DEAR BARON DISCOVERY FUND SHAREHOLDER:

PERFORMANCE

We are pleased to report that in the first quarter Baron Discovery Fund (the "Fund") was up 7.47% (Institutional Shares) which was 2.59% better than the Russell 2000 Growth Index (the "Benchmark"). Market conditions have echoed the environment we saw in the second half of 2020, which has been generally conducive to the performance of small-cap stocks. Our review of dozens of year-end earnings reports makes it clear that the fundamentals of our portfolio companies continue to improve as the economy recovers from the pandemic.

Table I.
Performance†
Annualized for periods ended March 31, 2021

	Baron Discovery Fund Retail Shares[1,2]	Baron Discovery Fund Institutional Shares[1,2]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[3]	7.40%	7.47%	4.88%	6.17%
One Year	122.40%	123.05%	90.20%	56.35%
Three Years	31.82%	32.16%	17.16%	16.78%
Five Years	31.18%	31.52%	18.61%	16.29%
Since Inception (September 30, 2013) (Annualized)	21.08%	21.38%	13.12%	14.42%
Since Inception (September 30, 2013) (Cumulative)[3]	319.84%	327.76%	152.06%	174.60%

While stock prices do reflect expectations of an improved economic backdrop, we continue to believe investors are underestimating the magnitude of the potential strength in the economic recovery and thus, in the earnings power of many of our businesses. For example, in many of our Consumer Discretionary businesses, Wall Street consensus expectations are that earnings for 2022 will have recovered to 2019 levels. We believe that these estimates significantly underestimate both the pent-up demand for leisure activities and the excess savings that Americans have built up over the last 12 months. As a result, our earnings forecasts for the back half of 2021 and 2022 are much more bullish than consensus and we do not think

RANDY GWIRTZMAN AND LAIRD BIEGER

PORTFOLIO MANAGERS

Retail Shares: BDFFX
Institutional Shares: BDFIX
R6 Shares: BDFUX

these higher earnings estimates are reflected in the stock prices of many of our holdings. We present **Tripadvisor, Inc.** (with a more detailed exposition below) as a prime example. In our view, the latent demand for leisure travel is as great as it has been since the end of World War II. As a result, we expect leisure travel to have an outsized recovery starting in the back half of 2021. If our thesis is correct, this favorable macro backdrop will propel Tripadvisor's earnings well ahead of expectations, which means that the stock, even with its recent outperformance, still has significant upside from here.

Other areas of the economy should snap back as well including the medical device industry. Earlier in the pandemic, hospitals basically eliminated all elective procedures (some of which are elective only in the sense that they are not immediately life threatening but need to be addressed in the near term). This was done to create hospital capacity to deal with sick COVID patients and to protect health care workers from unnecessary viral exposure. In addition, non-hospital surgical center procedures suffered as patients and

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, 2020 was 1.35% and 1.08%, 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 Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2031, 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 1Q 2021, 3-, and 5-year historical performance was impacted by gains from IPOs and/or secondary offerings. 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.

1 The **Russell 2000® Growth Index** measures the performance of small-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. The indexes are unmanaged. The 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 Not annualized.

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surgeons feared infection. More recently, our portfolio companies have seen an uptick in the number of elective procedures being performed. This has been muted somewhat due to the resurgence of COVID cases in early 2021. However, given massive progress in vaccinations we expect procedure volumes to return to near normal levels by the second half of 2021. We believe as this improvement in fundamentals becomes more obvious to the market, those companies' stocks will reflect this improved reality.

Overall, we are excited about 2021 given these tailwinds and we believe that the Fund is well-positioned to capitalize on the resurgence of our fantastically innovative U.S. economy.

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

	Percent Impact
Tripadvisor, Inc.	0.89%
Ichor Holdings, Ltd.	0.77
Montrose Environmental Group, Inc.	0.72
Viant Technology Inc.	0.61
Pacific Biosciences of California, Inc.	0.57

Tripadvisor, Inc. is an online travel site used to browse customer reviews and plan trips. Sentiment toward the company increased following a well-received launch of its travel-focused subscription offering. In our view, Tripadvisor is a unique asset with significant barriers to entry and is well-positioned to benefit from consumer demand as pandemic-related travel restrictions ease. We have more on why we like Tripadvisor in the "Recent Activity" section of our letter.

Ichor Holdings, Ltd. supplies critical gas and chemical delivery subsystems to semiconductor equipment manufacturers. Ichor's subsystems are incorporated into etch, deposition, and lithography tools that accomplish key steps in the semiconductor manufacturing process. Shares of Ichor were up during the first quarter as the semiconductor upcycle continued and Ichor gained market share through strong execution. Not too long ago, the overall level of spending on semiconductor capital equipment ("SCE") was expected to be around $40 billion to $50 billon at the peak of the cycle. Now, due to many factors including increased chip density in many products, electric vehicle requirements, and semiconductor nationalism (where countries view strategic production within their borders as critical), some are expecting an SCE cycle peak at over $100 billion. It is likely that the growth in SCE spending will be more sustainable than in the past. We believe Ichor's leading market position, long-term customer relationships, and strong management set it up to not only ride this huge secular trend, but also to outgrow the market for years to come.

Montrose Environmental Group, Inc. is a leading environmental services company with operations across North America, Australia, and Europe. The stock outperformed during the quarter as investors became increasingly aware of Montrose's growth opportunities. The company provides solutions that offer customers a full suite of environmental services, including permitting, testing, and remediation, that are centered around air, soil, and water. Montrose's capabilities are increasingly aligned with political and regulatory priorities, which provides support for the company's expected strong growth. Montrose is growing revenues organically in the mid- to high single-digit range and, combined with acquisitions, it expects to grow revenues over 20% per year for years into the future. The environmental services industry is highly fragmented, and Montrose had only $328 million in 2020 revenues, a small fraction of the $1.25 trillion global market. We continue to think that Montrose has a long runway of growth as it becomes a national scale provider in the industry.

Viant Technology Inc. is a leading demand-side digital advertising platform enabling agencies to efficiently purchase advertising across online video channels. Shares increased sharply after its February IPO. The company also benefited from robust growth in the Connected TV business, which is capitalizing on a shift in advertising dollars from linear TV (old-school broadcast advertising) to user-generated content. We have more on why we like Viant in the "Recent Activity" section of our letter.

Pacific Biosciences of California, Inc. offers a differentiated long-read DNA sequencing platform for genetic analysis. As had happened in the fourth quarter, shares performed exceedingly well for the period held in the first quarter of 2021, up over 29%. Given that revenues were in line with fourth quarter consensus, we believe the stock appreciation was driven by Softbank's $900 million investment in the company. While we are exceedingly excited about the prospects of the company's game-changing technology, we are at the same time hard pressed to find scenarios in which the current market valuation makes sense even on a long-term basis. Therefore, we sold the remainder of our investment in the quarter. That said, we continue to follow the company closely and would look to reinvest in the company if the valuation became more reasonable.

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

	Percent Impact
Acutus Medical, Inc.	–0.55%
Everbridge, Inc.	–0.38
Kinsale Capital Group, Inc.	–0.34
Silk Road Medical, Inc.	–0.32
Ping Identity Corporation	–0.30

Acutus Medical, Inc. offers a 3D imaging platform that maps the internal electrical pulses of the heart. Acutus' proprietary non-contact technology can create these maps far faster than any of its competitors, enabling more accurate catheter-based ablation to treat arrhythmia. Shares pulled back in the quarter after Acutus missed consensus growth expectations. The company is in the very early stages of commercialization and the launch is progressing slower than analysts' forecasts. Nevertheless, we believe the company has a differentiated mapping solution that has significant potential to disrupt the ablation market over the long term. We are maintaining our investment and expect significant and accelerating growth over the next few years.

Everbridge, Inc. provides a cloud-based software solution to companies for critical event management ("CEM") as well as general population alerts for public authorities. Shares declined during the first quarter as part of the broader market rotation from high-valuation software stocks coupled with continued pandemic-related pressure on Everbridge's organic growth rates. We retain conviction given the company's significant lead over its competition and the early stage of CEM adoption, with just 2% of Everbridge's 5,000-plus population alert customers having adopted CEM thus far.

Kinsale Capital Group, Inc. detracted from performance despite reporting continued strong earnings growth. Earnings were strong and premium growth of 34% was ahead of expectations, but it decelerated from the prior quarter against a tougher comparison. The stock meaningfully increased last year, which may have led to some profit taking this quarter. We continue to own Kinsale because we believe the company has a long runway for growth in an attractive segment of the insurance market.

Silk Road Medical, Inc. designs and manufactures medical devices used to clear plaque from the carotid arteries of patients at high risk of stroke. The device is minimally invasive, and we believe that over 80% of the current procedure market, which is about $1 billion ($650 million in currently approved applications), could shift to Silk Road's device over the next few years. Shares were down in the first quarter as it posted fourth quarter results and 2021 revenue guidance that were below consensus expectations. This disappointed some investors who had bid up the shares prior to earnings in anticipation of a COVID recovery bump in 2021. We still believe that procedure volume will normalize in 2021 as COVID subsides, and that Silk Road will benefit immensely. We think that management is rightly being conservative given the limited reopening data it had at the time of the earnings call. However, we are also extremely excited that in the fourth quarter the company filed a PMA application for FDA approval of a standard risk indication for its device, which would access the remaining $350 million of its core $1 billion market. It is also a big positive that 1,800 total surgeons had been trained by year end 2020, with 350 trained in 2020 alone, and Silk Road now has accounts in over 800 hospitals. We still believe that the company should be able to grow revenues from $75 million in 2020 to hundreds of millions over the next five years as it converts this standard surgical market to the minimally invasive Silk Road device.

Ping Identity Corporation offers Identity and Access Management ("IAM") solutions enabling secure network and software access to employees, partners, and customers. Shares fell after the company outlined a more complex pandemic-driven spending environment in which enterprise projects were awarded in smaller pieces and deployments were extended over longer periods of time. This enabled clients to conserve valuable working capital, but obviously negatively impacted Ping's revenue growth rate. The good news is that these smaller projects ultimately will become fully implemented IAM solutions, which will drive accelerating growth as the pandemic recovery takes hold. We also expect Ping to further hone its sales process to drive increased numbers of customers. Our research continues to show that Ping's enterprise solutions are among the best available and that its current trading multiple makes it one of the best "growth at a reasonable price" software names around.

Portfolio Structure

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

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Tripadvisor, Inc.	2021	$44.4	2.7%
Mercury Systems, Inc.	2015	44.0	2.7
TPI Composites, Inc.	2016	39.6	2.4
Endava plc	2018	38.1	2.3
Inogen, Inc.	2019	37.2	2.3
Advanced Energy Industries, Inc.	2019	34.9	2.1
CareDx, Inc.	2018	34.0	2.1
Floor & Decor Holdings, Inc.	2019	33.4	2.0
Kinsale Capital Group, Inc.	2016	33.0	2.0
SiteOne Landscape Supply, Inc.	2016	31.8	1.9

Our top 10 holdings represented 22.5% of the portfolio, which is slightly below typical levels, though over the longer term, we would still expect our top 10 holdings to approximate one quarter of the portfolio.

Recent Activity

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

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
Tripadvisor, Inc.	2021	$7.3	$28.7
Vesper Healthcare Acquisition Corp.	2021	0.6	21.8
Mercury Systems, Inc.	2015	4.0	21.0
Viant Technology Inc.	2021	3.1	19.0
SailPoint Technologies Holdings, Inc.	2020	4.7	17.6

Our top purchase this quarter was **Tripadvisor, Inc.**, an online travel research company. In our view, Tripadvisor has built a strong following with over 460 million unique monthly visitors to its travel site and is well positioned to benefit as COVID-related travel restrictions ease. We became interested in the company as we saw management undertaking numerous positive changes that we believe are underappreciated by the broader market. First, the company is testing its newly announced Tripadvisor Plus subscription, which provides significant value to consumers by offering discounts and perks on Tripadvisor hotel bookings for only $99 per year. We have seen other companies, such as Amazon.com and DoorDash, have success with similar subscription products and we are bullish on subscription businesses generally as they drive high-quality recurring revenue and strong customer loyalty. From a financial perspective, what gets us excited about the Tripadvisor Plus program is that if it can convert a little over 2% of its 460 million monthly unique users into Tripadvisor Plus, the company can add approximately $1 billion in high-margin recurring subscription revenue. Ultimately, we think it will be able to achieve 5% to 10% penetration, or more, if the company can secure a Tripadvisor Plus credit card partnership. We are further encouraged by the addition of two new executives, Lindsay Nelson as Chief Experience and Brand Officer in charge of consumer-facing products, and Kanika Soni as Chief Commercial Officer leading B2B operations. Lastly, Tripadvisor implemented $250 million of fixed and discretionary cost reductions during the pandemic (most of which are permanent) that we believe can drive a faster-than-expected recovery to pre-pandemic profit levels when business recovers. Taken together, we believe these factors will drive an increase in the company's profitability and valuation multiple.

During the quarter, we purchased shares of **Vesper Healthcare Acquisition Corp.**, a special purpose acquisition corporation led by Brent Saunders, the former CEO of Allergan. We purchased shares of Vesper after it announced a deal to acquire HydraFacial. HydraFacial is an innovative skin care and beauty health company providing consumers the benefits of a professional medical treatment with the experience of a consumer brand. The company's patented three-step facials are well suited to benefit from consumers increasingly willing to spend on high-end beauty health both in the U.S. and internationally. HydraFacial's core business model is to sell both the facial delivery system and the associated consumables to estheticians in the medical channel as well as to spas and beauty retailers around the world. HydraFacial provides these estheticians a strong value proposition with a high return on initial investment and the ability to drive incremental traffic that ultimately improves revenue from other spa/practice offerings and treatments. Aside from strong industry tailwinds, we were attracted to HydraFacial's asset light, recurring revenue business model. HydraFacial's base of 15,000 (and growing) delivery systems generate steady recurring revenues as each facial treatment utilizes high-margin consumables as part of the process. We believe that HydraFacial's revenues can increase four-fold between 2020 and 2025 as the company more than doubles its base of delivery systems both domestically and internationally while better monetizing each system with new serums and different product and category extensions.

Shares of **Mercury Systems, Inc.**, a leading Tier 2 defense electronics integration company, were down along with the broader defense industry due to concerns that defense spending will be a lower priority under the new administration. Given initial indications, we believe the defense budget will be flat to slightly up and that Mercury will thrive in the current environment. The company is involved in all key priorities of the current U.S. defense strategy (and what we believe its future strategy will be). This includes electronic warfare, radar systems, missile defense, and aircraft carrier defense. Given what we viewed as compelling valuations on the shares in the near, medium and long term, we added to our position on weakness in the quarter.

This quarter we became investors in **Viant Technology Inc.**, an advertising software company that enables marketers and ad agencies globally to plan, buy, and measure ad campaigns in a highly automated fashion. Founded in 1999, Viant is still led by brothers and founders Tim and Chris Vanderhook. The company enables marketers to tap into data from over 70 partners in order to conduct high-return ad campaigns without dependence on the "cookie" (cookies are text files with small pieces of data, like a username and password, that are used to identify your computer as you use a computer network). The reason cookie-less technology is becoming increasingly important within digital advertising is that Apple and Google have announced they have (or soon will) disable tracking of third-party cookies in their respective web browsers. Last year, Viant represented less than 0.1% market share in the $205 billion U.S. advertising market. We believe Viant's patented tracking technology should enable it to meaningfully take market share from competitors while benefiting from double-digit growth in programmatic advertising generally. As a result, revenue is expected to grow 20% or more for the next several years, which we think will result in steady stock appreciation from current levels.

SailPoint Technologies Holdings, Inc. is a cybersecurity vendor in the identity governance space. It is a complementary technology to Ping (which grants access to networks and systems based on identity), but it differs in that SailPoint helps companies govern the constantly changing privileges of employee access to the appropriate applications and systems in its networks. Privilege and governance management (SailPoint) is effectively the "back end" to the "front end" (Ping) of access management. As employees' positions change, so do their access requirements and SailPoint helps automate this process as well as providing full provisioning and audit tracking that ties to the appropriate regulatory and compliance mandates of the customer. The company's products have become increasingly top of mind over the past year as industry cybersecurity leader FireEye and infrastructure tools vendor SolarWinds were both hacked in a state sponsored attack. This has driven increased demand for SailPoint's solutions. SailPoint is currently transitioning from an on premise (one-time perpetual license payment plus some recurring maintenance payments) to a recurring subscription revenue model. This has resulted in slower top-line growth as overall contract revenues move from upfront payments to smaller annualized payments. However, when the transition is complete, we expect to see accelerating top-line growth that is nearly 100% recurring. This will garner a much higher market multiple. We have seen this movie before, most recently in our successful Varonis investment, and we expect strong annualized contract value growth as subscriptions increase over the next two to three years.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Pacific Biosciences of California, Inc.	2020	$1.0	$5.7	$32.7
Ollie's Bargain Outlet Holdings, Inc.	2019	3.5	5.7	13.2
Purple Innovation, Inc.	2020	1.0	2.1	10.5
The Cheesecake Factory, Inc.	2020	1.1	2.7	9.9
Qualys, Inc.	2013	0.7	4.1	9.7

We reduced our positions in **Ollie's Bargain Outlet Holdings, Inc.** and **The Cheesecake Factory, Inc.** as they had reached our longer-term price targets.

We reduced our position in **Purple Innovation, Inc.** as consumer demand softened and the company issued financial guidance that was lower than our expectations. We still believe in the longer-term opportunity for the company but want to see how the company's marketing strategy resonates with consumers.

We reduced our investment in **Qualys, Inc.** during the quarter. The company has been a long-time holding and winner for the Fund. Qualys provides sophisticated cybersecurity software that scans endpoints, such as computers, printers, and servers, to check for configuration and other vulnerabilities and to ensure that companies are keeping up with policy compliance requirements. While we have always been a huge fan of the company's high-margin recurring revenue business model, we are growing increasingly concerned that new products needed for growth are not gaining sufficient traction. Moreover, we were very saddened to hear that due to illness, CEO Phillipe Courteau has left the company. We wish him a speedy recovery and continue to hold a smaller investment in Qualys as we await a reacceleration in growth.

OUTLOOK

We are pleased with our start to the year and are even more excited to see how the fundamentals of our companies improve in a post-pandemic environment. We continue to have terrific idea flow, and despite the recent appreciation in the market, we continue to find fast growing and innovative companies at valuations that we believe are sufficient to meet our investment return goals.

Thank you for your support!

Randy Gwirtzman & Laird Bieger
Portfolio Managers

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Risks: The Adviser believes that there is more potential for capital appreciation in smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities may be thinly traded and they may be more difficult to sell during market downturns. 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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