DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Focused Growth Fund (the "Fund") declined 8.03% (Institutional Shares) in the quarter ended March 31, 2022. The Fund's primary benchmark, the Russell 2500 Growth Index (the "Index"), fell 12.30% in the period. The S&P 500 Index, which measures the performance of large-cap companies, fell 4.60%.

The Fund and markets, in general, were negatively impacted in the three months by several factors. First, as a result of 8.5% annualized inflation in the U.S., the Federal Reserve now plans to increase interest rates faster than had previously been expected. Further, the war in Ukraine impaired supply chains and exacerbated inflation, which remains higher than its long-term average. Finally, concerns became more widespread that "tapering" the Federal Reserve Bank's balance sheet (i.e., reducing its holdings of government debt, could cause a recession). Higher interest rates and "tapering" in the past have reduced inflationary pressures.

The Fund has remained steadfast in its commitment to long-term investments in competitively advantaged, growth businesses managed by exceptional executives. We believe such investments are an effective way to protect and increase the purchasing power of our currency. One more thing. After wars...pandemics...higher than normal inflation...and significant market declines, in the past equity stock prices have increased substantially.

The Fund has outperformed its benchmarks for the 3-, 5-, and 10-year periods…as well as since its inception as a private partnership on May 31, 1996. Since its inception nearly 26 years ago, the Fund has increased 14.32% annualized. This compares to an 8.60% annualized return for the Index and 9.71% annualized return for the S&P 500 Index.

DAVID BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

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

Further, since the Fund's conversion to an open end, no-load mutual fund on June 30, 2008, the Fund has increased 15.10% annualized. This compares to 11.23% annualized for the Index and 11.90% for the S&P 500 Index. At March 31, 2022, the Fund is ranked number 29 of 3,436 equity mutual fund share classes. This places the Fund in the top 1% of equity mutual funds.* The Baron Firm and family are the largest shareholders in Baron Focused Growth Fund.

*** This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 3/31/2022. There were 3,436 share classes in these nine Morningstar Categories for the period from 6/30/2008 to 3/31/2022.**

Note, the peer group used for these analyses includes all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for this analysis are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories.

The Morningstar Mid-Cap Growth Category consisted of 592, 503, and 386 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Focused Growth Fund in the 3rd, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund on 6/30/2008, and the category consisted of 311 share classes.

BARON FUNDS 1987

Baron Focused Growth Fund

Table I.
Performance
Annualized for periods ended March 31, 2022

	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]	(8.09)%	(8.03)%	(12.30)%	(4.60)%
One Year	9.20%	9.47%	(10.12)%	15.65%
Three Years	41.18%	41.57%	12.99%	18.92%
Five Years	30.69%	31.02%	13.22%	15.99%
Ten Years	18.69%	19.00%	12.69%	14.64%
Fifteen Years	13.79%	14.03%	10.03%	10.26%
Since Inception (May 31, 1996)	14.18%	14.32%	8.60%	9.71%

While first quarter performance was disappointing, we believe stock prices are not fully reflecting companies' growth prospects or strong balance sheets as they emerge from the COVID pandemic in a stronger position than when they went into it just two years ago. Many are using their strong balance sheets to continue to invest in growth opportunities and accelerate revenue growth. Included in this category are **Tesla, Inc.**, **FactSet Research Systems, Inc.**, **Penn National Gaming, Inc.**, and **CoStar Group, Inc.** Others are using their strong cash flows to boost shareholders' returns through increased dividends and share buybacks. Included in this group are **Arch Capital Group Ltd.**, **Jefferies Financial Group Inc.**, **Boyd Gaming Corporation**, and **MGM Resorts International**.

Tesla's stock price gained 2.0% in the quarter as its electric car deliveries and production continued to increase significantly, enabled by substantial increases in capacity in Berlin, Shanghai, and Austin. These sales increases were despite supply-chain issues principally for computer chips and battery cells and a shutdown of its factory in Shanghai for a few days due to a COVID-related government-imposed lockdown in the region. The company overcame those issues due to its own battery cell manufacturing facility, its ability to redesign computer chip software, and its success with a more vertically integrated supply chain than competitors. Tesla's share price increase boosted the Fund's performance by 51 basis points in the quarter. Tesla remains the Fund's largest holding and at quarter end represented 27.7% of the Fund's net assets. We believe Tesla sales could increase substantially as additional production capacity is added this year in Berlin, Germany and Austin, Texas. Demand for Tesla cars remains extremely strong.

FactSet declined 10.5% in the quarter and penalized performance in the period by 43 basis points. FactSet shares fell despite accelerated revenue growth with improved margins, as recent investments continue to generate strong returns. FactSet's revenue growth accelerated due to the introduction of new tools, which the company has begun to sell to both new and existing clients. This has led to increased pricing power and new use cases. We expect further revenue and earnings growth in 2022 and beyond, as well as improved cash flow, which the company will likely use for additional acquisitions and share repurchases. FactSet's prospects remain favorable due to its large addressable market, consistent execution on both new product development and financial results, and robust free cash flow.

Penn declined 18.2% in the quarter and penalized performance by 54 basis points. This was due to investor concerns over continuing losses from its Barstool business. We believe the $50 million of losses this year from its digital business is modest in relation to Penn's $1 billion of brick and mortar EBITDA. The losses from its digital business represent customer acquisition costs incurred as additional states legalize online gambling. Since it is far less expensive to retain existing customers than to acquire new ones, we expect marketing costs to decline as Penn builds its customer base. Penn's core bricks and mortar casino business remains strong, and the company has a healthy regional casino business and a strong balance sheet to fund digital losses.

Real estate data and marketing platform CoStar declined 15.7% in the quarter and penalized performance by 87 basis points. We believe CoStar's share price decline was due to investor concerns over the company's accelerated investment in its residential platform. We believe this investment should meaningfully accelerate CoStar's revenue growth through

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, 2021 was 1.32% and 1.05%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2032, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

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. 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 index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The index is unmanaged. 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.

the expansion of the addressable market. Over the next five years, this expenditure could add as much as a billion dollars to revenue at a significantly accretive margin. This would result in a 50% increase to today's $2 billion of revenue and an approximate 75% increase in EBITDA.

The Fund's portfolio companies that have pricing power to combat inflation such as Arch Capital and **Hyatt Hotels Corp.** as well as those that returned excess free cash flow to investors such as Boyd Gaming, performed well in the period.

Arch's share price increased 8.9% in the quarter and contributed 45 basis points to performance. This was as the company continued to increase premiums written while raising prices. Arch generated an 11% increase in book value per share from last year. This strong pricing is resulting in robust returns on investments with increased earnings and cash flow that the company is using to repurchase its shares. We continue to believe the company should continue to generate mid-teens returns on capital. Arch's valuation remains attractive.

Hyatt was a relative outperformer in the quarter and declined just 0.5%. The strong relative performance was in part because the company has important attributes that make it a good hedge against inflation. This is since Hyatt is able to reprice its rooms on a daily basis. This should lead to stronger margins as management expects hotel-level margins to be between 100 basis points and 300 basis points above pre-COVID levels. As a result, the company should generate strong free cash flow that, coupled with cash proceeds from asset sales, it can use to pay down the debt taken on to complete its acquisition of Apple Leisure Group. Hyatt still has a strong balance sheet since the start of the COVID pandemic. Hyatt's balance sheet, cash flow, and further asset sales will enable the company to restart a return of capital program by the end of the year. We think its pivot to an increasingly asset-light business with an improved balance sheet and cash flow profile should also result in more stable earnings that could result in multiple expansion over time.

Shares of Boyd, a regional casino gaming company, was another relative outperformer in the quarter, rising 0.6%. The strong relative performance was due to an increase in revenue and margins. Boyd's accelerated demand growth was due in part to the end of mask mandates across its regional properties. Boyd used strong free cash flow to launch a programmatic stock buyback program of $100 million per quarter. Boyd also reinstituted a dividend above pre-COVID levels. Boyd's underleveraged financials at just 2.5 times lease-adjusted net leverage gives it the ability to continue to invest in its assets, pursue accretive acquisitions, and return capital to shareholders.

In terms of our categories of investments, performance was led by our **Financials** investments. This was given the expected rise in interest rates over the near term as well as the pricing power inherent in the businesses. These stocks fell less than the market at 4.9% in the quarter and represented 14.7% of the portfolio. The outperformance was led by our investment in Arch as mentioned above.

Our **Disruptive Growth** investments: rapid, early-stage growth businesses that are disruptive to their industries, declined 6.2% in the quarter and represent 49.4% of the Fund. Performance was led by our investment in Tesla as mentioned above, offset somewhat by declines in several smaller, fast-growing businesses including **Guidewire Software, Inc.** and **Spotify Technology S.A.**

Spotify is a leading digital music service available in over 175 countries. The company offers on-demand audio streaming through paid premium subscriptions as well as through a free ad-supported model. Shares fell due to controversy surrounding Joe Rogan, a podcaster exclusive to Spotify's platform, along with broader macro concerns. We view Spotify as a long-term winner in audio streaming with potential to reach more than 1 billion monthly active users because of its scalable core music product and growing library of podcasts. Further, its 5 million creative artists could increase to 50 million while its advertising potential is several multiples of its current revenue levels.

Shares of P&C insurance software vendor Guidewire fell due to multiple compression in high-growth cloud technology stocks. The company has crossed the mid-point of its cloud transition, which should correspond with dramatically improving financial results. We believe Guidewire has tripled its addressable market through new products and cloud delivery. We also believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%. This should lead to strong free cash flow which the company can use to continue to invest in its business and create new products and services for its customers.

Our **Real/Irreplaceable Assets** are those companies with assets that generally have strong pricing power and are hedges against inflation. They declined 9.3% in the quarter and represent 22.4% of the Fund. The category was led by our investments in lodging companies Hyatt (as noted above) and **Choice Hotels International, Inc.** Results were penalized by declines in Penn (as stated above) and **Vail Resorts, Inc.**, both of which we believe are unusually attractively priced.

Shares of ski resort owner Vail declined 20.3% and hurt performance by 93 basis points. This was due to poor early-season snow and labor shortages that negatively impacted customer service, raising investor concerns over season pass renewal rates. However, we retain conviction. Vail raised its minimum wage from $12 to $15 per hour this season and announced plans to make serious inroads into the staff shortage situation for the 2022–2023 season with another minimum wage bump to $20. We think this should enable Vail to fully staff next season and provide a better experience for skiers while leading to stable renewal rates on pass sales.

The Fund's **Core Growth** investments, which are companies that can continue to grow revenue and earnings steadily, while returning excess cash flow to investors through dividends and share repurchases, declined 12.4% in the quarter. These investments represent 7.4% of the Fund. The decline was mainly due to declines in CoStar, which declined 15.7% in the quarter and hurt performance by 87 basis points. CoStar indicated it would accelerate its investment in its residential business, which will hurt earnings in the short term but will significantly expand its addressable market. This investment could add as much as another billion dollars in revenue to the company, a 50% increase from today's levels at a 50% margin, meaningfully accretive from today's 30% margin levels. We believe the investment should yield high returns and enhance the company growth and free cash flow profile in the future.

Baron Focused Growth Fund

Table II.
Total returns by category for the quarter ended March 31, 2022

	% of Net Assets (as of 3/31/2022)	Total Return (%)	Contribution to Return (%)
Financials	**14.7**	**–4.87**	**–0.57**
Arch Capital Group Ltd.	5.5	8.93	0.45
FactSet Research Systems, Inc.	4.5	–10.48	–0.43
Jefferies Financial Group Inc.	2.2	–14.86	–0.42
MSCI, Inc.	2.5	–18.00	–0.16
Disruptive Growth	**49.4**	**–6.20**	**–3.57**
Velo3D, Inc.	0.8	18.74	0.22
Space Exploration Technologies Corp.	8.5	3.35	0.29
Tesla, Inc.	27.7	1.97	0.51
Iridium Communications Inc.	3.2	–2.55	0.06
BioNTech SE	–	–11.15	–0.04
Guidewire Software, Inc.	4.2	–16.66	–0.80
SmartRent, Inc.	–	–18.22	–0.10
Mirion Technologies, Inc.	1.7	–22.92	–0.53
Pegasystems, Inc.	–	–23.71	–0.49
Figs Inc.	–	–30.20	–0.35
Spotify Technology S.A.	3.3	–35.72	–1.76
Warby Parker Inc.	–	–45.99	–0.59
Real/Irreplaceable Assets	**22.4**	**–9.29**	**–2.29**
Las Vegas Sands Corporation	–	4.96	0.01
Boyd Gaming Corporation	1.2	0.56	0.03
Hyatt Hotels Corp.	6.0	–0.47	–0.02
Manchester United plc	–	–1.03	–0.19
MGM Resorts International	2.1	–6.71	–0.20
American Homes 4 Rent	1.1	–7.78	–0.09
Choice Hotels International, Inc.	2.8	–8.83	–0.26
Red Rock Resorts, Inc.	2.3	–12.09	–0.11
Penn National Gaming, Inc.	2.5	–18.19	–0.54
Vail Resorts, Inc.	4.4	–20.25	–0.93
Russell 2500 Growth Index		**–12.30**	
Core Growth	**7.4**	**–12.43**	**–1.34**
Sweetgreen, Inc.	–	11.29	–0.23
HEICO Corporation	0.7	6.53	0.04
CoStar Group, Inc.	4.9	–15.72	–0.87
Krispy Kreme, Inc.	1.8	–21.97	–0.28
Cash	**6.1**	**–**	**0.00**
Fees	**–**	**–0.28**	**–0.28**
Total	**100.0**	**–8.05***	**–8.05***

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%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

From 2014 through 2016, the Fund invested in several companies whose stocks underperformed while they were investing in their businesses to enable them to grow. **Iridium Communications Inc.** and **Tesla, Inc.** were among those businesses. Their stocks outperformed in 2020, 2021, and so far in 2022, as those investments have started generating strong returns. These companies continue to invest in their businesses and now that they are financially stronger, are even better able to finance 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 fell materially over the next eight years. The Fund increased in value during that same period. (Please see Tables III and IV.)

Similar 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 several of our growth companies are trading as if they were value stocks. So, despite unusually strong balance sheets and favorable growth prospects, we believe the market is giving these businesses little credit for future earnings growth. Their consumer facing businesses are already recovering quickly as vaccines and boosters are administered and people return to their normal activities. This is further amplified by $2 trillion of consumer savings built up over the past two years.

Since its inception as a private partnership on May 31, 1996 through March 31, 2022, the Fund's **14.32% annualized performance** has **exceeded** that of its Index by **572 basis points per year**!

The Fund's beta has averaged 0.83 since inception. This means the Fund has been 83% as volatile as the Index. As a result of the Fund's strong absolute and relative returns and lower risk, the Fund has achieved 7.40% 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 Present 12/31/2008 to 3/31/2022		Millennium Internet Bubble to Present 12/31/1999 to 3/31/2022		Inception 5/31/1996 to 3/31/2022	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Focused Growth Fund (Institutional Shares)	$12,732	2.72%	$103,344	19.28%	$131,578	12.28%	$317,501	14.32%
Russell 2500 Growth Index	$ 6,931	–3.99%	$ 68,019	15.57%	$ 47,143	7.22%	$ 84,283	8.60%
S&P 500 Index	$ 7,188	–3.60%	$ 65,572	15.25%	$ 47,133	7.22%	$109,676	9.71%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

We did not make much money from December 31, 1999, through December 31, 2008 (amid the highs of the Internet Bubble and the lows of the Financial Crisis). But…we did make something…which gave investors a much better outcome than if they had hypothetically 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 power of compounding and of not losing money from the Millennium Internet Bubble to the Financial Panic period and outperforming the market during upswings from the Financial Panic to Present, $10,000 hypothetically invested in Baron Focused Growth Fund at the Fund's inception on May 31, 1996, was worth $317,501 on March 31, 2022. That is almost four times the value of a hypothetical investment of the same amount in funds designed to track the Russell 2500 Growth Index and almost three times the value of a hypothetical investment of the same amount in funds designed to track the S&P 500 Index. (Please see Table IV.)

Table V.
Top contributors to performance for the quarter ended March 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$1,113.7	1.97%	0.51%
Arch Capital Group Ltd.	2003	0.9	18.3	8.93	0.45
Space Exploration Technologies Corp.	2017	–	–	3.35	0.29
Velo3D, Inc.	2021	2.0	1.7	18.74	0.22
Iridium Communications Inc.	2014	0.6	5.2	-2.55	0.06

Tesla, Inc. designs, manufactures, and sells electric vehicles, solar products, energy storage solutions, and batteries. Despite a complex supply-chain environment, shares increased on continued strong growth and record profitability. Robust demand and operational optimization allow the company to offset inflationary pressure, and vertical integration enables flexibility around supply bottlenecks. Moreover, we expect new localized manufacturing capacity to drive additional optimization while software initiatives, including the autonomous driving program, are accelerating.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. The stock increased after reporting quarterly earnings that exceeded consensus estimates and 11% growth in book value per share. Pricing trends remain favorable in the property & casualty insurance market, and margins for the mortgage insurance business improved substantially from last year's cyclically depressed levels as delinquencies decline. We continue to own the stock due to Arch's strong management team and our expectation of solid growth in earnings and book value.

Space Exploration Technologies Corp. (SpaceX) designs, manufactures, and launches rockets, satellites, and spacecrafts. Its mission, ultimately, is to enable people to live on other planets. SpaceX is commercializing its broadband offering by rapidly deploying user terminals and its satellite constellation. It continues to reliably provide reusable launch capabilities, including crewed flights, and advancing the development of its newest and larger rocket, Starship. We value SpaceX using prices of recent transactions and a proprietary valuation model.

Shares of **Velo3D, Inc.**, a 3D printing manufacturer providing a full-stack hardware and software solution to enable support-free printing, rose during the quarter. The company continued delivering on its early financial commitments. Velo3D's proprietary technology unlocks a large addressable market previously inaccessible to 3D printing as it enables powder bed fusion printing without the need for supports, lowering cost and processing time and eliminating the need to "design for additive." We believe Velo3D's unique technology will drive strong future growth.

Iridium Communications Inc. is a leading mobile voice and data communications services vendor offering global coverage via satellite. Shares contributed on solid performance against all key growth initiatives. Iridium's voice and Internet-of-Things segments remained strong while new product launches such as Certus 100 and 200 should support additional adoption of Iridium's broadband solutions. Management is leveraging strong profitability to execute its shareholder-friendly capital allocation program with an acceleration of repurchasing activity.

Table VI.
Top detractors from performance for the quarter ended March 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Spotify Technology S.A.	2020	$45.4	$29.1	–35.72%	–1.76%
Vail Resorts, Inc.	2013	2.3	10.6	–20.25	–0.93
CoStar Group, Inc.	2014	6.2	26.3	–15.72	–0.87
Guidewire Software, Inc.	2013	2.7	7.9	–16.66	–0.80
Warby Parker Inc.	2021	6.0	3.1	–45.99	–0.59

Spotify Technology S.A. is a leading digital music service available in over 175 international markets, offering on-demand audio streaming through paid premium subscriptions as well as a free ad-supported model. Shares were down given controversy around Joe Rogan, a podcaster exclusive to Spotify's platform, along with broader macro concerns. We view Spotify as a long-term winner in audio streaming with potential to reach more than one billion monthly active users, driven by its scalable core music product and growing library of spoken-word content.

Shares of ski resort owner **Vail Resorts, Inc.** declined due to poor early-season snow and labor shortages that negatively impacted customer service, raising investor concerns over season pass renewal rates. We retain conviction. Vail raised its minimum wage from $12 to $15 this season and announced plans to make serious inroads into the staff shortage situation for the 2022–2023 season with another minimum wage bump to $20. We think this move should enable Vail to fully staff next season and provide a better experience for skiers while leading to stable renewal rates on pass sales.

Real estate data and marketing platform **CoStar Group, Inc.** detracted from results as valuations for high-growth technology stocks compressed. The company is pushing into the residential market, which meaningfully expands its total addressable market. While this initiative requires meaningful short-term investment, it should ultimately yield high returns and enhance the company's growth and profitability.

Shares of P&C insurance software vendor **Guidewire Software, Inc.** fell due to multiple compression in high-growth technology stocks. We retain conviction. The company has crossed the midpoint of its cloud transition, which should correspond with improving financial results. We believe Guidewire has tripled its addressable market through new products and cloud delivery and will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%.

Warby Parker Inc. is an omnichannel retailer that sells eyewear, contact lenses, eye exams, and accessories. Sales typically peak between Christmas and New Year's Day as consumers rush to spend leftover money in their Flexible Spending Accounts. Shares fell during the quarter, as the spike in Omicron resulted in lower foot traffic and store closures during the company's peak sales season. We exited our position.

Investment Strategy & Portfolio Structure

Despite current market volatility and investor angst, we have continued to manage the Fund the same way we have historically, searching for companies with large addressable market opportunities that have the potential to disrupt industries and take market share given strong competitive advantages inherent in their businesses.

In the first quarter, we added to our position in **MSCI, Inc.**, a leading provider of investment decision support tools to investment institutions. The company is seeing strong organic revenue growth of 20% and is generating margins of almost 60% with a healthy pipeline across new products and regions. The company has a strong balance sheet and generates strong free cash flow that it uses to continue to invest in the business and to buyback its shares. We believe this strong earnings and free cash flow grower with a robust balance sheet and free cash flow profile should make MSCI an attractive investment for the next several years.

We also added to our positions in **Spotify Technology S.A.** and **Krispy Kreme, Inc.** Both companies have large addressable markets with strong brands that should allow them to take significant market share over time. We believe they are both appropriately financed and should generate significant cash to continue investing in their businesses for further growth.

While we have made other 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, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of between 20 and 30 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 99% 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 our proprietary research and time-tested investment approach.

As of March 31, 2022, we held 22 investments. The Fund's average portfolio turnover for the past three years was 26.3%. This means the Fund has an average holding period for its investments of nearly four years. This contrasts sharply with the average mid-cap growth mutual fund, which typically turns over its portfolio every 16 months. From a quality standpoint, the Fund's investments have stronger sales growth than the holdings in the Index, higher EBITDA, operating, and free cash flow margins with stronger returns on invested capital. We believe these metrics are important to limit risk in this focused 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 50.8% of its net assets in this sector versus 14.5% for the Index. The Fund also has no exposure to Energy or Health Care stocks versus 23.9% for the Index, as we believe the sectors change too quickly, making it difficult to invest in these stocks in a concentrated portfolio. 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 March 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	27.7%	2014	2,051.67%
Space Exploration Technologies Corp.	8.5	2017	315.16
Guidewire Software, Inc.	4.2	2013	104.72
Spotify Technology S.A.	3.3	2020	–36.89
Iridium Communications Inc.	3.2	2019	49.06
Mirion Technologies, Inc.	1.7	2021	–26.64
Velo3D, Inc.	0.8	2021	–15.29

Disruptive Growth firms accounted for 49.4% 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 March 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corp.	6.0%	2009	247.93%
Vail Resorts, Inc.	4.4	2013	390.65
Choice Hotels International, Inc.	2.8	2010	595.40
Penn National Gaming, Inc.	2.5	2019	102.10
Red Rock Resorts, Inc.	2.3	2017	146.55
MGM Resorts International	2.1	2021	–6.31
Boyd Gaming Corporation	1.2	2021	0.76
American Homes 4 Rent	1.1	2018	98.97

Companies that own what we believe are **Real/Irreplaceable Assets** represented 22.4% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corp.**, and the largest U.S. regional casino gaming company **Penn National Gaming, Inc.** are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power over time. Penn's state-granted licenses for its regional casinos provide important protection from competitors. Online sports betting and i-casino gaming offer large opportunities for future growth for the company.

Table IX.
Financials Investments as of March 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Arch Capital Group Ltd.	5.5%	2003	1,229.81%
FactSet Research Systems, Inc.	4.5	2008	885.23
MSCI, Inc.	2.5	2021	–22.87
Jefferies Financial Group Inc.	2.2	2021	–13.39

Financials investments accounted for 14.7% of the Fund's net assets. These businesses generate strong recurring earnings through subscriptions and premiums that generate highly predictable earnings and cash flow that they use to continue to invest in new products and services while returning capital to shareholders through share buybacks. Examples of these companies include insurer **Arch Capital Group Ltd.**, and **FactSet Research Systems, Inc.**, a financial intelligence provider to the investment community.

As one of the leading financial intelligence systems for the asset management industry, FactSet continues to grow into new areas via fixed income, risk management, and, most recently, private equity. 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 X.
Core Growth Investments: Growth, Dividends, and Share Repurchases as of March 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	4.9%	2014	211.26%
Krispy Kreme, Inc.	1.8	2021	5.21
HEICO Corporation	0.7	2021	10.94

Core Growth investments, steady growers that continually return excess free cash flow to shareholders, represented 7.4% of net assets. Examples of these companies include **CoStar Group, Inc.** CoStar continues to add new services in the commercial and residential areas of real estate, which have grown its addressable market and enhance services for its clients further improving retention and cash flow. It continues to invest its cash flow in its business to accelerate growth, which we believe should generate strong returns over time.

Portfolio Holdings

As of March 31, 2022, the Fund's top 10 holdings represented 72.2% 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.**, **Space Exploration Technologies Corp.**, **Hyatt Hotels Corp.**, **Arch Capital Group Ltd.**, and **CoStar Group, Inc.** all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior industry expertise, 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 XI.
Top 10 holdings as of March 31, 2022

	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	$1,113.7	$220.9	27.7%
Space Exploration Technologies Corp.	2017	–	–	67.5	8.5
Hyatt Hotels Corp.	2009	4.2	10.5	47.7	6.0
Arch Capital Group Ltd.	2003	0.9	18.3	43.6	5.5
CoStar Group, Inc.	2014	6.2	26.3	38.6	4.9
FactSet Research Systems, Inc.	2008	2.5	16.4	35.8	4.5
Vail Resorts, Inc.	2013	2.3	10.6	35.1	4.4
Guidewire Software, Inc.	2013	2.7	7.9	33.1	4.2
Spotify Technology S.A.	2020	45.4	29.1	26.4	3.3
Iridium Communications Inc.	2014	0.6	5.2	25.7	3.2

Baron Focused Growth Fund

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 Fund is non-diversified which means, in addition to increased volatility of the Fund's returns, it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 40% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with investing in small and medium-sized companies include that the securities may be thinly traded and 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.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).