Dear Baron Asset Fund Shareholder:

Performance

U.S. equities gained during the fourth quarter as generally strong corporate earnings and robust macroeconomic data outweighed investor concerns over issues that included rising inflation, supply chain disruptions, the Omicron variant, and potential tapering by the Federal Reserve. Within the mid-cap universe, the Real Estate, Utilities, Materials, Consumer Staples, Industrials, and Information Technology (IT) sectors performed best. In contrast, the Communication Services, Consumer Discretionary, and Health Care sectors failed to keep pace during the period. Performance was mixed between value and growth stocks in the fourth quarter, while large caps continued to outperform their smaller cap counterparts.

Against this backdrop, Baron Asset Fund (the "Fund") gained 5.04% (Institutional Shares), while the Russell Midcap Growth Index (the "Index") gained 2.85%, and the S&P 500 Index gained 11.03%. The Fund's outperformance was attributable to favorable stock selection and tailwinds from certain style biases, notably its underexposure to the poor performing residual volatility and beta factors.

ANDREW PECK

PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended December 31, 2021

	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]	4.97%	5.04%	2.85%	11.03%
One Year	13.93%	14.22%	12.73%	28.71%
Three Years	27.75%	28.08%	27.46%	26.07%
Five Years	21.30%	21.62%	19.83%	18.47%
Ten Years	17.19%	17.51%	16.63%	16.55%
Fifteen Years	11.24%	11.49%	11.69%	10.66%
Since Inception (June 12, 1987)	12.41%	12.52%	11.08%[4]	10.72%

Outperformance of the Fund's investments in Health Care, Financials, and Communication Services and its lower exposure to the lagging Consumer Discretionary sector added the most value. Positive stock selection in Health Care was driven by weighing instruments provider **Mettler-Toledo International, Inc.**, pharmaceutical packaging manufacturer **West Pharmaceutical Services, Inc.**, and life sciences tools developer **Bio-Techne Corporation**, whose shares gained after quarterly financial results and annual guidance exceeded Wall Street estimates. Veterinary diagnostics leader **IDEXX Laboratories, Inc.** also performed well after the company's revenue and margins continued to exceed even the most optimistic analyst estimates. Veterinary practice revenue grew at pre-pandemic rates, as increased pet ownership has caused pet health care expenditures to reach structurally higher levels.

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.

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 December 31, 2021.

5 Not annualized.

Baron Asset Fund

The Fund's Financials holdings appreciated by double-digit percentages, with investment management tools provider **FactSet Research Systems, Inc.** and online brokerage firm **The Charles Schwab Corp.** the standouts. FactSet's shares rose on strong quarterly earnings with accelerating revenue growth and optimism about its pipeline of future business deals. The company also announced the accretive acquisition of CUSIP Global Services, which we view as a prudent use of capital. Schwab's stock was up as the company's continued success attracting new customers to its platform resulted in mid-single-digit organic revenue growth and more than $7.5 trillion in assets. Strength in Communication Services came from marketing solutions provider **ZoomInfo Technologies Inc.**, whose shares were up in response to well-received acquisitions and a positive earnings result.

Real Estate investments detracted the most from relative performance, with real estate marketplace **Zillow Group, Inc.** accounting for all of the weakness. Zillow unexpectedly announced that it was exiting its home-buying business, as it became apparent that the company had overpaid for many homes. We were surprised and disappointed by these developments and decided to exit our position in the company.

We are pleased that the Fund has received a 5-Star Morningstar Rating™ for the 10-year period and a 5-Star Overall Morningstar Rating™.

Table II.
Top contributors to performance for the quarter ended December 31, 2021

	Year Acquired	Percent Impact
Mettler-Toledo International, Inc.	2008	0.98%
Gartner, Inc.	2007	0.70
ANSYS, Inc.	2009	0.55
FactSet Research Systems, Inc.	2006	0.54
Verisign, Inc.	2013	0.45

Mettler-Toledo International, Inc. is a leading provider of weighing systems and measuring instruments for laboratory, industrial, and food retail applications. Its stock performed well after the company reported strong third quarter financial results with revenue and earnings growth, as well as initial 2022 guidance, that exceeded Wall Street forecasts. We believe that Mettler-Toledo remains an exceptionally well-run business with attractive end markets and the ability to compound its earnings at a mid-teens rate for many years.

Shares of **Gartner, Inc.**, a provider of syndicated research, consulting services and industry conferences, contributed to performance after the company again reported financial results that exceeded Street estimates. Revenue growth in Gartner's research business, its largest segment, reached double-digit levels after being depressed by pandemic-driven headwinds. Research growth was led by the company's GBS segment, which continued to benefit from its multi-year investment cycle. We expect ongoing revenue growth and cost controls to drive margin expansion and enhanced free cash flow generation. Gartner's balance sheet remains in excellent shape, allowing the company to aggressively repurchase its shares and to make accretive bolt-on acquisitions.

ANSYS, Inc., a leading provider of physics-based simulation software, contributed to performance after its earnings results exceeded Street estimates. ANSYS continued to grow its sales within its largest customers. In addition, the company continued to expand its product offerings and distribution network through innovation, acquisitions, and partnerships, allowing it to address faster-growing segments of its market. We believe ANSYS remains positioned to benefit from the ongoing growth in demand for simulation across both its core and emerging technology markets.

Shares of **FactSet Research Systems, Inc.**, a leading provider of investment management tools, contributed to performance. The company reported strong earnings with accelerating revenue growth and expressed confidence in its sales pipeline. FactSet also announced the acquisition of CUSIP Global Services, an accretive deal that we view as a smart use of capital. We remain optimistic about FactSet because of the company's large addressable market, consistent execution on both new product development and financial results, and robust free cash flow generation.

Verisign, Inc. provides internet infrastructure services worldwide and is best known for its exclusive role managing the .com and .net domains, for which it receives annual fees from all those domain owners. Shares of Verisign gained after reporting strong revenue growth and operating margins that exceeded Wall Street forecasts. We continue to be positive on Verisign's business, based on its strong competitive position, capacity for global growth in domain names, and its ongoing ability to generate substantial free cash flow.

As of 12/31/2021, the Morningstar Ratings™ were based on 538, 491, 380, and 538 share classes for the 3-year, 5-year, 10-year, and Overall periods, respectively. The Baron Asset Fund received 4, 4, 5, and 5 stars, respectively. The Morningstar Ratings™ are for the Institutional share class only; other classes may have different performance characteristics. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

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

Table III.
Top detractors from performance for the quarter ended December 31, 2021

	Year Acquired	Percent Impact
Zillow Group, Inc.	2015	–0.40%
Stitch Fix, Inc.	2020	–0.32
Avalara, Inc.	2021	–0.29
Wix.com Ltd.	2018	–0.25
Veeva Systems Inc.	2017	–0.24

Zillow Group, Inc. operates the leading residential real estate websites in the U.S. In 2018, Zillow entered the iBuying market through its Zillow Offers unit, which purchased and resold homes, while also providing title, escrow, and mortgage services. By 2020, Zillow Offers had grown rapidly, was available in 25 markets and generated $1.7 billion in revenues. We were excited by the rapid growth in this business segment, and we believed that it could become a significant contributor to Zillow's overall profitability. In November 2021, Zillow unexpectedly announced that it was exiting the home business, as it became apparent that the company had overpaid for a large number of homes, leading to a $500 million write-off. Their explanation for this shocking development was that the valuation algorithms they had developed had made dramatic errors. We were surprised and disappointed by these developments, which caused us to lose conviction in the company's management and strategy. We exited the position during the quarter.

Shares of **Stitch Fix, Inc.**, an online apparel retailer, fell after management meaningfully reduced its 2022 revenue growth projection. Previously a subscription-like business model, Stitch Fix is pivoting to enable consumers to directly purchase clothing that its site recommends. These changes were more disruptive than we had anticipated, causing a drop in customer engagement and the surprise exit of its newly hired Chief Product Officer. We lost confidence in management's ability to execute on its strategy and exited our position.

Shares of **Avalara, Inc.**, a leading cloud-based provider of transactional tax automation software, detracted from performance. The company reported solid quarterly earnings. Nevertheless, the stock sold off on a combination of a sequential deceleration in organic billings growth (explained mostly by a tough comparison) and the broader weakness in high-growth, high-multiple stocks during the quarter. We maintain conviction in the investment, as Avalara operates in a large market, has strong competitive advantages, and is poised to grow revenue at least 20% for many years, in our view.

Wix.com Ltd. is a leading provider of software that small companies utilize to build and operate their websites. Despite encouraging quarterly results that reflected a recovery in new customer additions following the summer slowdown, the company's shares fell as investors continued to rotate out of e-commerce and cloud companies. We retain conviction in Wix's long-term opportunity as it serves a large addressable market (small businesses seeking a web presence) with leading product solutions and an attractive, subscription-based revenue model.

Veeva Systems Inc. is a cloud software provider focused on the life sciences market. As its clients accelerated their digital transformation initiatives throughout the pandemic, Veeva achieved record new software bookings. The company's shares fell during the quarter as more normalized demand trends dampened Veeva's near-term growth trajectory. As digital tools drove efficiencies at pharmaceutical clients, they reduced the number of their sales representatives, which pressured Veeva's seat-based-priced commercial business. We remain confident that Veeva will continue to benefit from the life sciences industry's ongoing modernization initiatives by selling its innovative end-to-end software platform.

Portfolio Structure

As of December 31, 2021, Baron Asset Fund held 65 positions. The Fund's 10 largest holdings represented 42.0% of assets, and the 20 largest represented 64.3% of assets. The Fund's largest weighting was in the IT sector at 31.1% of assets. This sector includes software companies, IT consulting firms, internet services companies, technology distributors, and data processing firms. The Fund held 26.5% of its assets in the Health Care sector, which includes investments in life sciences companies, and health care equipment, technology, and supplies companies. The Fund held 14.7% 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 11.3% of assets and Consumer Discretionary at 7.7% of assets.

Table IV.
Top 10 holdings as of December 31, 2021

	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	$27.5	$492.2	7.8%
IDEXX Laboratories, Inc.	2006	2.5	55.8	443.6	7.0
Mettler-Toledo International, Inc.	2008	2.4	39.0	329.5	5.2
ANSYS, Inc.	2009	2.3	35.0	229.4	3.6
Verisk Analytics, Inc.	2009	4.9	36.9	219.9	3.5
Bio-Techne Corporation	2015	4.0	20.3	206.9	3.3
Vail Resorts, Inc.	1997	0.2	13.3	197.9	3.1
West Pharmaceutical Services, Inc.	2014	2.9	34.7	189.7	3.0
FactSet Research Systems, Inc.	2006	2.5	18.3	180.2	2.8
TransUnion	2017	7.1	22.7	174.1	2.7

Recent Activity

Table V.
Top net purchases for the quarter ended December 31, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
StubHub Holdings, Inc.	$ —	$50.0
Rivian Automotive, Inc.	93.4	33.2
Warby Parker Inc.	5.3	26.5
Nextdoor.com, Inc.	3.0	14.3
Clearwater Analytics Holdings, Inc.	5.4	7.3

The Fund invested in **StubHub Holdings, Inc.**, a private company, during the fourth quarter. The company is cash flow positive, and we do not believe it will need to raise primary capital in the near future. The business was formed when eBay sold its StubHub unit to Viagogo and the merged companies adopted the StubHub name. Eric Baker co-founded StubHub, a marketplace for the purchase and sale of secondary-market event tickets, in the early 2000's and sold that business to eBay. Eric then founded Viagogo, a London-based company that offered a similar marketplace for tickets in geographies outside the U.S. Viagogo flourished under Eric's leadership, while StubHub faced various challenges as a division within eBay.

The "new" StubHub intends to apply Viagogo's successful business practices to the "old" StubHub, with a particular focus on improving its U.S. operations, reducing the combined companies' costs and leveraging StubHub's well-known consumer brand. We are optimistic that StubHub has a significant opportunity to increase its presence in the global market for buying and selling event tickets.

The live event ticketing business experienced significant dislocation since the beginning of the pandemic, with many musical events postponed and many sporting events restricting attendance. However, we believe this has engendered huge pent-up consumer demand to attend live events, and recent attendance figures support this view. The secondary ticket market is estimated at over $15 billion, and it is expected to grow at least 10% annually going forward as a result of this pent-up demand, increased numbers of events (e.g., large backlog of "mega" music tours, 17 vs. 16 game NFL schedule, increased domestic popularity of spectator sports like soccer, etc.), and ticket price inflation. We believe that StubHub will capture significant market share, and that it will realize a higher level of profitability as a combined entity than either of its two predecessor companies achieved.

During November 2021, following years of engagement and investment in **Rivian Automotive, Inc.** as a private company, an enlightening factory visit, and a deep product and strategy review, we participated in Rivian's IPO, one of the largest in recent history. Rivian is the best-funded new entrant (with $20 billion in cash) in the rapidly growing market for electric vehicles. We expect that over the next decades, the automotive industry will shift from a combustion powertrain, human-driven, and unconnected fleet to an electrified, software-enabled, and connected industry. With modern vehicle architecture, a software first approach, and strong talent position, we believe that differentiated, well-managed, and newer automotive companies can capture a large portion of the value generated through this structural change.

Rivian's partnership with Amazon (which owns close to 20% of Rivian) ensures a large market for the company's delivery vans, as Amazon has made the largest EV order in history, committed to purchase at least 100,000, and perhaps more over time. We believe this provides Rivian various advantages, such as a shared electronics platform and large-scale data aggregation, as it enters the consumer automobile market. Rivian is initially focused on producing SUVs and pickup trucks, which are the fastest growing and most profitable segments of the consumer market. Additionally, with management's focus on software enablement from the onset of the company, Rivian offers a broad set of value-added services to customers, allowing the company to generate more revenue while offering a better customer experience. With suppliers' and regulators' support, its high-capacity factory, significant cash reserves, strong partnerships, and talent, we believe that Rivian can reach its target of multi-million vehicles across different geographies and industries over time.

Table VI.
Top net sales for the quarter ended December 31, 2021

	Amount Sold (millions)
Zillow Group, Inc.	$86.5
Acceleron Pharma Inc.	23.6
Stitch Fix, Inc.	23.2
Pinterest, Inc.	20.4
West Pharmaceutical Services, Inc.	16.5

As discussed, we sold our position in **Zillow Group, Inc.** because of unexpected developments in its home buying business unit. We sold our position in **Acceleron Pharma Inc.** after the biopharmaceutical company focused on developing therapeutics for rare diseases announced its sale to pharmaceutical giant Merck.

As discussed, we sold **Stitch Fix, Inc.** after the company reported disappointing results that caused us to reassess our investment thesis. We also sold **Pinterest, Inc.**, a social media network, because of concerns about the sustainability of its long-term growth rate. We reduced our stake in **West Pharmaceutical Services, Inc.**, a successful long-term holding, to recognize some profits as the stock reached record levels.

Outlook

Over 34-plus years, we have remained long-term investors in businesses that we believe will benefit from long-lived secular growth drivers, with sustainable competitive advantages, led by best-in-class management. We invest in stocks that we believe, based on our deep fundamental research, will double in value over a five-year period, and all new and existing holdings must meet that objective.

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 do not believe that we have greater insight than most others about macroeconomic, political, or public health issues, and we do not make investment decisions premised on those issues.

Consistent with this approach, we are not making investments premised on our view about the near-term level of inflation or interest rates–the two issues that continue to have the largest recent impact on the stock market. Similarly, we do not believe it's possible to predict whether investors will favor growth or value stocks in the near term, but we remain convinced that attractive growth stocks are the best place to be invested *for the long term*.

We adhere to this investment strategy, while working to identify beneficiaries of changing technologies and consumer preferences, many of which continue to be impacted by the pandemic. We believe that this approach will generate strong long-term performance for our portfolio, regardless of the economic or political 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.

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