

DEAR BARON ASSET FUND SHAREHOLDER:

PERFORMANCE

U.S. equity markets continued to move higher during the quarter. The rally was likely driven by many of the same factors that prevailed last quarter: near-record low interest rates, incremental steps toward reopening the economy, favorable news flow about potential COVID-19 treatments, and optimism about large government infrastructure stimulus programs.

Against this backdrop, Baron Asset Fund (the "Fund") gained 8.43% (Institutional Shares), while the Russell Midcap Growth Index (the "Index") gained 9.37%, and the S&P 500 Index gained 8.93%. The Fund trailed the Index primarily because of differences in its weightings by sector and sub-industry relative to the Index. Style biases also hampered relative results. This was driven largely by the Fund's underexposure to stocks with high momentum and elevated volatility, which performed well during the quarter. The Fund has often been underexposed to these types of stocks, which can lead to relative underperformance during periods when such stocks are in vogue.

Table I.
Performance

Annualized for periods ended September 30, 2020

	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	8.35%	8.43%	9.37%	8.93%
Nine Months ⁵	15.50%	15.72%	13.92%	5.57%
One Year	23.22%	23.53%	23.23%	15.15%
Three Years	17.82%	18.13%	16.23%	12.28%
Five Years	17.35%	17.66%	15.53%	14.15%
Ten Years	15.19%	15.50%	14.55%	13.74%
Fifteen Years	10.57%	10.80%	10.51%	9.19%
Since Inception (June 12, 1987)	11.99%	12.09%	10.54% ⁴	9.92%

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, 2019 was 1.30% 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 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 indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. 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 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 For the period June 30, 1987 to September 30, 2020.

⁵ Not annualized.



ANDREW PECK

PORTFOLIO MANAGER

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

The Fund's Health Care and Communication Services investments and its higher exposure to the outperforming Industrials sector contributed the most to its relative results. Within Health Care, meaningfully lower exposure to lagging biotechnology stocks and outperformance of veterinary diagnostics leader **IDEXX Laboratories, Inc.** added the most value. IDEXX was the largest absolute contributor, as veterinary visits continued to recover sharply from the initial pandemic-related slowdown. Weighting instruments provider **Mettler-Toledo International, Inc.** and pharmaceutical packaging manufacturer **West Pharmaceutical Services, Inc.** also performed well after their quarterly results and guidance topped investor expectations. Strength in Communication Services was primarily due to **Zillow Group, Inc.**, which operates leading U.S. real estate sites, a mortgage marketplace, and the Zillow Offers home-buying business. Its stock did well because it posted strong second quarter results and investors grew more optimistic about the prospects for its Zillow Offers segment.



Baron Asset Fund

Information Technology (IT) investments, higher exposure to lagging financial exchanges & data stocks within Financials, and lower exposure to the outperforming Consumer Discretionary sector detracted the most from relative results. Weakness in IT was partly due to the underperformance of property and casualty ("P&C") insurance software vendor **Guidewire Software, Inc.** and syndicated IT research provider **Gartner, Inc.** Guidewire detracted from results, as the company's transition to the software cloud continued to cause short-term financial headwinds and slowed the cadence of new license sales. Gartner's shares underperformed because of ongoing concerns about the pandemic's impact on the company's research business and its destination events business. Higher exposure to underperforming internet services & infrastructure stocks through sizeable positions in **Verisign, Inc.**, an operator of internet domains, **Wix.com Ltd.**, a website tools firm, and **GDS Holdings Limited**, a Chinese data center operator, also weighed on relative results.

Table II.
Top contributors to performance for the quarter ended September 30, 2020

	Year Acquired	Percent Impact
IDEXX Laboratories, Inc.	2006	1.20%
Zillow Group, Inc.	2015	1.13
Mettler-Toledo International, Inc.	2008	0.71
West Pharmaceutical Services, Inc.	2014	0.61
CoStar Group, Inc.	2016	0.60

Shares of **IDEXX Laboratories, Inc.**, a veterinary diagnostic company, were the largest contributors to performance for the second consecutive quarter. The stock gained after the company again reported excellent quarterly results that exceeded expectations, despite the headwinds caused by the pandemic. Recurring revenue growth in IDEXX's core companion animals group improved to 7%, margins expanded 400 basis points, and earnings grew 24%. There were also indications that COVID-related testing will further accelerate growth in veterinary diagnostics. We believe these results continue to demonstrate that IDEXX is a unique, competitively advantaged business that is likely to outperform across economic cycles.

Zillow Group, Inc. operates leading U.S. real estate websites, a marketplace for obtaining home mortgages, and the Zillow Offers business, which buys and sells homes. Its shares gained meaningfully on strong second quarter results. These were driven by record "top-of-funnel" traffic metrics to its websites, as well as a favorable valuation comparison with Open Door, Inc., a newly public competitor to its Offers business. In our view, Zillow is well positioned to penetrate the large online real estate advertising opportunity. We believe there is further substantial upside for its Offers segment, which should expand the company's addressable market. This will include generating revenues from the sale of homes, from sales leads provided to its Premier Agents, as well as from commissions on home mortgages.

Mettler-Toledo International, Inc. is the world's largest provider of weighing instruments for use in laboratory, industrial, and food retailing applications. Shares contributed to performance after reporting second quarter results with sales and earnings, as well as reinstated 2020 guidance, ahead of investor expectations. We continue to believe Mettler is an exceptionally well-managed business with multiple levers available, including demonstrated pricing power, to compound earnings at attractive rates.

West Pharmaceutical Services, Inc. manufactures components and systems for the packaging and delivery of injectable drugs. Shares rose on strong second quarter financial results and raised 2020 guidance. Business is benefiting from strong demand for West's products and services, as the large majority of newly approved biologic drugs utilize the company's packaging. We think demand should further accelerate as COVID-19 vaccine manufacturers come to market. We continue to believe West has a promising long-term growth outlook and a secure competitive position.

Shares of real estate information and marketing services provider **CoStar Group, Inc.** contributed to performance as net new sales reaccelerated more quickly than investor forecasts. Demand for CoStar's digital marketplace businesses has grown as traditionally offline activities have increasingly shifted online during the pandemic. This growth was partially offset by slower trends in CoStar's commercial real estate data licensing businesses. The company has over \$3.6 billion of cash on its balance sheet, which we expect to be used for market-expanding acquisitions.

Table III.
Top detractors from performance for the quarter ended September 30, 2020

	Year Acquired	Percent Impact
Illumina, Inc.	2012	-0.35%
ZoomInfo Technologies Inc.	2020	-0.31
Guidewire Software, Inc.	2013	-0.19
Bio-Techne Corporation	2015	-0.12
Teleflex Incorporated	2016	-0.09

Illumina, Inc. is the leading manufacturer of DNA sequencing systems for genetic analysis. Shares fell as lower utilization of the company's systems during COVID-19 led to disappointing second quarter financial results. Illumina also announced the acquisition of Grail, which is developing a blood test for early stage cancer detection. Investors responded negatively to the acquisition because of substantial near-term earnings dilution and concerns about competition with Illumina's customers. Although we appreciate these concerns, we believe the Grail investment offers the potential for significant long-term value creation in the rapidly growing market for early cancer screening.

ZoomInfo Technologies Inc. operates a cloud-based software platform that provides sales and marketing teams with comprehensive intelligence on approximately 14 million companies and 120 million professionals. Access to this valuable data enables its clients to shorten their sales cycles and achieve higher win rates. The company's shares declined, given a somewhat uncertain spending environment among its clients. We retain conviction in the long-term opportunity, and we believe the spending environment has since improved. We think ZoomInfo is well positioned given its unique contributory network for data collection and validation, patented data extraction technologies, and proprietary go-to-market strategy.

Shares of P&C insurance software vendor **Guidewire Software, Inc.** detracted from performance. The transition to the company's software to the cloud has caused short-term financial headwinds and slowed the cadence of new license sales. We believe that these headwinds will abate, and we retain conviction in Guidewire's opportunity. We believe new products and cloud-based delivery could triple Guidewire's total addressable market. Over time, we think Guidewire will become the key software vendor for the global P&C insurance industry, capturing 30% to 50% of its \$15 billion to \$30 billion market and generating margins in excess of 40%.

Bio-Techne Corporation detracted from performance in the quarter. Bio-Techne is a leading provider of life sciences tools to academic labs and biopharmaceutical customers. The company's business is being negatively impacted by COVID-19 as academic lab customers are spending less time in their labs. We continue to believe Bio-Techne has a resilient business with over 80% of revenue from high-margin consumables in stable end markets (biopharmaceutical R&D, academic research, and diagnostics), where long-term growth is being driven by increased investment in life sciences.

Teleflex Incorporated sells single-use medical devices used in critical care and surgical applications. The stock declined as the resumption in health care procedures using the company's devices has been slower than investor expectations in the aftermath of the slowdown caused by COVID-19. We continue to believe Teleflex has a solid long-term outlook driven in part by the large market for its UroLift device, used to treat enlarged prostate glands.

PORTFOLIO STRUCTURE

At September 30, 2020, Baron Asset Fund held 62 positions. The Fund's 10 largest holdings represented 37.1% of assets, and the 20 largest represented 60.9% of assets. The Fund's largest weighting was in the IT sector at 28.8% of assets. This sector includes software companies, internet services & infrastructure companies, IT consulting firms, and data processing firms. The Fund held 25.8% of its assets in the Health Care sector, which includes investments in life sciences companies and health care equipment, supplies, and technology companies. The Fund held 17.9% of its assets in the Industrials sector, which includes investments in research and consulting companies, industrial conglomerates, and machinery companies. The Fund also had significant weightings in Financials at 10.5% of assets and Real Estate at 6.0% of assets.

Table IV.
Top 10 holdings as of September 30, 2020

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
IDEXX Laboratories, Inc.	2006	\$2.5	\$33.4	\$342.6	6.7%
Verisk Analytics, Inc.	2009	4.0	30.1	211.5	4.1
Gartner, Inc.	2007	2.9	11.1	198.0	3.8
Mettler-Toledo International, Inc.	2008	2.4	23.2	197.1	3.8
ANSYS, Inc.	2009	2.3	28.1	192.0	3.7
CoStar Group, Inc.	2016	5.0	33.4	182.8	3.5
West Pharmaceutical Services, Inc.	2014	2.9	20.3	164.5	3.2
Guidewire Software, Inc.	2013	2.8	8.7	148.3	2.9
SBA Communications Corp.	2007	3.8	35.7	144.9	2.8
Ceridian HCM Holding Inc.	2018	4.1	12.2	135.2	2.6

RECENT ACTIVITY

During the past quarter, the Fund established 4 new positions and added to 4 others. The Fund eliminated 1 position and reduced its holdings in 19 others.

Table V.
Top net purchases for the quarter ended September 30, 2020

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Space Exploration Technologies Corp.	\$ –	\$26.0
GoodRx Holdings, Inc.	21.6	19.9
Pinterest, Inc.	24.9	19.7
RingCentral, Inc.	24.4	17.4
Accelaron Pharma Inc.	6.7	11.3

Although we rarely invest in non-public businesses, we made a relatively small investment in **Space Exploration Technologies Corp.** ("SpaceX") during the quarter because we believe it offers the potential for substantial long-term appreciation. SpaceX designs, manufactures, and launches rockets and spacecrafts. SpaceX is also building a broadband offering by rapidly deploying its new satellite constellation. Ultimately, the company hopes to enable people to live on other planets. SpaceX continues to reliably provide reusable launch capabilities and recently launched a crewed mission from U.S. soil, the first one since the 2011 retirement of the Space Shuttle. We value SpaceX using prices of recent transactions for its shares and a proprietary valuation model.

Last quarter, the Fund initiated a position in **Guardant Health, Inc.**, which we added to this quarter. The company offers a liquid biopsy test to detect advanced stage cancer, and it is developing liquid biopsy tests for recurrence detection in cancer survivors and early detection of cancer in higher-risk individuals. We believe Guardant's liquid biopsy tests are superior to tissue biopsy because they are less invasive, do not require physical access to the tumor, are more representative of the tumor's molecular profile, enable repeat sampling, have faster turnaround times, and support real-time monitoring.

We believe that Guardant has important competitive advantages, including unique technology incorporating proprietary biochemistries and machine learning, demonstrated clinical utility, regulatory barriers, payer coverage, and commercial adoption. We believe the market opportunity for Guardant's tests could be greater than \$35 billion in the U.S. alone. This includes large markets for therapy selection in advanced cancers, recurrence detection in cancer survivors, and early-stage cancer detection among high-risk individuals.

Table VI.
Top net sales for the quarter ended September 30, 2020

	Amount Sold (millions)
IDEXX Laboratories, Inc.	\$18.6
Mettler-Toledo International, Inc.	9.3
Willis Towers Watson Public Limited Company	9.2
Verisign, Inc.	7.5
Verisk Analytics, Inc.	7.4

Baron Asset Fund

We modestly reduced our stakes in several successful longtime holdings to raise capital to allocate elsewhere in the Fund. These included **IDEXX Laboratories, Inc.**, **Mettler-Toledo International, Inc.**, **Willis Towers Watson Public Limited Company**, **Verisign, Inc.**, and **Verisk Analytics, Inc.**

OUTLOOK

We continue to be a long-term investor in businesses that we believe will benefit from long-lived secular growth trends, with sustainable competitive advantages, led by exceptional management teams. We believe that we have created value for our investors throughout the Fund's 30-plus years by understanding and analyzing businesses better than many others. We don't believe that we have unusual insight into the macroeconomic, political, and public health issues that the nation and the stock market have been grappling with.

We believe that unrelenting advances in technology and changing consumer preferences and business practices will result in long-lasting benefits for certain businesses and challenges for others. We continue to adhere to our traditional investment methodology, while working hard to identify these long-term corporate beneficiaries. We remain optimistic that this approach will generate strong performance for our portfolio, no matter the economic climate.

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 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 mid-sized companies, but there also may be more risk. Specific risks associated with investing in mid-sized companies include that the securities may be thinly traded and they 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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