DEAR BARON DISCOVERY FUND SHAREHOLDER:

PERFORMANCE

Table I.
Performance†
Annualized for periods ended December 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]	(3.19)%	(3.13)%	0.01%	11.03%
One Year	4.63%	4.89%	2.83%	28.71%
Three Years	29.91%	30.26%	21.17%	26.07%
Five Years	24.44%	24.75%	14.53%	18.47%
Since Inception (September 30, 2013) (Annualized)	18.62%	18.91%	11.59%	15.69%
Since Inception (September 30, 2013) (Cumulative)[3]	309.00%	317.49%	147.16%	232.87%

RANDY GWIRTZMAN AND LAIRD BIEGER

PORTFOLIO MANAGERS

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

"All of us would be better investors if we just made fewer decisions."
"The average investor's return is significantly lower than market indices due primarily to market timing."
"If owning stocks is a long-term project for you, following their changes constantly is a very, very bad idea. It's the worst possible thing you can do because people are so sensitive to short-term losses. If you count your money every day, you'll be miserable."
"Regret is an emotion and it is also a punishment that we administer to ourselves."
Daniel Kahneman

Behavioral economics is not typical beach reading, but then again books on genetic mechanisms and protein expression are not either. Nevertheless, this was the menu for holiday break. Daniel Kahneman is a Nobel Prize winning behavioral economist who wrote ***Thinking Fast and Slow,*** which details his lifetime of work in the field. The title of the book refers to the two decision-making processes possessed by humans. System 1 (thinking fast) is instinctual and automatic, relying on rapid recall of prior experiences to make a quick decision on facial evidence. System 2 (thinking slow) is more conscious and methodical, and it is more akin to solving a complex mathematical problem using evidence and painstaking steps. Humans move back and forth between the two systems depending upon the situation (we couldn't function if every decision we made was wholly methodical, but "snap" decisions based purely on instinct can fail us as well). All humans are affected by heuristic errors (mental shortcuts or blind spots in the decision-making process) which can lead to poor decisions under either or both decision-making processes. For example, Kahneman found that humans tend to feel loss more fully than they feel gain (for say a similar $1,000 amount). This can lead to overly cautious or irrational decisions merely because of a "current account" that is in a loss position. It can also lead to recency bias issues where the last experience (for example, a down day or month) can be more salient than a broader experience (a much more positive full-year or multi-year prior return). Kahneman posits that we cannot avoid making mistakes, but that we can limit the consequences of those mistakes by learning to "recognize situations in which mistakes are

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 1.31% 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 Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2032, 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 1-, 3-, and 5-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 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. 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 Not annualized.

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likely and try harder to avoid significant mistakes when the stakes are high." We think of this as risk management. We are System 2 types of investors, but, in fast moving markets, many managers are driven by System 1 thinking, which in an iterative process drives increased market volatility. You can only be a System 2 investor if you have the time to painstakingly analyze each investment–this mandates a long-term investment horizon.

The heuristic deficiencies exhibited by humans are why process-based approaches to achieving results win out over goal-oriented approaches. While it is true that we have a goal of earning high returns on invested capital, that desired result can only consistently happen in a process-based structure with a long-term investment horizon. Within our process, we use our experience, research resources, and risk management techniques to minimize the problems of over-optimistic assessments of future unknowns and other human biases that can negatively impact investment returns. These techniques include keeping position sizes reasonable; balancing the types of investments in the portfolio among high-growth, reasonable-growth, and special situation/other non-correlated investments; closely monitoring valuations; and performing constant due diligence on new and existing investments. There will be periods like the fourth quarter when we underperform the market. Many unusual factors were at work in the quarter, including the unexpected persistence of inflation, which has led to a shift in monetary policy by the Federal Reserve governors; tight labor markets; the double impact of the Delta variant of the Coronavirus in the fourth quarter before Omicron appeared and made matters worse; and extreme political and fiscal uncertainty. Sentiment has shifted in favor of "risk-off", so not surprisingly, larger-capitalization stocks outperformed small, and value outperformed growth across most market cap segments. However, we truly believe that our long-term orientation, expertise in evaluating industries, management teams, and strategic plans will result in long-term outperformance. In the past eight-plus years in which Baron Discovery Fund (the "Fund") has been active, this has been the case. As of December 31, 2021, the Fund has provided annualized returns of 18.9% (Institutional Shares) since inception, with an excess return net of fees of 7.3% per year. Over the last five years the Fund's annualized return was 24.8% and excess return was 10.2% per year.

In the fourth quarter, the Fund was down 3.13% versus the Russell 2000 Growth Index, which was roughly unchanged. For the full-year 2021, the Fund was up 4.89% and beat the 2.83% return of the Russell 2000 Growth Index by 2.06%. The lion's share of the underperformance in the fourth quarter was due to stock selection in the Information Technology (IT) and Health Care sectors. In IT, there was a fairly even spread of winners and losers for the quarter, though IPO profit taking affected **Couchbase, Inc.** and **ForgeRock, Inc.** after big third quarter gains. There was certainly a degree of multiple contraction in IT as investors embed the expectation of higher interest rates into their valuation models. Health Care underperformed nearly across the board, largely due to the effect of the resurgence of COVID in the form of the Delta and Omicron variants on health system availability and utilization, which really hurt our medical device companies. There were some one-off cases as well, like **Revance Therapeutics, Inc.** (see discussion below) and **Definitive Healthcare Corp.** (investors took profits after a big post-IPO run in the third quarter). Critically, we believe that the fundamental investment theses for our companies remain strong, and that many of the negative headwinds we experienced in the fourth quarter (and that we have continued to see early in the first quarter of 2022) should abate, particularly in Health Care. This means that we believe that we have substantial embedded upside in the medium and long term for these sectors which comprise about half of the portfolio.

We are excited about our portfolio, despite the current market volatility and sector rotation in the market. Nearly all of our investments are secular growth stories that are less sensitive to economic cycles, which we believe bodes well for their growth prospects longer term despite some current headwinds. We know these economic headwinds will abate at some point and secular growth stocks will shine when they do.

The themes we are excited about for 2022 include:

- *Cybersecurity:* Protecting endpoints (**Qualys, Inc.**), company files and data (**Varonis Systems, Inc.**), and ensuring access only to properly credentialed people (**Ping Identity Corporation**, **ForgeRock, Inc.**, and **SailPoint Technologies Holdings, Inc.**)
- *Systems software:* Next generation databases that provide flexibility, speed, and scalability (**Couchbase, Inc.**); and network/software performance management monitoring that rapidly solves network issues (**Dynatrace Holdings LLC**)
- *Defense:* Speeding up and lowering the cost of electronic systems integrations (**Mercury Systems, Inc.**) and lowering the cost and improving next-generation autonomous drones (**Kratos Defense & Security Solutions, Inc.**)
- *Advanced industrials:* 3D printing in composites (**Markforged Holding Corporation**), aerospace grade metals (**Velo3D, Inc.**), precision power supply components (**Advanced Energy Industries, Inc.**), and digital distributed textile printing (**Kornit Digital Ltd.**)
- *Semiconductors:* Advanced equipment for gas delivery chambers (**Ichor Holdings, Ltd.**); measurement of features and materials (**Nova Ltd.**); energy efficient semiconductors for EV's, solar, and fast chargers (**Navitas Semiconductor Corporation**); and advanced automotive semis (**Allegro MicroSystems, Inc.** and **indie Semiconductor, Inc.**)
- *Medical devices:* Radiological cancer treatment that uses MRI to visualize tumors (**ViewRay Incorporated**), minimally invasive carotid artery surgery (**Silk Road Medical, Inc.**), implants to control incontinence (**Axonics, Inc.**), portable oxygen (**Inogen, Inc.**), and blood transfusion safety (**Cerus Corporation**)
- *Health care services:* Databases that help companies understand how to sell to the health care system (**Definitive Healthcare Corp.**), services to help patients navigate and control their health care costs (**Accolade, Inc.**), and fertility benefits networks (**Progyny, Inc.**)
- *Health care equipment and tools:* Cryogenic sample storage and transport for research and next-generation treatments (**CryoPort, Inc.** and **Azenta, Inc.**), protein discovery and characterization (**Olink Holding AB**), and advanced AI driven research to speed drug discovery (**Recursion Pharmaceuticals, Inc.**)
- *The re-emergence of the consumer in a post-COVID world*.
  We expect the consumer to resume eating out at restaurants and shopping in person in retail stores. As a result, we believe that our restaurant (**The Cheesecake Factory, Inc.** and **Sweetgreen, Inc.**) and retail (**Petco Health and Wellness Company, Inc.** and **Floor & Decor Holdings, Inc.**) portfolio companies will show outsized profit growth. We also expect a boom in travel and leisure spending, which will benefit our casino companies (**Red Rock Resorts, Inc.** and **Boyd Gaming Corporation**), leisure companies (**Liberty Media Corporation–Liberty Formula One** and **Membership Collective Group Inc.**), and travel companies, such as **Tripadvisor, Inc.** We have

other investments that we believe will benefit from a normalization of consumer behavior, such as **Fevertree Drinks plc**, a producer of premium drink mixers, which will benefit from consumers drinking mixed alcoholic beverages away from home and **JBG SMITH Properties**, an owner of multi-family and office real estate, which benefits from workers returning to offices again.

- *Normalization of the global supply chain*.
  Many of our portfolio companies have been impacted by the well-publicized problems in the global supply chain. It is our belief that as we move through 2022, we will see many of these issues be resolved. As a result, we expect the companies that were negatively impacted to restore their normalized growth trajectories. Portfolio companies that will benefit include **ACV Auctions Inc.**, an online platform that allows car dealers to purchase used car inventory, where a return to more normalized new car production will help stabilize the volume of used cars being sold in the market (which in turn will benefit ACV) and **SmartRent, Inc.**, an enterprise smart home automation company that can accelerate revenue growth when it has greater access to electronic equipment that is currently in short supply.

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

	Percent Impact
Kinsale Capital Group, Inc.	0.90%
Rexford Industrial Realty, Inc.	0.70
Endava plc	0.64
Nova Ltd.	0.52
Navitas Semiconductor Corporation	0.47

Specialty insurer **Kinsale Capital Group, Inc.** outperformed after reporting better-than-expected quarterly results. Gross written premiums grew 36% and EPS nearly quadrupled as the underwriting margin expanded to the highest level in the company's history. Market conditions remain favorable with rate increases well above loss cost trends, leading to better margins and favorable reserve development. We continue to own the stock because we believe Kinsale has a long runway for growth in an attractive segment of the insurance market.

Rexford Industrial Realty, Inc. contributed positively to performance during the fourth quarter. Rexford is a high-growth REIT that owns a portfolio of industrial warehouse properties concentrated in Southern California. Outperformance was driven by continued robust business fundamentals that led to better-than-expected third quarter financial results and raised full-year guidance. Rexford is also seeing accelerating acquisition activity, which is accretive to the company's profitability.

Endava plc provides consulting and outsourced software development for business customers. Shares outperformed after the company reported better-than-expected quarterly results with 55% revenue growth and 89% EPS growth. Full-year financial guidance was raised to reflect strong demand across all verticals and geographies. Management expects organic revenue growth to exceed 30% this year and 20% over the long term with upside from accretive acquisitions. We continue to own the stock because we believe Endava will continue gaining share in a large global market for IT services.

Shares of **Nova Ltd.**, a semiconductor equipment company focusing on the metrology (measurement) market, rose during the quarter as the company reported strong financial results and an accretive acquisition to expand its addressable market. Nova continues to benefit from the increasing complexity of semiconductor devices, which require new equipment to measure the chemical, materials, and physical properties of the chips, and increased capital spending by semiconductor manufacturers driven by strong end-market demand. The company leverages its research and development capabilities to deliver unique products to its customers that improve speed and quality and continues to take share in its existing and expansionary addressable markets.

Navitas Semiconductor Corporation is the industry leader in gallium nitride ("GaN") power semiconductors. The company's shares rose during the quarter after its SPAC transaction closed. Navitas is seeing strong momentum in its mobile charger and consumer business driven by its monolithically integrated GaN power ICs (full power systems on a single chip), which provide greater reliability and performance compared to competitors that supply discrete power devices (that require multiple power components to create a system). The company also released its initial sample products for higher power end markets in data center, renewable energy, and automotive, which remain on track to generate revenues in the coming years. We believe that Navitas will continue to see strong growth by leveraging its unique technology to maintain leading share of the GaN power semiconductor market, which is expected to grow rapidly in the coming years driven by GaN's improved efficiency compared to silicon, generating energy and cost savings for customers.

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

	Percent Impact
Revance Therapeutics, Inc.	–0.68%
Everbridge, Inc.	–0.62
S4 Capital plc	–0.46
CareDx, Inc.	–0.46
Accolade, Inc.	–0.40

Revance Therapeutics, Inc. is an aesthetics pharmaceutical company developing a long-lasting injectable botulinum toxin that it calls Daxibotulinum toxin ("Daxi"). The duration of the drug's effect is almost twice as long as Botox, the market leader, and is unique in this multi-billion dollar market that includes both aesthetic and therapeutic uses. The company has shown solid phase 3 clinical results for the glabellar lines (above the nose) indication for its drug, and submitted an NDA for approval of the drug, as well as an application for approval of its manufacturing facilities in California. Originally, the FDA drug approval deadline was slated for November 2020, but due to COVID, the timeline kept getting pushed back. A plant inspection was finally performed by the FDA in the third quarter of 2021. To the massive surprise of the company and the markets, the FDA determined in the fourth quarter, that there were certain plant deficiencies (not fully disclosed to the public) which prevented approval at the time. Needless to say, it was a negative event, and shares suffered. Management is in the process of garnering more information from the FDA to understand and remediate the causes of the agency's concerns. We believe that Daxi ultimately gets approved (possibly by later in 2022), and that there is enormous embedded value in the company's equity.

Everbridge, Inc. provides a cloud SaaS solution for critical event management, mass notification, population, and IT alert and enterprise safety applications that automate and accelerate an organization's operational response. Shares of Everbridge declined in the fourth quarter after the company announced the resignation of its CEO and guided for a slowdown in organic growth. We decided to sell our position as a result of this development.

S4 Capital plc is a global marketing services business founded by Sir Martin Sorrell, the founder and prior CEO of WPP, the largest ad agency in the world. S4 encompasses creative production firm MediaMonks and data-driven media consultancy MightyHive. Shares of S4 were down 24% in the fourth quarter on a slightly lowered margin outlook into 2022 as the company opted to reinvest in its technology and marketing teams to support larger client wins. Previously expecting to improve margins in 2022, management guided to margins staying flat as they ramped headcount. We believe S4 is doing the right thing by penalizing near-term earnings to support long-term growth. This should be a transitory hit to margins as we start to see revenue from new client wins flowing through on a lag to the associated hires necessary to support that growth. Also, despite the near-term volatility, the stock was still up 26% for the year given solid execution and secular tailwinds. We retain conviction in the long-term outlook.

CareDx, Inc. provides transplant testing and ancillary services. The company reported strong fourth quarter earnings (it beat and raised full-year guidance), driven primarily by its kidney and heart transplant tests. It also continues to move forward with more transplant tests (liver, stem cell/bone marrow transplant, cell transplant, and lung). We believe the weak share performance in the quarter related to flattish revenue guidance in the fourth quarter driven by some holiday seasonality and the Omicron COVID variant. Additionally, some investors were concerned that average selling prices were a bit lower in the third quarter, however this reflects the company's new lung test which is not yet reimbursed by commercial insurers (but which CareDx is running to gain share). This is typical of diagnostic launches, and we are not concerned. There is also noise surrounding a competitor's study data in kidney that is purported to be more accurate than CareDx's test. While the headline number looks slightly better for the competitor, it is important to note that CareDx's Heart Care combination test, which includes both donor-derived DNA and gene expression testing, is at least comparable to the competitor's accuracy. Also, the full publication has not yet been released, and we have reason to believe that CareDx could successfully modify its test to be as accurate as the competitor if needed. CareDx has proven itself to be a terrific long-term partner to its customers, providing not only tests, but services to transplant centers and their patients that creates brand stickiness, and therefore competitive advantage beyond pure testing. We are not concerned by the short-term dip in the share price as CareDx still has significant market opportunity in kidney, heart, and all of its pipeline products.

Accolade, Inc. is a leader in providing purpose-built, technology-enabled virtual health care and personalized engagement services. Its products are designed to help employees access care and navigate/maximize their benefits with the goals of reduced health care costs and better outcomes. Shares dropped in the fourth quarter, alongside those of other high-multiple, tech-enabled, not yet profitable health care companies as investors became more focused on the path to profitability versus pure revenue growth and revisited valuations given the outlook for higher interest rates. Investors also grew more sensitive to perceived competition, as the health care IT space continues to attract significant venture capital. We continue to have a positive long-term view on this high-quality, well-managed company. We believe that Accolade has a truly differentiated offering, which is well aligned with the industry's movement towards value-based care, and which delivers a measurable return on investment to clients. The 2021 acquisitions of 2ndMD and Plushcare, second opinion and virtual primary care providers, respectively, significantly broadened Accolades' value proposition and should allow for meaningful cross-selling and higher-margin opportunities in 2022 and beyond. We added to our position in Accolade as we believe that shares have been oversold due to macroeconomic reasons rather than fundamental value reasons.

Portfolio Structure

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

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Endava plc	2018	$67.2	3.5%
Kinsale Capital Group, Inc.	2016	59.5	3.1
Mercury Systems, Inc.	2015	53.8	2.8
Rexford Industrial Realty, Inc.	2019	52.7	2.7
The Beauty Health Company	2021	48.3	2.5
Floor & Decor Holdings, Inc.	2019	45.5	2.3
Boyd Gaming Corporation	2021	42.6	2.2
Montrose Environmental Group, Inc.	2020	42.3	2.2
Advanced Energy Industries, Inc.	2019	41.9	2.2
Future plc	2019	41.4	2.1

Our top 10 holdings represented 25.6% of the Fund's net assets at the end of the fourth quarter. This is in line with historical weightings. Cash at the end of the quarter was 3.4%, which is in line with our low to mid-single-digit targeted levels.

Recent Activity

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

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
Boyd Gaming Corporation	2021	$ 7.4	$42.5
Accolade, Inc.	2020	1.8	16.6
Enfusion, Inc.	2021	2.4	14.9
Rexford Industrial Realty, Inc.	2019	12.3	14.4
Couchbase, Inc.	2021	1.1	13.8

During the quarter, we repurchased former holding **Boyd Gaming Corporation**. Boyd is an operator of 28 casinos in 10 states. The company is also a partner and 5% owner of online iGaming company FanDuel Group. We purchased the company during the quarter for three primary reasons: 1) we believe the company's core casino assets are high quality and well-managed and recent margin gains can mostly be maintained go forward;

2) the company generates significant free cash flow that we do not believe the market is giving the company credit for (we expect the company to continue its aggressive share repurchases); and 3) the stock does not reflect the value of Boyd's stake in FanDuel, which we believe can be worth a billion dollars in five to six years.

We participated in the **Enfusion, Inc.** IPO during the quarter. Enfusion provides cloud-based investment management software that integrates the front, middle, and back-office in one unified data set. Enfusion's product offerings include order management, execution management, portfolio management, general ledger accounting, valuation/risk, reconciliations, and portfolio monitoring. Enfusion operates in a large market (tens of thousands of investment managers globally) and has achieved high levels of client satisfaction as evidenced by a low single-digit voluntary customer churn rate. Relative to the largely legacy competition, Enfusion offers a complete end-to-end solution delivered in a cloud-based multi-tenant manner. Many investment managers are burdened by legacy technology systems created via fragmented solutions. Enfusion was designed to work seamlessly across the end-to-end workflow needs of an investment manager with everyone on a common data set. Enfusion also innovates faster than the competition and offers a lower total cost of ownership. Enfusion is well positioned to achieve 30%-plus revenue growth for multiple years driven by a combination of growth within existing clients, winning new hedge funds, deeper penetration into new client types (including mutual funds and private equity), and international expansion. The company has an attractive margin profile (high 20% to low 30% currently increasing to at least the mid-30s adjusted EBITDA margins over time) and a 98% recurring revenue business model. We believe that Enfusion will be a strong earnings compounder, which should drive solid returns for the stock over a multi-year period.

We opportunistically added to our position in **Rexford Industrial Realty, Inc.** as we viewed the stock pullback early in the quarter as unjustified given what we viewed as the company's opportunity to outperform earnings expectations in subsequent periods. We are also bullish on the company's ability to continue to execute accretive acquisitions.

Couchbase, Inc. provides modern database software that collects and stores data and powers enterprise applications, for which there is no tolerance for disruption, inaccuracy, or downtime. We wrote about our initial investment in this exciting company in our last quarterly letter. Its solution is fast (it utilizes caching, or retrieval from memory versus hard drives), scales to large amounts of records (which is expensive for old-style relational databases, and not even possible with some of the other NoSQL solutions), and works in all settings (on-premise, in the cloud, or in mixed hybrid environments). Couchbase, with revenues of $150 million, is addressing a large total market of $62 billion, which is slowly migrating to the cloud and using less rigid database structures. We added to our investment in the quarter when shares sold off due to multiple compression in the software sector. We believe that the selling was significantly overdone, and Couchbase now sells at a multiple that is about 25% of its main competitor. We believe that on an absolute and relative basis this 25%-plus grower is meaningfully undervalued.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Red Rock Resorts, Inc.	2020	$3.0	$6.3	$20.7
JBG SMITH Properties	2021	4.4	3.7	18.7
TPI Composites, Inc.	2016	0.5	1.2	17.5
Everbridge, Inc.	2020	3.0	2.4	17.2
Hydrofarm Holdings Group, Inc.	2020	1.7	1.4	16.7

We reduced our position in **Red Rock Resorts, Inc.** given its strong stock performance this year and, what we believe, is a valuation at the higher end of its historical average. We reduced our position in **JBG SMITH Properties** to help fund additional purchases of Rexford during the quarter.

TPI Composites, Inc. is a manufacturer of composite blades for electricity generating wind turbines, and composite bodies for electric buses. While we admire the management team, the thesis underpinning the investment has just gotten too difficult given dramatic uncertainty in numerous areas. These include government subsidy status in the U.S., global logistics issues related to the pandemic, massive inflation in raw materials costs including steel and resin, and pandemic-related project halts that have hindered the ability for the company to optimize plant utilization. Given the meaningful increase in risk during the quarter, we exited the position.

We exited our position in **Everbridge, Inc.** following the company's lowering of out-year growth expectations and the change in senior management. We exited our position in **Hydrofarm Holdings Group, Inc.** as we felt the macro headwinds the company was facing in its end-markets were both challenging and worsening.

Outlook

We will continue to pursue our System 2, risk-managed, long-term style of investing that we believe can deliver outperformance over time. Given the themes and other interesting areas of investment we laid out, we think that we have an exciting portfolio in the key areas of the economy that will be driving innovation and growth for many years to come. We are grateful that you have chosen to allow us to be your investment partner. We hope that you and your families enjoy health and success this year.

Randy Gwirtzman & Laird Bieger
Portfolio Managers

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 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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