DEAR BARON ASSET FUND SHAREHOLDER:

PERFORMANCE

U.S. equities declined during the first quarter over concerns that the Federal Reserve will aggressively raise interest rates to combat rising inflation levels. Equity markets were further unnerved by the uncertain geopolitical and macroeconomic implications of the Russian invasion of Ukraine, notably the surge in commodity prices and further disruptions to global supply chains. These unsettled conditions resulted in a flight to safety among investors, which contributed to value indexes outperforming growth indexes by significant margins.

The best-performing sectors included Energy and Materials, which were bolstered by rising commodity prices, and Financials, which generally benefited from rising interest rates. Traditionally defensive sectors, like Consumer Staples and Utilities, also benefited from investor rotation into these areas. In contrast, growth-oriented sectors, including Communication Services, Consumer Discretionary, and Information Technology (IT), were the largest detractors, as investors shunned many businesses with extended near-term valuations and businesses that had disproportionately benefited from changing consumer behavior during the pandemic.

ANDREW PECK

PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended March 31, 2022

	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]	(14.57)%	(14.52)%	(12.58)%	(4.60)%
One Year	(1.59)%	(1.34)%	(0.89)%	15.65%
Three Years	13.96%	14.26%	14.81%	18.92%
Five Years	15.31%	15.60%	15.10%	15.99%
Ten Years	13.83%	14.14%	13.52%	14.64%
Fifteen Years	9.87%	10.12%	10.41%	10.26%
Since Inception (June 12, 1987)	11.81%	11.92%	10.57%[4]	10.48%

Against this backdrop, Baron Asset Fund (the "Fund") fell 14.52% (Institutional Shares), while the Russell Midcap Growth Index (the "Index") fell 12.58%. The S&P 500 Index, which comprises both growth- and value-oriented large-cap stocks, fell 4.60%. The Fund faced a headwind from its limited exposure to the Energy and Consumer Staples sectors, and the negative contribution of some of its IT holdings. In addition, several of the Fund's best-performing stocks during 2021 performed poorly during this growth-driven sell-off.

Outperformance of the Fund's investments in Communication Services, Financials, and Industrials and lower exposure to the lagging Consumer Discretionary sector added the most value. Favorable stock selection in Communication Services came from marketing solutions provider **ZoomInfo Technologies Inc.**, which benefited from strong earnings and forward

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, 2021 was 1.29% and 1.03%, 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.

The Fund's 1-year historical performance was impacted by gains from IPOs. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same.

1 The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. 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. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

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

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

4 For the period June 30, 1987 to March 31, 2022.

5 Not annualized.

BARON FUNDS 1987

commentary on sales bookings, and online travel company **Tripadvisor, Inc.**, which benefited from signs that travel demand is improving as the pandemic recedes. Within Financials, higher exposure to this outperforming sector and gains from online brokerage firm **The Charles Schwab Corp.** and specialty insurance company **Arch Capital Group Ltd.** bolstered relative results. Schwab's shares gained because of the positive impact higher interest rates will have on its future earnings. Arch gained after reporting above-consensus quarterly earnings results, coupled with an 11% increase in its book value per share. Strength in Industrials was driven by data and analytics vendor **Verisk Analytics, Inc.** and diversified technology company **Roper Technologies Inc.** Verisk reported solid quarterly earnings results led by ongoing strength in its core Insurance segment. Management also stated its intention to focus on expanding its products to the insurance industry, leading to a likely divestiture of its Financial Services and Energy segments. Roper's stock held up better than the broader market after its fiscal year 2022 guidance exceeded Wall Street expectations.

Underperformance of IT investments, lack of exposure to the Energy sector, which was driven sharply higher by spiking oil prices, and greater exposure to lagging life sciences tools & services stocks within Health Care detracted the most from relative results. Within IT, application software businesses **Ceridian HCM Holding Inc.**, **ANSYS, Inc.**, and **Guidewire Software, Inc.** accounted for a portion of the relative shortfall after selling off alongside other high-growth technology stocks during the quarter. Weakness in the sector also stemmed from outsourced software development provider **EPAM Systems, Inc.** and website development platform **Wix.com Ltd.** EPAM's shares fell because many of the company's employees were based in Ukraine and Russia, while Wix's stock declined after the company experienced a slowdown in new customer additions in the aftermath of pandemic-related trends.

Table II.
Top contributors to performance for the quarter ended March 31, 2022

	Year Acquired	Percent Impact
Arch Capital Group Ltd.	2003	0.15%
Aspen Technology, Inc.	2018	0.09
Teleflex Incorporated	2016	0.09
Fair Isaac Corporation	2020	0.07
Rollins, Inc.	2016	0.04

Arch Capital Group Ltd. is a Bermuda-based specialty insurer. Its stock increased after the company reported quarterly earnings that exceeded consensus estimates and 11% growth in book value per share. Pricing trends in the property & casualty insurance market remained favorable, and the margins for its mortgage insurance business improved substantially from last year's cyclically depressed levels as mortgage delinquencies declined. We remain optimistic that Arch's impressive management team can continue to achieve solid growth in the company's earnings and book value.

Shares of **Aspen Technology, Inc.**, a leader in process automation software, gained after the company reported a 6% acceleration in organic growth. We expect Aspen to close its transformative deal with industrial equipment manufacturer Emerson this quarter. We believe Aspen management will improve the growth, profitability, and cash flow of the acquired Emerson businesses by converting them to recurring revenue models, while leveraging Emerson's vast sales force to improve the entire company's growth rate. We also expect the company to become more aggressive with accretive acquisitions, and we believe the healthy environment for energy and other commodities should provide a supportive backdrop for sales growth.

Teleflex Incorporated is a medical device company that sells mostly single-use products to hospitals and health care providers for common diagnostic and therapeutic procedures in critical care and surgical applications. The pandemic had pressured the company's shares, as many discretionary surgical procedures were postponed, particularly in its urology business. Teleflex's shares recovered in the quarter, as the pandemic continued to subside. We continue to believe Teleflex can generate high single-digit organic revenue growth with ongoing margin expansion driven by several high-growth product lines.

Fair Isaac Corporation is a data and analytics company focused on predicting consumer behavior, best known for its algorithms used to gauge consumer credit. Its shares gained as the company reported solid earnings and management sounded optimistic regarding its outlook for the remainder of the year, driven by continued special price increases and improved growth and profitability in its software business. We believe that Fair Isaac will be a steady earnings compounder, which should drive solid returns for the stock over a multi-year period.

Rollins, Inc. is a leading provider of pest and termite control services. Shares contributed to performance as the company reported solid fourth quarter earnings and continued to grow its market share and modestly increase its pricing. We believe Rollins has a strong brand operating in an attractive and defensive end market (cockroaches will outlive us all) that should enable the company to compound its profitability for many years.

Table III.
Top detractors from performance for the quarter ended March 31, 2022

	Year Acquired	Percent Impact
IDEXX Laboratories, Inc.	2006	–1.07%
Mettler-Toledo International, Inc.	2008	–1.06
Ceridian HCM Holding Inc.	2018	–0.99
EPAM Systems, Inc.	2021	–0.88
ANSYS, Inc.	2009	–0.78

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** fell due to broader multiple compression in high-growth businesses. We believe that IDEXX's business remains healthy and that the veterinary industry should consistently grow at a faster rate than it experienced pre-pandemic. We believe that the long-term secular trends around pet ownership and spending on pet care structurally accelerated during the pandemic. The company's competitive position remains outstanding, and we expect new proprietary diagnostic tests and sales force expansion to meaningfully contribute to growth. We also expect the company's margins to continue to improve considerably over time.

Mettler-Toledo International, Inc. is a leading provider of precision instruments and services for life sciences, food, and chemicals companies, among others. Similar to IDEXX, we believe that Mettler's shares fell chiefly because of widespread investor rotation out of growth stocks. In addition, there were concerns about the potential negative impact of foreign currency fluctuation and the possibility of a European economic slowdown, where Mettler has significant business. We continue to believe Mettler is an exceptionally well-managed business with competitive advantages and attractive long-term growth prospects.

Shares of **Ceridian HCM Holding Inc.**, a leader in global payroll software, fell as valuations for high-growth technology stocks compressed. We retain conviction in Ceridian's long-term opportunity. Growth in Ceridian's flagship

Dayforce platform is reaccelerating toward 30% revenue growth, helped by continued market share gains, its ongoing ability to service larger-sized customers, and the broader recovery in employment trends. We expect Ceridian's growth to be enhanced by its Wallet suite, which allows all employees on Dayforce to request and receive their wages as soon as they are earned (not just at the end of a typical two-week pay cycle) at no cost to employer or employee. We think this feature has the potential to revolutionize the market for payroll software.

EPAM Systems, Inc. provides outsourced software development to business customers using highly skilled, generally low-cost employees across the developing world. It was founded and led by an American émigré from Minsk. The company has had great success in its niche, counting Google, UBS, and Expedia among its largest clients. During its most recent quarter, the company grew its revenues 53% (44% organically), among the best results in its history. The company has more than 50,000 employees, with a significant percentage in Ukraine and Russia. Prior to the ongoing conflict in Ukraine, EPAM had been diversifying its geographic footprint by rapidly expanding in India, Poland, and Latin America. The company has also been actively assisting employees in Ukraine and Russia who wished to relocate, and a meaningful number have done this. Although EPAM is facing significant uncertainty with a large segment of its workforce, we believe the company continues to have strong demand for its services, maintains many longstanding blue chip customer relationships, has historically demonstrated great flexibility in shifting work among geographies, and has $1 billion-plus in cash and no debt. Its share price has corrected considerably, and we believe the long-term risk/reward currently remains favorable.

ANSYS, Inc. is a leading provider of physics-based simulation software. Despite quarterly financial results that exceeded expectations, the stock was pressured because of management guidance for slower free-cash-flow growth next year, coupled with the general rotation away from growth stocks. We believe ANSYS remains well positioned to benefit from the increasing demand for simulation software by leveraging its growing product offerings, partnerships, expanding distribution, and deep customer relationships. In addition, management continues to describe attractive expansion opportunities within its largest customers across all key geographies.

Portfolio Structure

At March 31, 2022, Baron Asset Fund held 60 issuers. The Fund's 10 largest holdings represented 42.2% of assets, and the 20 largest represented 64.9% of assets. The Fund's largest weighting was in the IT sector at 29.5% of net assets. This sector includes software companies, IT consulting firms, and internet services companies. The Fund held 26.8% 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 15.6% 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 12.3% of assets and Consumer Discretionary at 6.9% of assets.

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

Table IV.
Top 10 holdings as of March 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$2.9	$24.5	$428.7	8.0%
IDEXX Laboratories, Inc.	2006	2.5	46.1	368.5	6.8
Mettler-Toledo International, Inc.	2008	2.4	31.2	266.6	5.0
Verisk Analytics, Inc.	2009	4.0	34.6	204.2	3.8
ANSYS, Inc.	2009	2.3	27.6	181.7	3.4
Bio-Techne Corporation	2015	4.0	17.0	173.2	3.2
West Pharmaceutical Services, Inc.	2014	2.9	30.5	166.1	3.1
CoStar Group, Inc.	2016	5.0	26.3	162.5	3.0
FactSet Research Systems, Inc.	2006	2.5	16.4	161.0	3.0
Vail Resorts, Inc.	1997	0.2	10.6	157.1	2.9

Recent Activity

Table V.
Top net purchases for the quarter ended March 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Teleflex Incorporated	$16.6	$18.0
CoStar Group, Inc.	26.3	16.8
Fair Isaac Corporation	12.3	12.0
HubSpot, Inc.	22.6	0.9

Given the widespread and, in some cases, indiscriminate sell-off in growth stocks during the quarter, we chose to increase our stakes in a few companies that we thought had been unfairly penalized by an unforgiving market environment.

Teleflex Incorporated has a large product portfolio that includes primarily single-use medical devices sold to hospitals for use in various critical care and surgical applications, such as tools to administer intravenous medications and masks to administer anesthesia. It also owns UroLift System, a fast-growing technology used to treat enlarged prostates through a minimally invasive procedure. We believe that Teleflex's diversified portfolio of commonly used, relatively inexpensive medical devices, supplemented by fast-growing niche businesses like UroLift, should allow the company to grow its revenues over the long term at a high single-digit rate with ongoing margin expansion, while also making accretive, complementary acquisitions. The company's shares have been pressured by the reduction in various discretionary medical procedures during the pandemic, and we believe that this presented an attractive opportunity for long-term shareholders.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate and apartment rental markets. During the first quarter, despite reporting strong financial results, the company's shares were down more than 50% from their high point during the previous quarter. The stock's weakness was attributed to the company's decision to invest aggressively in its emerging residential housing business. CoStar intends to use two of its recently acquired businesses, Homes.com and Homesnap, to build a compelling offering for potential home buyers and listing brokers. Management believes that this residential business could reach $1 billion in revenues within five years and that the ultimate revenue opportunity is considerably larger. We believe that this business could eventually achieve profitability on par with its other business (over 40% EBITDA margins). When the company made a similarly large investment during its expansion into the apartments market, the market initially punished its stock. The company proved skeptics wrong, as its apartments unit achieved considerable success. We believe that today's investment into residential real estate will prove skeptics wrong again. In the event the residential business does not achieve its goals, management will likely stop investing and divert those resources to other promising opportunities, such as international expansion.

Fair Isaac Corporation is a data and analytics company focused on predicting consumer behavior. It is best known for its Scores segment, which created the FICO Score, an algorithm widely used by businesses when considering whether to grant credit to individuals. The company also has a large financial software segment that has meaningfully penalized its recent profitability because the company has been aggressively investing to make its software available in the cloud. We believe the company has an underappreciated opportunity to increase the growth and profitability of its Scores unit through better price realization. We also believe its software business is poised to report much improved profitability as it reaps the benefits of its multi-year investment cycle.

Table VI.
Top net sales for the quarter ended March 31, 2022

	Amount Sold (millions)
RingCentral, Inc.	$33.6
SBA Communications Corp.	17.7
Farfetch Limited	14.7
Clarivate Plc	11.0
Gartner, Inc.	9.3

During the quarter, we sold our stake in **RingCentral, Inc.**, a cloud-based provider of communications software. We grew concerned that the company's products faced increased competition from Microsoft's Teams product, which is being bundled into other Microsoft software at little additional cost to customers. We reduced our stakes in **SBA Communications Corp.** and **Gartner, Inc.**, both successful long-term holdings, in order to appropriately manage their position sizes. We sold our stake in **Farfetch Limited**, a global luxury e-commerce platform, over concerns that its business in China, a key market for luxury goods, will be permanently impaired by changing governmental policies in that country. We reduced our stake in **Clarivate Plc**, an information services company focused on the scientific and academic markets, after the company reported particularly disappointing fourth quarter earnings results.

Outlook

Throughout its long history, Baron Asset Fund has confronted a variety of challenging market environments, characterized by many of the same concerns that currently preoccupy investors–rising interest rates, increasing inflation, changing monetary policy, and geopolitical uncertainty. We are not aware of any investors who have been able to consistently buy at the bottom of turbulent markets or consistently sell at the top. Instead, we believe that investors have been best served by taking a long-term view of their equity holdings, which have compounded at attractive rates over time.

Given that the most pressing concern for the stock market seems to be the expected series of interest rate hikes by the Federal Reserve, it is worth noting that there have been four previous tightening cycles during the past 30 years. The average return of the S&P 500 Index one year following the Fed's first interest rate hike has been *positive* 6.5%, while the Russell Midcap Growth Index's average return was *even higher* at 15.8%.

Despite the difficult market for growth stocks, we remain confident that our investments in businesses that we believe will benefit from long-lived secular growth drivers, with sustainable competitive advantages, led by best-in-class management, will generate good long-term results. We have not changed our view that the stocks in our Fund have the potential to double in value over a five-year period.

We have never maintained that we have differentiated insight into the impact that macroeconomic or geopolitical issues may have on the stock market, and our investment decisions are not premised on these issues. Instead, we believe that we have created value for our investors throughout the Fund's long history by understanding and analyzing businesses better than many others. We believe that this approach will continue to generate strong long-term performance for the Fund, regardless of volatility in the underlying economic and geopolitical climates.

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.

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