September 30, 2020

Baron Fifth Avenue Growth Fund

Dear Baron Fifth Avenue Growth Fund Shareholder:

Performance

Baron Fifth Avenue Growth Fund (the "Fund") gained 11.7% (Institutional Shares) for the quarter and is up 39.4% year-to-date. This compares to returns of 13.2% and 24.3% for the Russell 1000 Growth Index ("R1KG"), and 8.9% and 5.6% for the S&P 500 Index ("SPX"), the Fund's benchmarks.

Table I.
Performance
Annualized for periods ended September 30, 2020

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	11.64%	11.71%	13.22%	8.93%
Nine Months[4]	39.16%	39.44%	24.33%	5.57%
One Year	49.56%	49.93%	37.53%	15.15%
Three Years	25.93%	26.25%	21.67%	12.28%
Five Years	23.21%	23.52%	20.10%	14.15%
Ten Years	17.95%	18.25%	17.25%	13.74%
Fifteen Years	11.40%	11.61%	11.95%	9.19%
Since Inception (April 30, 2004)	11.34%	11.54%	11.46%	9.23%

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

This quarter was largely a continuation of trends that we saw in the prior three months, which means that the investing environment remained favorable to our style and to the kinds of businesses that we tend to favor. So far, 2020 can be broken into three distinct segments: the continued momentum from last year with markets rising until the peak of February 19; the massive sell-off that followed until the bottom on March 23; and an unprecedented rally and market recovery from then until now. When examined in that framework and compared to our benchmarks, the Fund outperformed R1KG by 2.9% in the first stage; by 2.8% in the down stage; and by 8.5% since the recovery started through the end of the third quarter. Compared to the SPX, the Fund outperformed by 7.0% on the way up, by 5.1% on the way down, and by 22.7% since the recovery started. That's pretty good.

In the quarter just ended, the Fund trailed the R1KG by 1.5%, largely due to effects of sector allocation, most notably the Fund's overexposure to the underperforming Health Care, Financials, and Real Estate sectors. These differences, along with the Fund's increasing cash position in a rising market, accounted for 1.09% of the relative shortfall. (Note that sector allocations are an outcome of our process, and over time most of our performance tends to be driven by stock selection.) Not owning some big contributors to the R1KG during the quarter such as Apple, which is a >10% weight in the R1KG, also hurt our relative returns during this period (Apple was up 27%).

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2019 was 1.06% and 0.80%, but the net annual expense ratio was 1.00% and 0.75% (net of the Adviser's fee waivers, restated to reflect current fee waivers). 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 3-month historical performance was impacted by gains from IPOs and/or secondary offerings, and 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 in the future.

1 The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group.

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

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

4 Not annualized.

BARON FUNDS® 1987

Apple, at one point, was the largest investment in this Fund. With over three billion smartphones sold every year, we thought the penetration of the company's core market had reached maturity. With units no longer growing, it had largely become a product replacement cycle-driven market which fit poorly with our goal of investing in "Big Ideas." Though our analysis had proven to be correct, our exit proved to be poorly timed as investors placed a significantly higher multiple on Apple's current earnings and cash flows.

We also had our fair share of winners this quarter and year-to-date, with 16 stocks that appreciated at least 10% during the quarter, half of which were up 22% or more. We also had 11 investments that contributed at least 55bps to returns. Year-to-date, we have 17 names that are up at least 30% each, with 10 of them up at least 70% including: **CrowdStrike**, **Datadog**, **Twilio**, **Adyen**, **Snowflake**, **Wix**, **Veeva**, **MercadoLibre**, **ServiceNow**, and **Amazon**. Not surprisingly, these big winners are all companies that are either leading or benefiting from digital transformation in different segments of the economy. Amazon and MercadoLibre are digitizing retail; Twilio is digitizing communications; Veeva is digitizing health care; CrowdStrike, Datadog, and Snowflake are benefiting from the transition to the cloud; and Wix and Adyen are benefiting from the move to e-commerce.

According to Morningstar, for the period ended September 30, 2020, the Fund ranked in the top 10% for its 1-year return, top 7% for its 3-year return, top 5% for its 5-year return, and top 6% since the Fund's restructuring at the end of 2011.* Since that time, it has returned 399.4% cumulatively, outperforming the R1KG by 71.5%, the SPX by 178.9%, and the Morningstar Large Growth Category Average by 141.2%. Baron Fifth Avenue Growth Fund received a 5-Star Overall Morningstar Rating™, 5-Star 3-Year Rating, 5-Star 5-Year Rating, and 4-Star 10-Year Rating.

We are also pleased to report that the Baron Fifth Avenue Growth Fund was named an Investor's Business Daily 2020 Mutual Funds Award winner.

As we started writing this letter, a "Breaking News Alert" was flashing across the screen: "Markets Tumble on Trump's COVID-19 Diagnosis! Trump Faces Risk of a Severe Case!"

The SPX was down 0.98%, while the MSCI ACWI Index was down 0.38%. It occurred to us that Mr. Market may or may not care if Trump has COVID or even whether he gets re-elected or not. It also reminded us of one of Yogi Berra's truisms: "It's tough to make predictions… especially about the future."

The good news is that making predictions is not part of our process or of what we really do. We believe that the future is inherently unpredictable and always think probabilistically and attempt to make investment decisions against an entire range of possible outcomes. Within that context, most of our analysis is focused on the long-term probabilities, consequences, and outcomes. Conventional thinking suggests that if we cannot predict short and intermediate results with high degree of accuracy then it is a fool's errand to attempt to figure out the long term. We actually think it is the opposite. The short- and intermediate-term outcomes are always subject to too many variables that are outside of a company's control. Geopolitical currents, economic backdrop, currency fluctuations, even the weather will have positive and negative impacts on businesses' short-term results. But in the long run… *it's all about quality!* Quality of the growth algorithm, quality of the business model, quality of the management team will decide the long-term success of a business regardless of politics, economies, currencies, or the weather. We are certain of that.

We continue to field frequent questions from shareholders about the regulatory risks facing the four "Big Tech" companies. As we pointed out earlier in this letter, the Fund no longer owns any shares of Apple and our weightings in Amazon, Alphabet, and Facebook have come down significantly over time. Following a 16-month investigation into competitive

* Mr. Umansky became the portfolio manager of the Fund on November 1, 2011. Since that date, the Fund has returned 384.19% cumulatively, which compares to 326.53% for the Russell 1000 Growth Index and 223.04% for the S&P 500 Index, outperforming the Morningstar US Fund Large Growth Category average by 133.84% over the nearly 9-year period. As of 9/30/2020, the annualized returns of the Morningstar US Fund Large Growth Category average were 32.13%, 18.22%, 16.99%, and 15.01% for the 1-, 3-, 5, and 10-year periods, respectively.

Morningstar calculates the Morningstar US Fund Large Growth Category average using the Morningstar Fractional Weighting methodology. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

Morningstar rankings are based on total returns and do not include sales charges. As of 9/30/2020, the Category consisted of 1,328, 1,229, 1,095, and 813 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Fifth Avenue Growth Fund Institutional Share Class in the 10th, 7th, 5th, and 8th percentiles, respectively.

For the period ended 9/30/2020, Baron Fifth Avenue Growth Fund received a 5-Star Overall Morningstar Rating™, 5-Star 3-Year Rating, 5-Star 5-Year Rating, and 4-Star 10-Year Rating. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures of 1229, 1229, 1095, and 813 funds in the category, respectively. This Morningstar Rating is for the Institutional share class only; other classes may have different performance characteristics.

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.

Award winners have beaten their respective benchmark index in the past 1-, 3-, 5-, and 10-year time periods as-of December 31, 2019.

practices at Facebook, Amazon, Alphabet and Apple, House Democrats released a widely anticipated (and widely previewed) 455 page report that concluded that the four Big Tech companies enjoy monopoly power and Congress should implement changes to antitrust laws to reverse this concentration. It proposed a number of changes, including requiring online marketplaces to be independently run businesses (structural separation), prohibiting online platforms from giving themselves preferential treatment, requiring platforms to make their services compatible with competing networks, and shifting the burden of proof on acquisitions. We believe they are missing the point. Big Tech's power comes from consumer adoption and consumer preferences and there is little to nothing that regulations can do about that. It's simply too late. Instead of trying to figure out how to break them up (we wrote in the past that we believe in every relevant case 1+1 will likely yield a value greater than 2), the regulators need to realize that these four Tech giants fighting each other is probably the best remedy (and a system of checks and balances) available to them today.

Many of the disruptive trends that we anticipated have meaningful acceleration with many of the companies we had invested in experiencing significant leverage with higher margins and cash flows that we did not expect to see until years from now. While the COVID-19 pandemic undoubtedly played a part in this acceleration, many of the trends were present for years before (for instance, thousands of retail doors have closed annually over the last 20 years).

Human beings often confuse good outcomes for good decisions. We work hard not to. The success we are having this year has little to do with decisions we made three, six, or nine months ago. Good decisions made years ago were largely responsible for that. Every one of our top 10 contributors to absolute returns this year came from investments we made in previous years (**Amazon**, **Veeva**, **Wix**, **RingCentral**, **Twilio**, **Datadog**, **CrowdStrike**, **Adyen**, **ServiceNow**, and **MercadoLibre**). In fact, when we looked at the list of the top 10 contributors in 2019, which was also a year of overwhelmingly good outcomes, the same held true–all 10 of those investments were made in years past (**Amazon**, **Mastercard**, **Alibaba**, **Veeva**, **Worldpay**, **ASML**, **EPAM**, **Visa**, **Facebook**, and **Equinix**) The point we are trying to make is that while recent performance results have been strong we continue to encourage investors to focus on our philosophy and process and *not* to assign much weight to quarterly or even one-year results, which are naturally driven more by luck and market circumstance than our recent investment decisions. The quality of those decisions will only become apparent down the road.

Our goal continues to be to generate 100bps to 200bps of alpha over our stated benchmarks per year, net of all fees and expenses while minimizing risk, which we define or think of as probability of permanent loss of capital. Though we have exceeded our goals in the past there is no assurance that we can meet or exceed them in the future.

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

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	$1,577.2	1.66%
Alibaba Group Holding Limited	795.4	1.58
Snowflake Inc.	70.5	1.22
Veeva Systems Inc.	42.4	1.03
EPAM Systems, Inc.	18.1	0.81

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares rose 14% during the quarter on strong second quarter results with revenue growth accelerating to over 40% year-over-year (quite remarkable for a company with $1.6 trillion market cap) as Amazon benefited from its prior investments in logistics and distribution to meet the increased COVID-19-related demand. Additionally, stock performance was driven by investors' expectations that Amazon will benefit from the accelerating pace of digitization trends following COVID-19 such as e-commerce penetration and the migration of IT workloads to the cloud. Amazon remains early in disrupting multiple large markets including e-commerce with around 15% penetration (as of 2019), advertising at 1% to 2%, logistics, health care, and more. We also think Amazon Web Services still has a long runway for growth with cloud penetration of around 6% in 2019 out of the $3.7 trillion global spending on information technology (according to Gartner).

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Financial, which operates Alipay, the largest digital payment provider in China with over 1 billion active users. Shares of Alibaba were up 36% in the quarter on sustained core commerce recovery benefiting from improved purchase frequency and spend per order with revenues and adjusted EBITDA up 34% and 31% year-over-year, respectively. We believe that Alibaba has the most comprehensive ecosystem of commerce platforms, logistics, and payments infrastructures that support the digital transformation of the retail sector. Alibaba's long-term opportunity remains vast, as the company continues to benefit from rising e-commerce penetration (about 35% of total retail sales now) while widening the moat around its platform (874 million monthly active users), increasing the value proposition to its customers and growing its addressable market.

Snowflake Inc. provides a data warehouse platform used mainly for large-scale data analytics and storage. The company is leveraging its cloud-native architecture to offer low-cost storage, scalability, and ease-of-use that are lacking in many other solutions. Snowflake is a new investment for the Fund following the company's IPO in September. Snowflake's shares rose 109% during the quarter as the offering was received enthusiastically by market participants. We retain conviction as we believe Snowflake remains early in penetrating the large addressable market of database workloads given its platform approach, cloud first architecture and highly experienced management team.

Veeva Systems Inc. offers customer relationship management, content, collaboration, and data management solutions tailored mostly to the life sciences industry. Veeva's stock increased 20% during the quarter as the company continued its strong growth (with revenues up 33% year-over-year) in new and existing products while maintaining high levels of profitability (with operating margins over 40%). COVID-19 has proven to be less of a headwind on Veeva's life sciences customer base, leading to the resiliency we see in Veeva's numbers. The pandemic may also accelerate the industry's transition to new cloud and data solutions, areas in which Veeva is already considered a leader or positioned well for expansion. Our conviction in this investment is rooted in the ongoing evolution of the Veeva platform, the growth of its Vault solution, and the ability to deliver significant value to customers over long periods of time, resulting in an impressive growth and margin profile. We believe the company's long-term opportunity set remains compelling.

EPAM Systems, Inc. provides outsourced software development to business customers. The shares appreciated 28% during the third quarter after the company reported good quarterly financial results with 15% revenue growth and 14% EPS growth. The COVID-19 pandemic caused a slowdown in revenue growth as smaller customers pulled back, but demand has stabilized and is now improving. The company is ramping up hiring to meet this rebounding demand. We remain investors due to EPAM's long runway for growth underpinned by the need for digital transformations and the company's strong execution in addressing this growing demand.

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

	Quarter End Market Cap (billions)	Percent Impact
Illumina, Inc.	$45.2	–0.55%
ZoomInfo Technologies Inc.	17.5	–0.27
Slack Technologies Inc.	15.3	–0.19
Vertex Pharmaceuticals Incorporated	70.9	–0.15
Splunk, Inc.	30.2	–0.14

Illumina, Inc. is the leading manufacturer of DNA sequencing systems for genetic analysis. Shares declined 17% during the third quarter as lower utilization of the company's systems during COVID-19 led to disappointing second quarter financial results. Illumina also announced the acquisition of Grail, which is developing a blood test for early stage cancer detection to which investors responded negatively because of the substantial near-term earnings dilution and concerns about competition with Illumina's customers. Although we share these concerns, we believe the investment has significant long-term potential. We also continue to believe Illumina has a long runway for growth in its core market driven by expanding applications that utilize DNA sequencing, as less than 0.1% of the world's population had been sequenced thus far.

ZoomInfo Technologies Inc. operates a cloud-based B2B platform that provides sales and marketing teams with comprehensive intelligence on 14 million companies and 120 million professionals, enabling shorter sales cycles and higher win rates. Shares were down 15% during the quarter given an uncertain client spend environment. We retain conviction as we believe the uncertainty is temporary. We think ZoomInfo is well positioned given its patented data extraction technologies, highly efficient go-to-market strategy and unique contributory network for data collection and validation, which creates strong network effects.

Slack Technologies Inc. offers a cloud-based collaboration platform, enabling customers to communicate, share information, and collaborate on projects. The stock declined 14% during the quarter after the company reported slower growth within its enterprise segment than the market expected. This was as a result of higher cancellations and seat reductions, driven by the COVID-19 pandemic. We retain conviction as we believe these trends are temporary and are already seeing positive inflections following the initial negative impact of the pandemic. We believe Slack has the opportunity to take share in the growing collaboration market, leveraging its deep product integration and innovative product strategy such as Slack Connect, which targets improving collaboration between companies. We believe Slack has a large opportunity ahead to disrupt email usage, with hundreds of millions of information workers still using emails daily as their main collaboration tool.

Vertex Pharmaceuticals Incorporated is a biotechnology company that has developed a paradigm-shifting treatment for cystic fibrosis, with the potential to change it from a life-threatening disease to one a patient can live with for his or her entire life. Vertex is now in the middle to late innings of commercializing the global cystic fibrosis market while building its pipeline to treat a number of other diseases. Shares gave up some gains in the quarter and were down 6% (though still up 24% year-to-date) mostly due to a lack of news flow. We retain conviction.

Splunk, Inc. is a data analytics company that sells software solutions that help enterprises run their IT organizations, including security, internet-of-things, application and business analytics, and infrastructure. Splunk enables customers to collect, index, store, and analyze data, generating insights through a flexible and efficient platform architecture. The stock corrected 5% during the quarter despite overall strong financial results with faster-than-expected cloud transition. While this creates optical revenue and bookings pressure, it is positive for the business long term (as can be seen from the robust growth in annual recurring revenue or ARR). We expect that, over time, this robust growth will translate to significant cash generation, suggesting meaningful value creation for shareholders in the coming years.

Portfolio Structure

The Fund's portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level determining the size of each investment. Sector weights are an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view." As of September 30, the top 10 positions represented 43.6% of the Fund, the top 20 were 69.3%, and we exited the quarter with 32 investments. Information Technology, Health Care, Consumer Discretionary, Communication Services, and Financials made up 86.8% of the Fund. The remaining 13.2% was made up of Equinix, Inc., which is a REIT classified under Real Estate, as well as cash.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$1,577.2	$55.8	10.0%
Veeva Systems Inc.	42.4	28.2	5.0
Alibaba Group Holding Limited	795.4	27.3	4.9
Mastercard Incorporated	338.5	23.0	4.1
Intuitive Surgical, Inc.	83.0	20.2	3.6
Facebook, Inc.	746.1	18.8	3.4
Twilio Inc.	36.8	18.8	3.4
Alphabet Inc.	998.3	18.0	3.2
Visa, Inc.	440.5	17.1	3.0
ServiceNow, Inc.	93.0	16.6	3.0

Recent Activity

During the third quarter, we initiated three new positions – **PayPal**, **Snowflake**, and **Acceleron Pharma**. We also put our inflows to work, adding to 16 existing holdings. We had no sales during the quarter.

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

	Quarter End Market Cap (billions)	Amount Purchased (millions)
PayPal Holdings, Inc.	$231.2	$6.1
Snowflake Inc.	70.5	5.7
Acceleron Pharma Inc.	6.7	5.7
Intuitive Surgical, Inc.	83.0	2.9
ZoomInfo Technologies Inc.	17.5	2.9

We initiated an investment in **PayPal Holdings, Inc**. during the quarter. PayPal enables digital payments for consumers and merchants worldwide with the company being a prime beneficiary of the secular growth of e-commerce due to the ease and security of the PayPal checkout button. With over 345 million active users and 26 million merchants on the platform worldwide, PayPal enjoys a dominant competitive position with a two-sided network effect that is multiples larger than the closest competitors. PayPal's ubiquity with consumers makes the company attractive to merchants, leading to over 80% penetration in the Top 500 internet retailers, and their ubiquity with merchants makes them attractive to consumers. Moreover, PayPal is in the early stages of monetizing Venmo, its popular peer-to-peer money transfer solution. We also like PayPal's capital-light business model that delivers high incremental margins, which should enable it to generate significant free cash flows over time. With the acceleration of online penetration and PayPal's leading market position, we believe it has the opportunity to grow rapidly for years to come.

During the quarter, we also invested in shares of **Snowflake Inc.**, which provides a data warehouse platform used mainly for large-scale data analytics. Similar to ZoomInfo, which we wrote about in the second quarter letter, we have been following Snowflake for a long time. Snowflake is an example of one source of our idea generation – following private companies for a long while, which enables us to perform deep due diligence, giving us an edge when the company goes public. Baron's 38-year long reputation as long-term investors in high-quality businesses helps us build connections with these great businesses early on.

Part of the uniqueness of Snowflake's architecture is its ability to disaggregate storage and compute, enabling several key benefits that were not possible beforehand. First, it enables a single source of truth for the data, removing the need to replicate it across different geographies or to be used by different teams. This also helps solve one of the key impediments to enterprise agility (siloed data with no ability to get a holistic view that is necessary for real-time decision making). Second, the separation of compute and storage enables companies to adjust the level of necessary compute to the workload at hand (making it possible for thousands of analyses to be done on the same data simultaneously). This cloud-native (and cloud-agnostic) architecture enables Snowflake to offer superior TCO (Total Cost of Ownership), scalability, and ease-of-use that have been lacking in many competing solutions. We also believe that Snowflake has a top notch management team with CEO Frank Slootman and CFO Mike Scarpelli, both with extensive experience from ServiceNow, where they were CEO and CFO, respectively, prior to joining Snowflake, growing it into one of the most successful SaaS companies in history. With Snowflake's leading position in the market for cloud databases, the size of the addressable opportunity (tens of billions of dollars) and the relative nascency of cloud adoption, we believe that Snowflake has the potential to become a very big idea over the next decade.

We also utilized our inflows to add to some of our higher conviction ideas such as **Intuitive Surgical, Inc.**, while taking advantage of the price correction in names such as **ZoomInfo Technologies Inc.** to add to our positions.

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

	Market Cap When Sold (billions)	Amount Sold (millions)
None		

Outlook

The first nine months of 2020 have continued to present a good investing environment for the style and the way that we invest. Many of the disruptive trends that we anticipated have seen meaningful acceleration with many of the companies we invested in experiencing significant leverage with higher margins and cash flows that we did not expect to see until years from now. The market seems to believe that many of them have reached inflection points and escape velocity. Time will tell if that is so.

Despite reasonably broad strength exhibited in recent markets we believe the short term remains highly uncertain with an unusually wide range of possible outcomes. The government is printing money at a level we have never seen before, solving for liquidity but not necessarily addressing or solving for solvency. A number of important questions remain unanswered: When will we get a vaccine? Will it work and will it give us sustainable immunity? What will be the outcome of unusually charged U.S. elections (peaceful and orderly transition of power, implications on health care, regulations, tax policy, etc.)? When and how will the trade war with China end? Inflation or deflation?

On the other hand, a prolonged low interest rate environment, historically unprecedented amounts of global coordinated stimulus, and accelerating digital transformation are affecting every segment of the economy and increasing the secular growth drivers of the many companies that we are invested in.

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes (up and down), ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why the market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

Baron Fifth Avenue Growth Fund

Our goal remains to maximize long-term returns without taking significant risks of a permanent loss of capital. We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading significantly below their intrinsic values.

Sincerely,

Alex Umansky
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 Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk. There is no guarantee that these objectives will be met.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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