors desperately sought safety, selling all the way down. Baron Funds suffered significant outflows. The Fund bottomed in late February 2009. Even when we felt the time was right to "play offense," we couldn't because we had no cash. Instead, we put our heads down, focused on our research and analysis, identified the very best companies (because virtually all were for sale), and concentrated the portfolio, selling the "weaker members of our herd" to buy or add to the strongest. The market turned and the Fund rebounded. We were up 62.08% in 2009 and 25.74% (Institutional Shares) in 2010. We eclipsed our high-water mark (set in October 2007) in barely over three years (November 2010). We kept hearing from potential new investors, "did I miss it?" Many did miss the initial rebound. But the Fund has returned another 188.98% (cumulatively) since then (November 1, 2010 through September 30, 2019). Ron's perpetual advice – "stay invested" – proved correct even in the darkest of days.

In these letters, I have long stated my opinion that secular[5] growth will lead markets more often than not. Why? Because market and stock returns are driven by growth in earnings/free cash flow and dividends. We do not ignore that short-term or one-time increases in a company's earnings can come from things like tax reform, cost cuts, acquisitions, spin offs, interest rate shifts, economic cycles, etc. But sustainable expansion of a company's earnings or cash flow power can only be driven by profitable top-line growth – my old "it's the growth, stupid." We are confident – and we believe history has proven – that the *long-term* growth the market needs to drive sustainable growth in earnings and free cash flow ("FCF") power will be driven by the secular megatrends we relentlessly focus on.

Amid the uncertainty acknowledged above, our research and company reports confirm that the growth prospects and secular trends for our investments remain excellent – we note the strong trends in SaaS and cloud confirmed by the early earnings reports from Microsoft and ServiceNow. Our view of "momentum" eyes a different angle than Mr. Market often links to growth stocks. We believe the correct perspective on momentum is that the economic and market factors discussed above will have little to no impact on the fundamentals for the industries and businesses we favor given their powerful and sustainable secular and structural growth drivers. We remain confident that our portfolio should be in a relatively strong position to weather and thrive in a variety of economic, market, and political environments.

Finally, with the pullback from summer highs, valuations for the themes and industries we emphasize are reasonable and attractive. Market and sector multiples vary over time, but almost always within long-established ranges. When we break out of these ranges on the upside or downside, we hit a top or bounce off the bottom. The upper and lower end of these ranges are never the "right price" – the market acting as a well-calibrated weighing machine – but rather reflect Mr. Market voting tallies in periods of euphoria

* Morningstar calculates the **Morningstar US Fund Large Growth Category** average using the Morningstar 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. As of 9/30/2019, the Category consisted of 1,388, 1,243, 1,110, and 822 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked **Baron Opportunity Fund** Institutional Share Class in the 41st, 3rd, 15th, and 38th percentiles, respectively.

5 Secular refers to companies whose growth persists regardless of the economy and is less affected by short-term trends. It also relates to trends that are not cyclical or seasonal but sustain for a relatively long period. On the other hand, a company or industry is cyclical if it needs a strong economy to perform well – if its fortune depends on the business cycle.

or panic. In our process, we never bet on a "new normal" in market or sector multiples. We have built and employ tools that examine market, sector, and company multiples on both a relative and absolute basis, evaluating current and historical trends. In this valuation work, we have taken a hard look at multiples over time and in different market and economic environments, as well as how they vary with expected growth rates, sales productivity, profit margins, cash generation and other fundamental factors. We have calculated and established ranges of historically accurate median/average multiples for sets of comparable companies (reflecting sectors and peer groups). We establish (and monitor) short- and long-term price targets for all our holdings, utilizing our own internal projections of revenues, earnings and FCF, and what we believe is the appropriate multiple (or tight range of multiples) from within these sector/peer group ranges based on the factors cited above. With the recent volatility, there are very attractive return opportunities across our portfolio using conservative long-term mean/average multiples. Our price targets project compound annual expected returns of 15% to 20%, or above, for most of the stocks in our portfolio.

I'd like to highlight the SaaS and cloud space for a moment. These businesses have been propelled by the tides of digital transformation, cloud and artificial intelligence ("AI"). We emphasize investments in these businesses in our portfolio not just because we like these catchy, popular terms, but because we are still in the early innings of the disruptive shifts in the way we build, deploy, and use software. (For example, according to a recent Morgan Stanley report, only 21% of software application workloads will reside in the public cloud by the end of 2019, which should rise to close to 50% within three years.) Moreover, these companies have terrific business models at scale with high levels of recurring revenue, solid gross margins and significant cash generation (and returns on capital). Lastly, they have durable competitive advantages from, among other things, (i) their direct and persistent connections with their users (this always-on feedback loop enables them to constantly and iteratively improve their services); (ii) becoming ingrained in the workflow of their customers from regular and often daily use; and (iii) utilizing the customer data in their systems and innovations such as AI to not only provide real-time analytics but to help users make better business decisions through predictive analytics and recommendations (i.e., which customer prospect is most likely to sign a deal). These stocks have corrected hard and, as of this writing, valuations are now attractive.[6] We are not sure how long or deep this pullback will go. The Morgan Stanley report just cited, titled "Software Gut Check – Is it Time to Get Back in the Pool?," notes that prior SaaS pullbacks (based on Morgan Stanley's own SaaS peer group) have typically lasted two-to-six months and have seen sales multiples (Enterprise Value-to-Sales) contract 17% to 27%. As of this writing, the current pullback has lasted over two months and multiples have contracted roughly 20%. We have increased our weightings in select SaaS and cloud names and have set additional buy targets if the pullback continues.

Below is a partial list of the secular megatrends we focus on. These secular themes will be the key drivers of revenue, earnings and cash flow growth – and stock performance – for the companies in which we are invested:

- Cloud computing
- Software-as-a-service (SaaS)
- "Big Data" and "Artificial Intelligence"
- Mobile
- Digital media
- Targeted, people-based digital advertising
- e-commerce
- Genetics
- Minimally invasive surgical procedures
- Cybersecurity
- Electric-drive vehicles/autonomous driving
- Electronic payments

By investing in businesses capitalizing on these potent trends, we have been able to build portfolios that have revenue growth rates that are multiples of the general economy, as reflected in broad market indexes. Below we compare the revenue growth rates of our portfolio and three indexes for the trailing four quarters for which we have reliable data:

Comparison of Revenue Growth (based on quarter-end holdings)

	Actual Q2 2019	Actual Q1 2019	Actual Q4 2018	Actual Q3 2018
Baron Opportunity Fund	19.5%	17.3%	22.0%	27.3%
S&P 500 Index	5.7%	6.7%	6.3%	10.6%
Russell 3000 Index	5.7%	6.6%	6.5%	10.6%
Russell 3000 Growth Index	8.6%	8.5%	8.7%	11.0%

Table II.
Top contributors to performance for the quarter ended September 30, 2019

	Percent Impact
Alphabet Inc.	0.51%
Equinix, Inc.	0.31
Datadog, Inc.	0.30
Microsoft Corporation	0.23
Guidewire Software, Inc.	0.19

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares of Alphabet rebounded in the quarter on robust second quarter revenue growth driven by strength in mobile search and YouTube. We retain conviction in Alphabet's merits as it continues to benefit from growth in mobile and online video advertising, which accrue to its core assets of search, YouTube and the Google ad network. We are further encouraged by Alphabet's investments in AI, autonomous driving (Waymo) and life sciences (Verily, Calico). We continue to closely monitor the regulatory issues on both sides of the Atlantic. (Ashim Mehra)

Equinix, Inc. is a global operator of network-dense, carrier-neutral data centers that effectively act as airport terminals, enabling digital traffic to reach its destination efficiently by taking the best route available, reducing cost, network complexity, and latency, whether the destination is an enterprise's branch office or partner location; an electronic trading platform; an SaaS provider, like Salesforce, ServiceNow or Veeva; or a public cloud

[6] We would note the following relative valuations, which do not make much sense to us. Defensive but secularly challenged consumer staples leaders – one cannot ignore the unrelenting shift to organic, healthy, sustainable consumer products – trade at the following current valuations: Procter & Gamble, 25x 2020 Enterprise Value-to-Free Cash Flow ("EV/FCF") on Street estimates, for less than 4% projected 2020 revenue growth and 18% FCF margins; Coca-Cola, 33x 2020 EV/FCF, for less than 4% revenue growth and 18% FCF margins. This compares to selected SaaS/cloud leaders, which trade at lower valuations despite higher and more sustainable growth and better business models, as evinced by higher FCF margins: Adobe has fallen to less than 24x 2020 EV/FCF for 18% revenue growth and 39% FCF margins; Microsoft under 24x for 11% revenue growth and 29% FCF margins; and Salesforce at 31x for 24% revenue growth and 20% FCF margins.

service, such as Amazon Web Services or Microsoft's Azure. Shares increased due to robust second quarter results (including beating on profit margins), management's full-year guidance increase and the company's upgrade to investment grade. The lower interest rate environment benefited REITs broadly as well. We retain conviction due to a long demand runway behind digital transformation, cloud adoption and information technology outsourcing, Equinix's unique position as one of the only operators offering a truly global platform and continued execution on strategic M&A transactions to enhance its moat. (George Taras)

Datadog, Inc. provides monitoring of cloud-scale applications through an SaaS-based big data analytics platform. The company has successfully focused on its strong brand, viral go-to-market strategy and growing product line to generate growth through its "land and expand" model. After meeting the company multiple times as a private company, we participated in its IPO this quarter. The IPO was well received by investors and has generated positive returns since our investment. See additional discussion below. (Guy Tartakovsky)

Microsoft Corporation is a software mega cap that has crossed the chasm from the client-server and PC era to today's world of digital transformation and cloud. Microsoft has successfully pivoted its business to the cloud with its leading Azure infrastructure and platform-as-a-service offerings, and by porting its dominant Office suite of desktop solutions to the cloud, with its SaaS products, Microsoft 365, Office 365, Dynamics 365, and Teams. Shares appreciated in the quarter as the company continued to perform well, growing its commercial cloud business to $11 billion and accelerating total company revenues up 14% year-over-year. Microsoft's ability to accelerate revenue growth to double-digit levels at its scale is a case study in business transformation on the back of digital transformation. We continue to believe that Microsoft stands to benefit from cloud growth for many years to come. (Guy Tartakovsky)

Shares of **Guidewire Software, Inc.** rose after the software provider to the property and casualty insurance industry reported its fiscal fourth quarter results. Guidewire beat analyst estimates across the board – particularly with its disclosure that it had signed nine InsuranceSuite Cloud deals, a couple ahead of expectations – which was enough to overcome weaker-than-expected forward guidance. We recently visited the company's headquarters, spending one-on-one time with its new CEO, Mike Rosenbaum, a former senior Salesforce executive, and attended its analyst day, learning about management's plans for driving, even accelerating, the cloud transition across the P&C insurance industry. The company remains early in its core system replacement cycle and has tripled its addressable market through new products (particularly analytics and digital front office) and cloud delivery. We believe Guidewire will become the leading software vendor to the P&C industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market, and generating margins above 40%. (Neal Rosenberg)

Table III.
Top detractors from performance for the quarter ended September 30, 2019

	Percent Impact
Sage Therapeutics, Inc.	–0.53%
argenx SE	–0.48
Amazon.com, Inc.	–0.47
Gartner, Inc.	–0.36
Wix.com Ltd.	–0.35

Sage Therapeutics, Inc. is a biopharmaceutical company that remains laser-focused on developing novel drugs for central nervous system disorders. Shares fell in the quarter after an update on the company's efforts in bipolar depression, which we viewed as mostly neutral. We retain conviction in Sage's base postpartum depression business; its ability to change the treatment paradigm in neurology, particularly multiple depression disorders; and its potential to expand into disease indications such as Parkinson's and tremor. (Josh Riegelhaupt)

argenx SE is a Dutch biotechnology company dedicated to developing biologics to treat immunological disorders and cancer. Weak performance in the quarter was due to a lack of catalysts and some reversion to the mean as growth stocks traded down. We believe that argenx's FcRn platform is one of the most valuable assets in the biotechnology development space, and we retain full conviction. (Josh Riegelhaupt)

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares fell on mixed quarterly results that saw revenue and unit growth acceleration, but weaker profits due to the company's investments in Amazon Prime one-day shipping and Amazon Web Services ("AWS") headcount. While e-commerce penetration is rising rapidly and Amazon continues to grow its addressable market by entering new verticals, we continue to view AWS as the more material driver of the company given its leadership in the vast and growing cloud infrastructure market and potential to compete in application software in the years to come. (Ashim Mehra)

Shares of **Gartner, Inc.**, a provider of syndicated research, detracted from performance after it reduced full-year guidance. Although forward looking metrics in Gartner's traditional IT research business decelerated modestly, they remain at a robust low-teens rate. The company also discontinued several non-subscription products, which will hurt profitability this year but are not core to its long-term strategy. Finally, the company was more successful than expected in filling sales positions, which will reduce earnings this year but should drive faster revenue growth in 2020. (Neal Rosenberg)

Wix.com Ltd. provides an operating system to help small- and micro-businesses build and maintain websites and operate in the digital world. Wix has over 145 million registered users and over 4 million premium users. Shares detracted as the market rotation out of growth, software, and internet stocks weighed on performance. We retain conviction in Wix as it expands its platform to target professional website builders and agencies in addition to do-it-yourself customers, increasing its total addressable market multi-fold while continuing to rapidly introduce new features and products. (Guy Tartakovsky)

Portfolio Structure

The Fund invests in secular growth, innovative businesses across all market capitalizations. As of the end of the third quarter, the largest market cap holding in the Fund was $1.1 trillion and the smallest was $1.2 billion.

The median market cap of the Fund was $14.6 billion. The Fund had $411.5 million of assets under management. The Fund had investments in 64 securities. The Fund's top 10 positions accounted for 40.1% of the total investments.

Table IV.
Top 10 holdings as of September 30, 2019

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
Microsoft Corporation	$1,061.6	$28.9	6.8%
Amazon.com, Inc.	858.7	26.0	6.1
Alphabet Inc.	845.9	23.0	5.4
Guidewire Software, Inc.	8.7	22.2	5.2
Gartner, Inc.	12.9	16.4	3.8
Tesla, Inc.	43.1	12.2	2.8
CoStar Group, Inc.	21.7	11.3	2.7
Equinix, Inc.	48.9	11.3	2.6
Trainline Plc	2.5	10.1	2.4
Mastercard Incorporated	275.5	9.7	2.3

Recent Activity

Table V.
Top net purchases for the quarter ended September 30, 2019

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Datadog, Inc.	$10.0	$5.5
Medallia Inc.	3.5	4.5
Dynatrace Holdings LLC	5.2	1.9
MercadoLibre, Inc.	27.4	1.9
LiveRamp Holdings, Inc.	2.9	1.1

As mentioned above, during the quarter, we participated in the IPO of **Datadog, Inc.**, which provides monitoring of cloud-scale applications through an SaaS-based big data analytics platform. The company's platform delivers integrated infrastructure monitoring, application performance monitoring, and log management to provide its customers with close to real-time visibility of their IT environments. This helps companies improve application performance and reduce downtime by solving problems faster after they occur. Datadog has built a strong brand with a viral, bottom-up go-to-market strategy, and a growing product line enabling it to generate hyper-growth through its "land and expand" customer model. As more companies transition to the cloud, and the complexity of their infrastructure grows due to increasing technology diversity, scale, and agility, the value of Datadog's real-time monitoring platform increases. According to Datadog's CEO Olivier Pomel, they tend to be the "first call" after customers adopt a cloud solution and "a critical part of their cloud journey." This should drive Datadog's growth for a long time as we are still early in the cloud penetration S-curve (see Morgan Stanley data cited above).

Medallia, Inc. provides an SaaS solution for customer experience management. Its products include B2C (business-to-consumer) customer, B2B (business-to-business) customer, employee and product experiences. It provides a single integrated platform that collects customer and employee feedback data in real time from a multitude of channels, including survey, social media, and review websites, and then helps the customers act on that data. According to Medallia CEO Leslie Stretch: "Our technology enables organizations to move at the speed of their many constituents. Companies that use Medallia engage their customers and employees in the relentless improvement of experience. They listen carefully ... and act quickly on what they learn, helping to increase customer retention and loyalty, improve operational efficiency, reduce employee attrition, build products that people love and expand cross-sell and up-sell opportunities." We couldn't say it any better.

We also participated in the IPO of **Dynatrace Holdings LLC.** Dynatrace is one of the leading providers of application performance monitoring. While Dynatrace was founded in 2005, it overhauled its software to meet modern needs in 2016 and is now transitioning its customers to the new platform. With its new platform, the company can better address complex use cases of multi-cloud, containers, and hybrid environments. Analysts estimate that only 5% of enterprise applications are currently monitored with APM software. We believe that percentage could grow significantly over the next several years as IT complexity increases and companies become more agile, trying to keep their applications up and running, while responding to changes and issues rapidly. Dynatrace is also crossing a significant milestone on its platform transition, which we believe will lead to subscription revenue acceleration, while also benefiting profitability.

We added to our position in **MercadoLibre, Inc.**, the leading e-commerce and digital payments platform in Latin America. MercadoLibre is benefiting from two big secular themes: rising e-commerce penetration and growth of digital payments. Latin America is a predominantly cash-based economy with low e-commerce penetration of just 3%. With a population of over 630 million people in Latin America, we believe there is a large opportunity for growth. MercadoLibre is investing aggressively in e-commerce, payments, and logistics technology to widen its competitive moat and continue to drive adoption of online commerce and digital payments.

We also added to our position in long-term holding **LiveRamp Holdings, Inc.**, as its stock price pulled back during the quarter.

Table VI.
Top net sales for the quarter ended September 30, 2019

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
The Charles Schwab Corp.	$48.2	$6.2
Benefitfocus, Inc.	0.8	3.2
StoneCo Ltd.	10.0	3.2
Guidewire Software, Inc.	8.7	3.0
CareDx, Inc.	1.0	2.6

We sold **The Charles Schwab Corp.**, **Benefitfocus, Inc.**, **StoneCo Ltd.**, and **CareDx, Inc.** chiefly to harvest tax losses to offset gains incurred during the fiscal year. At the same time, we reallocated some of this capital to fund other investments. We plan to revisit some of these names in the future.

We trimmed a small percentage of our **Guidewire Software, Inc.** position, as the stock approached all-time highs, in order to maintain the investment at a certain weighting and to help fund other Information Technology investments. We retain high conviction in the company's management team and growth opportunity (as discussed above), and Guidewire remains not only a top five position in the portfolio, but our most significant overweight versus our primary index, the Russell 3000 Growth Index.

To conclude, I believe wholeheartedly in the strategy of the Fund: growth based on powerful, long-term, innovation-driven secular growth trends. In the highly uncertain world we live in, we believe non-cyclical, sustainable, and resilient growth should be part of investors' portfolios.

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 its 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 securities of high growth businesses benefiting from innovation through development of pioneering, transformative or technologically advanced products or services, but there also is more risk. Companies propelled by innovation, including technological advances and new business models, may present the risk of rapid change and product obsolescence and their successes may be difficult to predict for the long term. Securities issued by small and 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.