

DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Focused Growth Fund (the "Fund") increased 32.35% (Institutional Shares) in the fourth quarter. The Russell 2500 Growth Index (the "Index"), the benchmark against which we compare the performance of the Fund, increased 25.89%, and the S&P 500 Index increased by 12.15% during the quarter. The S&P 500 Index measures the performance of large-cap companies. For the year ended December 31, 2020, the Fund increased 122.75%, while the Index increased 40.47% and the S&P 500 Index increased 18.40%. Baron Focused Growth Fund has outperformed its benchmarks for the 1-, 3-, 5-, and 10-year periods. Since its inception on May 31, 1996, the Fund has increased 14.68% annualized. This compares favorably to the Index, which has increased 9.42% annualized, and the S&P 500 Index, which has increased 9.32% annualized.

Table I.
Performance

Annualized for periods ended December 31, 2020

	Baron Focused Growth Fund Retail Shares ^{1,2,3}	Baron Focused Growth Fund Institutional Shares ^{1,2,3,4}	Russell 2500 Growth Index ²	S&P 500 Index ²
Three Months ⁵	32.24%	32.35%	25.89%	12.15%
One Year	122.21%	122.75%	40.47%	18.40%
Three Years	44.19%	44.56%	19.91%	14.18%
Five Years	30.70%	31.03%	18.68%	15.22%
Ten Years	18.53%	18.83%	15.00%	13.88%
Fifteen Years	15.01%	15.23%	11.79%	9.88%
Since Inception (May 31, 1996)	14.54%	14.68%	9.42%	9.32%

Fourth quarter performance for the Fund was led by businesses that will benefit most from news of the imminent availability of the COVID vaccine. Pfizer and Moderna vaccines with strong efficacy were approved during the



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Retail Shares: BFGFX
Institutional Shares: BFGIX
R6 Shares: BFGUX

quarter and are expected to be distributed broadly over the next 6 to 12 months. As a result, our travel and leisure stocks outperformed in the fourth quarter. **Hyatt Hotels Corp.**, with a 4.1% average portfolio weight in the quarter, and **Vail Resorts, Inc.**, with a 6.4% average portfolio weight in the quarter, increased 39.1% and 30.4%, respectively. Combined with **Tesla Inc.**'s (our largest position at a 36.6% average weight) continued exceptional performance, the Fund achieved a strong year-end result. Tesla increased 64.5% in the quarter. Tesla's planned production capacity increases with 2021 openings of new plants in Berlin, Germany; Shanghai, China; and Austin, Texas. These new facilities should also lower delivery costs and tariffs. With the introduction of the Model Y, Tesla anticipates

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2019 was 1.39% and 1.11%, but the net annual expense ratio was 1.35% and 1.10% (net of the Adviser's 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.

- ¹ Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.
- ² The **Russell 2500™ Growth Index** measures are classified as growth and the **S&P 500 Index** of 500 widely the performance of small to medium-sized U.S. companies that 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.
- ³ The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.
- ⁴ 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.
- ⁵ Not annualized

Baron Focused Growth Fund

demand for its cars will further boost its share of the electric vehicle market. The company delivered 500,000 cars in 2020 and it believes it should be able to deliver 20 million vehicles per year by 2030. Tesla could exceed 800,000 cars in 2021. Management believes its battery storage business ultimately could be as large as its automotive business. Ancillary revenue from autonomous driving, insurance, share rides, and solar roofs could further boost revenues. Tesla's balance sheet is already robust.

Iridium Communications Inc. represented 2.4% of the Fund's net assets, and it also generated strong fourth quarter performance with the stock increasing 53.7% as the company continued to show strong resiliency despite the pandemic. The company continues to benefit from its \$3 billion satellite constellation and is generating significant cash flow that it is using to reduce and refinance longer-term debt and repurchase shares.

Aside from Tesla, two other investments had a significant impact on performance in 2020: **Penn National Gaming, Inc.** and **CoStar Group, Inc.**, which represented 7.8% and 8.6% of net assets, respectively. For the year, Penn increased 238.3%, as it benefited from more states legalizing sports betting given large state budget deficits brought on by COVID. Penn should benefit through its relationship with Barstool Sports as the company aims to convert its database of 100 million Barstool loyalists into sports betting customers using the Barstool app. This growth will be financed from its core brick and mortar casino business, which is generating profits and cash flow above pre-pandemic levels. The company also completed two equity raises over the past year, which has strengthened its balance sheet and puts the company in a stronger financial position going forward.

CoStar, which increased 54.5% for the year, continued to generate strong results as bookings increased a strong 53% in the quarter and retention rates held steady. The company continues to invest in its core business and has a strong balance sheet with \$4 billion of cash that should allow the company to continue to pursue its acquisition growth strategy. CoStar has benefited from recent acquisitions and we continue to believe the company should be able to grow its revenue organically at a mid- to high-teens rate. This, when combined with recent acquisitions, should result in annual revenue growth of 25% with even stronger annual EBITDA growth over the long term as it leverages its scale.

We classify the holdings of the Fund as one of three types: rapid, early-stage growth businesses that are disruptive to their industries; companies with real, irreplaceable assets with pricing power that provide a hedge against inflation; and finally, foundational, long-term, core growth holdings that continue to

steadily grow sales and earnings while using excess free cash to return value to shareholders. (Please see Table II.) In the quarter, our **Disruptive Growth** companies outperformed, increasing 51.3%, as those companies benefited from their prior investments and experienced accelerated growth in earnings and cash flow. Tesla and Iridium both benefited from previous investments and generated strong free cash flow in the process. Tesla used its cash flow to strengthen its balance sheet while investing in new manufacturing facilities and Iridium used it to pay down debt.

Our **Real/Irreplaceable Assets** investments also experienced stronger stock performance, increasing 24.4% in the quarter. They were boosted mostly by the start of vaccine distribution. This led to strong gains in the quarter for **Red Rock Resorts Inc.**, Hyatt Hotels Corp., and Vail Resorts, Inc. **Manchester United plc**, the English Premier League professional soccer team's share price, which represented 1.4% of the Fund's net assets, increased 15.8%. This strength was attributable to strong comparable pricing of competitors such as Liverpool as well as the benefits it would receive from reopening its stadium to fans given robust pent-up demand for sports. Manchester United is also on a strong winning streak following a year-long team rebuilding effort.

The Fund's **Core Growth** investments increased 11.6% in the quarter, slower than the Index's growth of 25.9% despite continuing to grow their earnings and cash flow. **Choice Hotels International, Inc.**, a global franchisor of economy and upscale hotels, increased 24.2% in the quarter. Choice expects an acceleration in unit growth over the next few years from its new Cambria and Ascend Collection brands as well as its WoodSpring Suites extended stay brand as it continues to see strong demand for this segment of lodging. Recent renovations at its Comfort hotels should accelerate RevPAR growth from current levels driving a quick return back to pre-pandemic EBITDA and generating strong cash flow for further brand expansions.

FactSet Research Systems, Inc., a provider of financial intelligence to the investment community, which represents 3.8% of the Fund's net assets, decreased 0.5% in the quarter. It continued its two-year investment cycle in new products and services that should accelerate revenue growth once completed. While we believe these investments will pay off and should eventually generate 50% returns on capital, we think FactSet shares will continue to underperform until the company experiences a reacceleration in revenue and EBITDA growth. FactSet is a prime example of a business penalizing its current earnings by investing in new products to become a significantly larger business.

Table II.

Total returns by category for the quarter ended December 31, 2020

	% of Net Assets (as of 12/31/2020)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	50.3	51.33	23.47
Tesla, Inc.	38.4	64.55	21.51
Iridium Communications Inc.	2.4	53.73	1.21
Schrodinger, Inc.	0.3	47.98	0.13
Spotify Technology S.A.	2.4	30.55	0.80
Guidewire Software, Inc.	2.0	23.46	0.57
Denali Therapeutics Inc.	1.3	19.46	0.21
Space Exploration Technologies Corp.	2.6	13.33	0.44
BioNTech SE	0.9	-16.45	-0.16
American Well Corporation	-	-28.04	-0.44
GoodRx Holdings, Inc.	-	-32.10	-0.80
Russell 2500 Growth Index		25.89	
Real/Irreplaceable Assets	21.0	24.40	5.92
Red Rock Resorts, Inc.	0.8	46.43	0.37
Hyatt Hotels Corp.	3.8	39.12	1.83
Vail Resorts, Inc.	5.6	30.37	2.24
Penn National Gaming, Inc.	7.8	18.80	1.11
Manchester United plc	1.4	15.77	0.27
American Homes 4 Rent	1.0	5.51	0.08
Americold Realty Trust	0.6	5.03	0.03
Core Growth	20.2	11.61	3.27
Adyen N.V.	2.1	25.97	0.53
Choice Hotels International, Inc.	2.5	24.16	0.81
Arch Capital Group Ltd.	1.6	23.32	0.51
GDS Holdings Limited	1.6	14.35	0.32
CoStar Group, Inc.	8.6	8.93	1.16
FactSet Research Systems, Inc.	3.8	-0.47	-0.06
Cash	8.5	0.01	0.00
Fees	-	-0.28	-0.34
Total	100.0	32.33*	32.33*

Sources: FactSet PA, BAMCO, and Russell, Inc.

* Represents the blended return of all share classes of the Fund.

Table III.

Performance

Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/1998 to 3/9/2000	12/31/2013 to 12/31/2016
Baron Focused Growth Fund (Institutional Shares)	41.77%	0.45%
Russell 2500 Growth Index	126.53%	5.45%
S&P 500 Index	32.29%	8.87%

From 2014 through 2016, the Fund invested in several businesses whose stocks underperformed when they were investing in their businesses. **CoStar Group, Inc.** and **Tesla, Inc.** were among those businesses. Their stocks outperformed in 2019 and 2020 as investments they made began to generate strong returns. These companies continue to invest in themselves, although now that they are financially stronger, they are better able to finance these investments while continuing to grow their core businesses.

We believe the Fund's underperformance from 2014 through 2016 is analogous to instances when after brief periods of underperformance, the Fund subsequently outperformed for an extended period. For example, in the 18-month period from October 1998 through March 2000, at the height of the Internet Bubble, the Fund, which owned no internet stocks, increased 41.77% annualized while the Index increased 126.53% annualized. This was immediately prior to the Internet Bubble bursting and the Index falling materially over the next eight years. The Fund increased in value during the period while the Index declined. (Please see Tables III and IV.)

Analogous to the Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund to perform well over the next several years. This is despite our expectation that there will be periods when value stocks outperform the growth stocks in which we have invested. We can certainly give no assurance this will be the case. Currently, we believe some of our growth companies are trading as if they were value stocks despite having strong liquidity and balance sheets. They should recover quickly once a vaccine or therapeutic is fully distributed to combat the virus.

Baron Focused Growth Fund

Since its inception on May 31, 1996 through December 31, 2020, the Fund's 14.68% annualized performance has exceeded that of its Index by 526 bps per year. This means that a hypothetical \$10,000 investment in Baron Focused Growth Fund over 24 years ago would now be worth approximately \$289,700! If an investor had instead hypothetically invested \$10,000 in a fund designed to track the Index, it would be worth approximately \$91,500. (Please see Tables I and IV.)

The Fund's beta has averaged 0.82 since inception. This means the Fund has been 82% as volatile as the Index. As a result of the Fund's strong absolute and relative returns and lower risk, the Fund has achieved 7.09% annual alpha, a measure of risk-adjusted performance since inception.

Table IV.
Performance

Millennium to COVID-19 Pandemic. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to COVID-19 Pandemic 12/31/2008 to 12/31/2019		COVID-19 Pandemic to Present 12/31/2019 to 12/31/2020		Millennium Internet Bubble to Present 12/31/1999 to 12/31/2020		Inception 5/31/1996 to 12/31/2020	
	Value \$10,000	Annualized	Value \$10,000	Annualized	Value \$10,000	Cumulative	Value \$10,000	Annualized	Value \$10,000	Annualized
Baron Focused Growth Fund (Institutional Shares)	\$12,732	2.72%	\$42,333	14.02%	\$22,275	122.75%	\$120,057	12.56%	\$289,701	14.68%
Russell 2500 Growth Index	6,931	-3.99	\$52,565	16.28	14,047	40.47	51,176	8.08	91,493	9.42
S&P 500 Index	7,188	-3.60	\$45,104	14.68	11,840	18.40	38,386	6.61	89,322	9.32

The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

We did not make much money from the peak of the Internet Bubble on December 31, 1999 through the trough of the Financial Crisis on December 31, 2008. But...we did make something...which gave investors a much better outcome than if they had invested in a passive index fund mirroring either the Index or the S&P 500 Index. Both indexes lost a material amount of money during that period. (Please see Table IV.)

Due to the "magic" of compounding and of not losing money from the Millennium Internet Bubble to the Financial Panic period and keeping up with the market during upswings from the Financial Panic to the COVID-19 Pandemic, \$10,000 hypothetically invested in Baron Focused Growth Fund at the Fund's inception on May 31, 1996 was worth \$289,701 on December 31, 2020. That is more than three times the value of a hypothetical investment of the same amount in funds designed to track the S&P 500 and Russell 2500 Indexes. (Please see Table IV.)

Table V.
Top contributors to performance for the quarter ended December 31, 2020

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	\$31.2	\$668.9	64.55%	21.51%
Vail Resorts, Inc.	2013	2.3	11.2	30.37	2.24
Hyatt Hotels Corp.	2009	4.2	7.5	39.12	1.83
Iridium Communications Inc.	2019	3.1	5.2	53.73	1.21
CoStar Group, Inc.	2014	6.2	36.4	8.93	1.16

Tesla, Inc. designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. The stock increased on strong financial results, including profitability that exceeded market forecasts and strong growth across different geographies and vehicle programs. Newly released full self-driving functionality could also lead to improving unit economics and growth opportunities, in our view. Lastly, Tesla joined the S&P 500 Index, a meaningful milestone that expands the potential shareholder base.

Vail Resorts, Inc., a global operator of ski resorts, contributed in the quarter on season pass sales that were up 20% from last year despite the pandemic. Robust renewal rates demonstrated loyalty in Vail's pass base while first time pass sales have the potential to accelerate future growth. We expect Vail to grow recurring revenue given its strong renewal rates, which, combined with a robust balance sheet, should position the company for continued growth in the years ahead.

Global hotelier **Hyatt Hotels Corp.** contributed to results on investor expectations that travel will increase as several newly developed COVID-19 vaccines work to help bring an end to the pandemic. While it may take time for Hyatt's business and group customers to return, a strong leisure business is aiding recovery in revenue per available room. Hyatt has also successfully lowered its breakeven occupancy levels by reducing fixed costs and has cut its capital budget to preserve cash. Hyatt's strong balance sheet is allowing it to weather the pandemic-generated disruption.

Iridium Communications Inc. is the second largest provider of mobile voice and data communications services via satellite and the only commercial provider of communications services offering true global coverage. The stock rose after results revealed resiliency of the business despite exposure to pandemic-impacted verticals. The company also saw strong growth in consumer-facing activity and a growing pipeline of its Certus product line for its Maritime customers and the Department of Defense, both channels of which should add to growth as Iridium accelerates installations.

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, continued to contribute to performance in the fourth quarter. CoStar has seen accelerated demand for its digital marketplace businesses as traditionally offline activities are increasingly shifting online. This trend is being partially offset by slower trends in its CRE data licensing businesses. CoStar has over \$3.6 billion cash on its balance sheet, which we expect it will use for total addressable market-expanding acquisitions, particularly in the residential market.

Table VI.
Top detractors from performance for the quarter ended December 31, 2020

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
GoodRx Holdings, Inc.	2020	\$ 1.9	\$14.1	-32.10%	-0.80%
American Well Corporation	2020	5.7	5.3	-28.04	-0.44
BioNTech SE	2020	24.1	19.6	-16.45	-0.16
FactSet Research Systems, Inc.	2008	2.5	12.6	-0.47	-0.06

Shares of **GoodRx Holdings, Inc.**, which operates the nation's largest online platform providing users free access to drug pricing information and pharmacy discounts, gave back some of its heady post-IPO run on Amazon's announcement that it has entered the online pharmacy space. We sold the position based on competitive concerns and worries about its growth prospects.

Shares of **American Well Corporation**, one of the U.S.'s largest telehealth companies for health systems, health plans, employers, and doctors, gave back some post-September IPO gains after reporting third quarter results that beat consensus but included some pull forward from the fourth quarter as well as the benefit of some nonrecurring service revenues. Full year 2020 guidance beat Street estimates but implied top line and margin deceleration, which we believe could end up being conservative, given the lack of assumed increase in pandemic-driven volumes despite the current spike. We sold the position given concerns about its growth prospects and competitive positioning.

BioNTech SE is a leader in the emerging field of mRNA drugs and has additional programs in engineered cell therapies, antibodies, and immunomodulators. During the period held, shares pulled back from intra-quarter highs on likely profit taking, but we are looking past short-term valuation fluctuations to focus on long-term potential. The pandemic has been a strong proof point of the speed and efficacy of the mRNA platform, and we believe BioNTech has the potential to disrupt the biopharma space with a pipeline spanning oncology, infectious diseases, and rare diseases.

Shares of **FactSet Research Systems, Inc.**, a leading provider of investment management tools, detracted from performance. The company reported in-line, resilient FQ1 '21 earnings, but after a strong run during the early stages of the pandemic, the stock lagged during the quarter. We retain conviction in FactSet due to the large addressable market, consistent execution on both new product development and financial results, and robust free cash flow generation.

INVESTMENT STRATEGY & PORTFOLIO STRUCTURE

Despite current market volatility and investor angst, we have continued to manage the Fund the same way we have historically. In the fourth quarter, we consolidated recent gains in Tesla while adding to new positions. In the quarter, we sold approximately 10% of our position in Tesla given strong gains in the stock while initiating a position in **Spotify Technology S.A.** That company continues to grow its subscribers and holds a significant share of the music streaming market given continued growth in its library of songs, podcasts, and videos. While we have made other modest changes on the margin, the Fund's strategy remains the same. We continue to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, competitively advantaged and well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of approximately 20 securities diversified by GICS sectors that will be approximately 80% as volatile (as measured by beta) as the market. Since inception, the Fund has generated approximately 97% of the upside when the market rises but just 79% of the downside when the market declines. Businesses in which the Fund invests are identified by our analysts and portfolio managers using the Firm's proprietary research and time-tested investment approach.

As of December 31, 2020, the Fund held 21 investments. The Fund's average portfolio turnover for the past three years was 8.16%. This means the Fund has an average holding period for its investments of a little over 12 years. This contrasts sharply with the average mid-cap growth mutual fund, which typically turns over its portfolio every 21 months. From a quality standpoint, the Fund's investments have stronger sales growth than the holdings in the benchmark, higher EBITDA and operating margins, stronger returns on invested capital with more robust balance sheets. We believe these metrics are important to limit risk in this concentrated portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Index. For example, the Fund is heavily weighted in Consumer Discretionary businesses with 59.0% of its net assets in this sector versus 11.8% for the Index. Further, while the Fund has historically not invested in pharmaceuticals and biotechnology, it has added two biotechnology investments over the past year and now has 2.2% of the total portfolio in two stocks, **Denali Therapeutics Inc.** and **BioNTech SE**. While there is somewhat greater risk investing in these companies, we think the small positions do not significantly alter the portfolio's risk profile, and they give us upside potential should either (or both) of these companies discover new medicines and procedures. The Fund is further diversified by investments in businesses at different stages of growth and development as discussed above and shown below.

Baron Focused Growth Fund

Table VII.

Disruptive Growth Companies as of December 31, 2020

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	38.4%	2014	1,309.0%
Space Exploration Technologies Corp.	2.6	2017	97.9
Iridium Communications Inc.	2.4	2019	45.4
Spotify Technology S.A.	2.4	2020	31.5
Guidewire Software, Inc.	2.0	2013	178.5
Denali Therapeutics Inc.	1.3	2020	19.8
BioNTech SE	0.9	2020	-18.5
Schrodinger, Inc.	0.3	2020	50.3

Disruptive Growth firms accounted for 50.3% of the Fund's net assets. On current metrics, these businesses may appear expensive; however, we think they will continue to grow significantly and, if we are correct, they have the potential to generate exceptional returns over time. Examples of these companies include electric vehicle leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, and systems software provider to the insurance industry **Guidewire Software, Inc.** All of these companies have large addressable markets relative to the current size of those competitively advantaged businesses.

Table VIII.

Investments with Real/Irreplaceable Assets as of December 31, 2020

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Penn National Gaming, Inc.	7.8%	2019	311.5%
Vail Resorts, Inc.	5.6	2013	419.4
Hyatt Hotels Corp.	3.8	2009	170.7
Manchester United plc	1.4	2012	28.9
American Homes 4 Rent	1.0	2018	46.9
Red Rock Resorts, Inc.	0.8	2017	18.9
Americold Realty Trust	0.6	2020	10.8

Companies that own what we believe are **Real/Irreplaceable Assets** represented 21.0% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corp.**, and storied English Premier League sports franchise **Manchester United plc** are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power over time. **Penn National Gaming, Inc.**'s state-granted licenses for its regional casinos provide important protection from competitors. Online sports betting and casino gaming offer large opportunities for future growth for the company.

Table IX.

Core Growth Investments: Growth, Dividends, and Share Repurchases as of December 31, 2020

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	8.6%	2014	331.9%
FactSet Research Systems, Inc.	3.8	2008	646.3
Choice Hotels International, Inc.	2.5	2010	420.0
Adyen N.V.	2.1	2020	142.6
Arch Capital Group Ltd.	1.6	2003	890.6
GDS Holdings Limited	1.6	2020	52.3

Core Growth investments, steady growers that continually return excess free cash flow to shareholders, represented 20.2% of net assets. Examples of these companies include commercial real estate data supplier **CoStar Group, Inc.** and **Choice Hotels International, Inc.** Choice employs a capital-light franchise model for its economy and upscale hotel brands. Historically, this model has allowed the company to return cash to shareholders through buybacks and dividends while still achieving strong revenue and earnings growth. This would be the case regardless of where we are in the lodging cycle. As one of the leading financial intelligence systems for the asset management industry, **FactSet Research Systems, Inc.** continues to grow into new areas via fixed income, risk management, and, most recently, wealth management. This should enable the company to grow while generating a steady stream of recurring cash flow that it uses for acquisitions, dividends, and buybacks.

PORTFOLIO HOLDINGS

For the quarter ended December 31, 2020, the Fund's top 10 holdings represented 77.9% of net assets. A number of these investments have been successful and were purchased when they were much smaller businesses. We believe they continue to offer significant further appreciation potential although we cannot guarantee that will be the case.

The top five positions in the portfolio, **Tesla, Inc.**, **CoStar Group, Inc.**, **Penn National Gaming, Inc.**, **Vail Resorts, Inc.**, and **Hyatt Hotels Corp.** all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior know-how, or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth and returns over time.

Table X.
Top 10 holdings as of December 31, 2020

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Tesla, Inc.	2014	\$31.2	\$668.9	\$254.7	38.4%
CoStar Group, Inc.	2014	6.2	36.4	57.3	8.6
Penn National Gaming, Inc.	2019	2.5	13.4	51.8	7.8
Vail Resorts, Inc.	2013	2.3	11.2	37.4	5.6
Hyatt Hotels Corp.	2009	4.2	7.5	25.2	3.8
FactSet Research Systems, Inc.	2008	2.5	12.6	24.9	3.8
Space Exploration Technologies Corp.	2017	–	–	17.5	2.6
Choice Hotels International, Inc.	2010	1.9	5.9	16.5	2.5
Iridium Communications Inc.	2019	3.1	5.2	15.8	2.4
Spotify Technology S.A.	2020	45.4	59.7	15.7	2.4

Thank you for investing in Baron Focused Growth Fund. We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also continue to try to provide you with information we would like to have if our roles were reversed. This is so you can make an informed judgment about whether Baron Focused Growth Fund remains an appropriate investment for your family.

Respectfully,

Ronald Baron
 CEO and Lead Portfolio Manager

David Baron
 Co-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 small and medium-sized companies and using non-diversification, but there also may be more risk. Specific risks associated with non-diversification include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. Securities of small and medium-sized companies 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 holdings are subject to risk.

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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Focused Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition.

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

Upside Capture explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

Downside Capture measures how well a fund performs in time periods where the benchmark's returns are less than zero.

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