DAVID BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

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

## Dear Baron Focused Growth Fund Shareholder:

### Performance

Third quarter performance for Baron Focused Growth Fund (the "Fund") was like the second quarter's with continued strength in companies that have benefited from the pandemic. COVID-19 has accelerated the digital conversion of many of our company's operations and has made them more efficient businesses in the process. This transition towards more of an asset-light business model has resulted in stronger margins with lower capital requirements and higher cash flow. As a result, our portfolio company balance sheets are improving quicker than previously thought giving them increased liquidity and financial flexibility. Several of our portfolio companies have taken the opportunity to offer additional shares resulting in more cash on their balance sheet and additional financial flexibility. These capital raises, along with the digital conversions of these businesses, should further improve the long-term growth prospects for these companies and have given us increased confidence in the multi-year outlook for many of these investments.

In the third quarter, the Fund increased 43.70% (Institutional Shares). The Russell 2500 Growth Index (the "Index"), the benchmark against which we compare the performance of the Fund, increased 9.37% and the S&P 500 Index, which measures the performance of large-cap U.S. companies, increased by 8.93%. Given the strength of the Fund's performance year-to-date, the Fund is now outperforming in every key time period, particularly the 1-, 3-, 5-, and 10-year periods. As a result, since inception on May 31, 1996, the Fund has increased 13.52% annualized. This compares favorably to the Index, which has increased 8.49%, and the S&P 500 Index, which has increased 8.90%.

**Table I.**
**Performance**
**Annualized for periods ended September 30, 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] | 43.62% | 43.70% | 9.37% | 8.93% |
| Nine Months[5] | 68.03% | 68.31% | 11.58% | 5.57% |
| One Year | 93.85% | 94.32% | 23.37% | 15.15% |
| Three Years | 32.49% | 32.83% | 13.36% | 12.28% |
| Five Years | 25.10% | 25.42% | 14.19% | 14.15% |
| Ten Years | 17.11% | 17.41% | 14.06% | 13.74% |
| Fifteen Years | 13.56% | 13.77% | 10.28% | 9.19% |
| Since Inception (May 31, 1996) | 13.39% | 13.52% | 8.49% | 8.90% |

The Fund had strong performance across the portfolio led again by its **Disruptive Growth** investments, most importantly, **Tesla, Inc.** which now represents 35.9% of the Fund's net assets. Tesla is the largest position in this focused Fund. Tesla increased 98.9% in the quarter as the company continued to ramp production at its new Shanghai factory. Tesla had record deliveries in the quarter despite the COVID-19 pandemic. The company announced a new factory will be built in Austin, Texas that is expected open sometime in 2021. Two other factories will also open next year, one in Berlin and one more in Shanghai. All three factories should help lower the company's distribution costs while increasing capacity for new models including the Y and semi-truck.

Our **Real/Irreplaceable Assets** companies, which represent 23.5% of the portfolio, continued their strong gains from their March lows in the third quarter given pent-up demand from consumers to leave their homes and travel again. This category was led again by regional casino company **Penn National Gaming, Inc.**, which accounted for 9.1% of the Fund's net assets at quarter end. Penn's shares increased 138.0% in the quarter as the

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

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.

company took advantage of strong equity capital markets and completed another equity offering raising almost a billion dollars of additional capital. The company has also seen a quick rebound in revenues at recently opened properties as it limits non-gaming amenities and uses targeted marketing to attract the most profitable consumers to its casinos. Penn's online sports betting and internet gaming opportunity with Barstool Sports should be an additional positive over time. Since the launch of the Barstool Sportsbook app in Pennsylvania, early activity has been strong. This should result in increased cash flows, which combined with its recent equity offering, should help Penn pay down debt and make additional growth investments across its brick and mortar and digital businesses.

**Vail Resorts, Inc.** increased 17.5% in the third quarter given continued pent-up demand to return to the slopes this year and the hope that the company would enjoy a quick recovery from its pandemic lows. Pass sales for the upcoming season increased 18% in units-to-date and are down just 4% in sales dollars. This decline is due to credits given to pass holders who did not get a chance to fully use the pass as a result of the closure of its resorts last spring. Management expects pass units to be roughly flat with last year, an indication of the strong loyalty of Vail's guests. While Vail may lose some of its higher-margin destination traffic as people continue to avoid flying due to the pandemic, local skiers comprise 50% of its visitation and they should still generate strong earnings and cash flow for the company. Vail still has a strong balance sheet that should allow it to survive the recent downturn and rebound with more liquidity. We believe Vail has the financial flexibility to make further acquisitions and continue to grow its season pass sales program.

**Hyatt Hotels Corp.** increased 6.1% in the third quarter, which was lower than the Index's gain of 9.4%. This occurred as investors continued to be concerned about the company's owned hotel portfolio, which is 40% of its business. Skepticism about how quickly profits would rebound was widespread given Hyatt's significant exposure to business and group travel. Hyatt management has forecast that the company should fully recover from the COVID-19 pandemic over the next two years. This assumes a vaccine or effective therapeutic is developed and business travel and group meetings, which represent 75% of its business, return. We agree with that assessment. While travelers continue to postpone trips slated for the second half of 2020, Hyatt has not yet seen significant cancellations for 2021. The company has an extraordinarily strong balance sheet and liquidity profile with $1.4 billion of cash and a $1.5 billion undrawn credit facility. We continue to find Hyatt's valuation attractive and believe the company's owned assets are trading at a significant discount to what they could be worth in private market transactions when business returns to normal.

The Fund's **Core Growth** investments also generated strong returns from their March lows outperforming the Index by 275 bps in the third quarter. These businesses continued to grow their earnings and cash flow while maintaining strong balance sheets. Real estate information and marketing services company **CoStar Group, Inc.**, which represented 11.0% of the Fund's net assets, continued to increase its sales of new products. CoStar has also benefited from recent acquisitions, where revenue increased more than expected. 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 20%. This should result in even stronger annual EBITDA growth over the long term as it leverages scale. CoStar's stock increased 19.4% in the quarter, more than the Index's 9.4% increase as stronger became clearer.

**FactSet Research Systems, Inc.**, a provider of financial intelligence to the investment community, currently represents 5.3% of the Fund's net assets. FactSet increased just 2.2% in the quarter, below the Index's 9.4% return during the period. FactSet's margins were lower as a result of investments in new content and technology this year. While we believe these investments will pay off and should eventually generate 50% returns on capital, we think FactSet shares may 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 September 30, 2020**

| | % of Net Assets (as of 9/30/2020) | Total Return (%) | Contribution to Return (%) |
|---|---|---|---|
| **Disruptive Growth** | **46.9** | **74.37** | **30.58** |
| Tesla, Inc. | 35.9 | 98.91 | 29.77 |
| American Well Corporation | 1.7 | 20.61 | 0.29 |
| GoodRx Holdings, Inc. | 1.7 | 17.84 | 0.22 |
| Space Exploration Technologies Corp. | 3.2 | 3.33 | 0.24 |
| Iridium Communications Inc. | 2.2 | 0.55 | 0.20 |
| Guidewire Software, Inc. | 2.2 | –5.94 | –0.15 |
| **Real/Irreplaceable Assets** | **23.5** | **38.87** | **8.91** |
| Penn National Gaming, Inc. | 9.1 | 138.05 | 6.81 |
| Red Rock Resorts, Inc. | 0.7 | 56.74 | 0.37 |
| Vail Resorts, Inc. | 6.0 | 17.47 | 1.38 |
| Hyatt Hotels Corp. | 3.8 | 6.12 | 0.38 |
| American Homes 4 Rent | 1.3 | 6.06 | 0.14 |
| Americold Realty Trust | 0.9 | –0.94 | 0.03 |
| Manchester United plc | 1.7 | –8.15 | –0.19 |
| **Core Growth** | **24.9** | **12.12** | **4.51** |
| Adyen N.V. | 2.3 | 26.73 | 0.70 |
| CoStar Group, Inc. | 11.0 | 19.40 | 2.64 |
| Choice Hotels International, Inc. | 2.8 | 8.95 | 0.50 |
| GDS Holdings Limited | 1.7 | 2.72 | 0.09 |
| FactSet Research Systems, Inc. | 5.3 | 2.17 | 0.45 |
| Arch Capital Group Ltd. | 1.8 | 2.09 | 0.13 |
| **Russell 2500 Growth Index** | | **9.37** | |
| **Cash** | **4.7** | **0.00** | **0.00** |
| **Fees** | **–** | **–0.28** | **–0.32** |
| **Total** | **100.0** | **43.68*** | **43.68*** |

*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 year-to-date in 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 are value stocks despite having strong liquidity and balance sheets. They should recover quickly once a vaccine or therapeutic is established to combat the virus.

Since its inception on May 31, 1996 through September 30, 2020, the Fund's 13.52% annualized performance has exceeded that of its Index by 503 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 $219,000! If an investor had instead hypothetically invested $10,000 in the Index, it would be worth approximately $73,000. (Please see Tables I and IV.)

The Fund's beta has averaged 0.80 since inception. This means the Fund has been 80% as volatile as the Index. As a result of the Fund's strong absolute and relative returns and lower risk, the Fund has achieved 6.85% 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 9/30/2020 | | Millennium Internet Bubble to Present 12/31/1999 to 9/30/2020 | | Inception 5/31/1996 to 9/30/2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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% | $16,831 | 68.31% | $90,714 | 11.21% | $218,895 | 13.52% |
| Russell 2500 Growth Index | $ 6,931 | –3.99% | $52,565 | 16.28% | $11,158 | 11.58% | $40,652 | 6.99% | $ 72,678 | 8.49% |
| S&P 500 Index | $ 7,188 | –3.60% | $45,104 | 14.68% | $10,557 | 5.57% | $34,228 | 6.11% | $ 79,646 | 8.90% |

*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 you a much better outcome than if you 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 $218,895 on September 30, 2020. That is more than two and a half times the value of a hypothetical investment of the same amount in the S&P 500 and Russell 2500 Indexes. (Please see Table IV.)

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

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap (billions) | Total Return | Percent Impact |
|---|---|---|---|---|---|
| Tesla, Inc. | 2014 | $31.2 | $399.8 | 98.90% | 29.77% |
| Penn National Gaming, Inc. | 2019 | 2.5 | 11.3 | 138.05 | 6.81 |
| CoStar Group, Inc. | 2014 | 6.2 | 33.4 | 19.40 | 2.64 |
| Vail Resorts, Inc. | 2013 | 2.3 | 8.6 | 17.47 | 1.38 |
| Adyen N.V. | 2020 | 29.1 | 56.0 | 26.73 | 0.70 |

**Tesla, Inc.** designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. The stock rose on strong second quarter results, including profitability that beat analyst forecasts and solid growth in existing and new programs across different geographies and vehicles. In addition, Tesla presented a grand vision around its battery activity aimed at expanding its competitive advantage and market opportunity. We remain confident that Tesla will leverage its market trend and technology leadership to achieve sustainable long-term growth.

Shares of regional casino company **Penn National Gaming, Inc.** increased in the quarter on news of strong betting activity after the early September launch of the Barstool Sportsbook app, in which Penn has a 36% stake. The company reported revenue and EBITDA results that beat investor forecasts, driven by robust margin growth across its assets. The resulting increase in cash flow, combined with a recent equity offering, should help Penn pay down debt on its balance sheet and make additional investments.

Shares of real estate information and marketing services provider **CoStar Group, Inc.** contributed to performance as net new sales reaccelerated more quickly than investor forecasts. Demand for CoStar's digital marketplace businesses has grown as traditionally offline activities have increasingly shifted online during the pandemic. This growth was partially offset by slower trends in CoStar's CRE data licensing businesses. The company has over $3.6 billion of cash on its balance sheet, which we expect to be used for market-expanding acquisitions.

Shares of global ski resort operator **Vail Resorts, Inc.** increased in the quarter on investor expectations that the upcoming ski season will enjoy a quick recovery given strong pent-up demand. Vail should benefit from skiing's status as an outdoor sport that can be conducted in a socially distanced manner. Vail may lose some of its higher-margin destination traffic as people continue to avoid flying due to the pandemic, but the company continues to benefit from the fact that 50% of its visitors are local skiers.

Shares of Dutch digital payment platform **Adyen N.V.** increased after reporting 27% revenue growth in the first half of the year and significant investments in headcount and marketing to sustain its high growth rate. Adyen has been less impacted by pandemic-related store closures and a slowdown in consumer spending than other payment companies. We believe Adyen will be a prime beneficiary of the secular growth of e-commerce over the long term.

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

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap (billions) | Total Return | Percent Impact |
|---|---|---|---|---|---|
| Manchester United plc | 2012 | $2.3 | $2.4 | –8.15% | –0.19% |
| Guidewire Software, Inc. | 2013 | 2.7 | 8.7 | –5.94 | –0.15 |

**Manchester United plc** is the best-known team in the English Premier League and generates revenue from broadcasting, sponsorship, and licensing. Shares fell on pandemic-related uncertainty around live sports. That said, the League resumed matches in mid-June, which we believe provides investors with greater visibility around the financial outlook even in a no-fans scenario. We continue to view Manchester United as a unique media company given its 1.1 billion fans worldwide and broad global appeal that should continue to accrete in value over the long term.

Shares of P&C insurance software vendor **Guidewire Software, Inc.** detracted from performance. The company's transition to the cloud has caused short-term financial headwinds and slowed the cadence of new license sales. We retain conviction. We believe new products and cloud delivery will triple Guidewire's total addressable market. Over time, we think Guidewire will become the key software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion market and generating margins in excess of 40%.

## Investment Strategy & Portfolio Structure

Despite current market volatility and investor angst, we have continued to manage the Fund the same way we have historically and have used the recent strong IPO market to add two small positions to the Fund. While we have made 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 less than 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 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 September 30, 2020, the Fund held 19 investments. The Fund's average portfolio turnover for the past three years was 7.48%. This means the Fund has an average holding period for its investments of a little over 13 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 58.4% of its net assets in this sector versus 12.0% for the Index. Further, the Fund has no biotechnology investments but recently made a small investment in the **GoodRx Holdings, Inc.** IPO, a platform and mobile app technology that tracks drug prices across 75,000 pharmacies and offers its customers discounts on prescriptions. We believe the company has a large addressable market and should be able to continue to grow the business given its low consumer penetration rates and by offering new services, such as telemedicine, on its platform. However, we have not historically invested in biotechnology stocks due to the volatility of those stocks, which we believe make them inappropriate for this focused Fund. The Fund is further diversified by investments in businesses at different stages of growth and development as discussed above and shown below.

**Table VII.**
**Disruptive Growth Companies as of September 30, 2020**

| | Percent of Net Assets | Year Acquired | Cumulative Return Since Initial Purchase |
|---|---|---|---|
| Tesla, Inc. | 35.9% | 2014 | 756.6% |
| Space Exploration Technologies Corp. | 3.2 | 2017 | 74.7 |
| Guidewire Software, Inc. | 2.2 | 2013 | 125.6 |
| Iridium Communications Inc. | 2.2 | 2019 | –5.4 |
| GoodRx Holdings, Inc. | 1.7 | 2020 | 10.1 |
| American Well Corporation | 1.7 | 2020 | 20.0 |

**Disruptive Growth** firms accounted for 46.9% of the Fund's net assets. On current metrics, these businesses may appear expensive; however, we think they will continue to grow 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.**
**Core Growth Investments: Growth, Dividends, and Share Repurchases as of September 30, 2020**

| | Percent of Net Assets | Acquired Year | Cumulative Return Since Initial Purchase |
|---|---|---|---|
| CoStar Group, Inc. | 11.0% | 2014 | 296.5% |
| FactSet Research Systems, Inc. | 5.3 | 2008 | 649.9 |
| Choice Hotels International, Inc. | 2.8 | 2010 | 318.8 |
| Adyen N.V. | 2.3 | 2020 | 91.9 |
| Arch Capital Group Ltd. | 1.8 | 2003 | 703.3 |
| GDS Holdings Limited | 1.7 | 2020 | 33.1 |

**Core Growth** investments, steady growers that continually return excess free cash flow to shareholders, represented 24.9% 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.

**Table IX.**
**Investments with Real/Irreplaceable Assets as of September 30, 2020**

| | Percent of Net Assets | Year Acquired | Cumulative Return Since Initial Purchase |
|---|---|---|---|
| Penn National Gaming, Inc. | 9.1% | 2019 | 246.4% |
| Vail Resorts, Inc. | 6.0 | 2013 | 298.4 |
| Hyatt Hotels Corp. | 3.8 | 2009 | 94.5 |
| Manchester United plc | 1.7 | 2012 | 11.3 |
| American Homes 4 Rent | 1.3 | 2018 | 39.2 |
| Americold Realty Trust | 0.9 | 2020 | 5.5 |
| Red Rock Resorts, Inc. | 0.7 | 2017 | –18.8 |

Companies that own what we believe are **Real/Irreplaceable Assets** represented 23.5% 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.

## PORTFOLIO HOLDINGS

For the quarter ended September 30, 2020, the Fund's top 10 holdings represented 81.6% 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 **FactSet Research Systems, Inc.** 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.

# Baron Focused Growth Fund

**Table X.**
**Top 10 holdings as of September 30, 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 | $399.8 | $171.6 | 35.9% |
| CoStar Group, Inc. | 2014 | 6.2 | 33.4 | 52.6 | 11.0 |
| Penn National Gaming, Inc. | 2019 | 2.5 | 11.3 | 43.6 | 9.1 |
| Vail Resorts, Inc. | 2013 | 2.3 | 8.6 | 28.7 | 6.0 |
| FactSet Research Systems, Inc. | 2008 | 2.5 | 12.7 | 25.1 | 5.3 |
| Hyatt Hotels Corp. | 2009 | 4.2 | 5.4 | 18.1 | 3.8 |
| Space Exploration Technologies Corp. | 2020 | – | – | 15.5 | 3.2 |
| Choice Hotels International, Inc. | 2010 | 1.9 | 4.8 | 13.3 | 2.8 |
| Adyen N.V. | 2020 | 29.1 | 56.0 | 10.8 | 2.3 |
| Guidewire Software, Inc. | 2013 | 2.7 | 8.7 | 10.6 | 2.2 |

**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

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*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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