Dear Baron Focused Growth Fund Shareholder:

Performance

Baron Focused Growth Fund (the "Fund") declined 19.91% (Institutional Shares) in the quarter ended June 30, 2022. The Fund's primary benchmark, the Russell 2500 Growth Index (the "Index"), fell 19.55% in the period. The S&P 500 Index, which measures the performance of large-cap companies, fell 16.10%.

The Fund and markets in general, continued to be negatively impacted in the quarter by several factors. First, due to over 9% annualized inflation in the U.S., the Federal Reserve now plans to increase interest rates faster than previously expected. The Fed, last month, increased rates 75 bps and could continue to raise rates 50 bps to 75 bps every two months or so until inflation begins to decline. Second, the ongoing war in Ukraine continues to impair supply chains and exacerbate inflation, which remains higher than its long-term average. Third, concerns became more widespread that the sharp rise in rates combined with stubbornly high prices could cause an earnings growth slowdown and a possible recession. Although the consensus among investors is that inflation will be difficult to reduce, prices for lumber, copper, oil, gold, bitcoin, and other commodities have been falling sharply!

Regardless, the Fund has remained steadfast in its commitment to long-term investments in competitively advantaged growth businesses with large growth opportunities that are taking share and are managed by exceptional executives. We believe such investments are an effective way to protect and increase the purchasing power of your savings and is a smart strategy especially in a focused fund. In the past, after wars, pandemics, financial panics, higher-than-normal inflation, and significant market declines as interest rates are reduced again, equity stock prices have increased substantially.

The Fund continues to outperform its Index for the 1-, 3-, 5-, and 10-year periods as well as since its inception as a private partnership on May 31, 1996. Since its inception over 26 years ago, the Fund has increased 13.21% annualized. This compares to a 7.61% annualized return for the Index and an 8.88% 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

Table I.
Performance
Annualized for periods ended June 30, 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]	(19.97)%	(19.91)%	(19.55)%	(16.10)%
Six Months[5]	(26.44)%	(26.34)%	(29.45)%	(19.96)%
One Year	(14.63)%	(14.40)%	(31.81)%	(10.62)%
Three Years	30.67%	30.99%	3.68%	10.60%
Five Years	22.63%	22.95%	7.53%	11.31%
Ten Years	16.97%	17.26%	10.88%	12.96%
Fifteen Years	11.89%	12.13%	7.96%	8.54%
Since Inception (May 31,1996)	13.07%	13.21%	7.61%	8.88%

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.

BARON FUNDS 1987

Baron Focused Growth Fund

While the Fund's second quarter performance was disappointing, we believe our investments reflect the impact of a possible recession in the near term…and if it does not occur this year then next year. Thus far, our companies are seeing no slowdown in sales or earnings and their outlooks remain quite strong. In addition, we believe that even if a downturn were to occur, our companies would still be operating above pre-pandemic levels. Further, our businesses' balance sheets have been strengthened compared to two and a half years ago when the COVID pandemic-induced economic decline began.

Our portfolio holdings continue to have strong competitive advantages with large market opportunities. Despite market volatility, our companies continue to invest in their businesses to accelerate revenue growth, while using excess cash to return capital to shareholders through increased buybacks and dividends. A few companies that are accelerating their investments despite the market environment include **Tesla, Inc.**, **CoStar Group, Inc.**, **Hyatt Hotels Corp.**, **Guidewire Software, Inc.**, and **Vail Resorts, Inc.** Others are using their strong cash flows to boost shareholders' returns through increased dividends and share buybacks, such as **Arch Capital Group Ltd.**, **Boyd Gaming Corporation**, **FactSet Research Systems, Inc.**, and **Penn National Gaming, Inc.**

Tesla's stock price declined 37.5% in the quarter as its electric car deliveries and production were impacted by shutdowns in Shanghai due to COVID. Tesla's earnings were negatively impacted by start-up costs at its two new production plants in Austin, Texas and Berlin, Germany. We expect both factories as well as an expansion of its factory in China to become profitable during the next 12 months. Demand for Tesla's electric cars remains strong. Despite the company implementing price increases to offset higher input costs, Tesla has seen no change in robust demand levels. Management indicated that June was its largest production month in the company's history. Accordingly, Tesla's electric vehicle automobile production since the Shanghai COVID shutdown continues to ramp. We believe production and deliveries should accelerate in the second half of this year helped by increased capacity in Shanghai, Berlin, and Austin. This is despite continued supply-chain issues principally for computer chips and battery cells. Tesla is benefiting from its vertical integration and having its own battery cell manufacturing facility. Tesla's share price decline hurt the Fund's performance by 10.55% in the quarter. Tesla remains the Fund's largest holding and at quarter end represented over 20% of the Fund's net assets.

Real estate data and marketing platform CoStar declined 9.3% in the quarter and penalized performance by 37 bps. 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 the expansion of its addressable market. Over the next five years, this expenditure could add as much as $1 billion 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.

Hyatt declined 22.6% and hurt performance by 149 bps in the quarter on investor concerns that a possible recession will result in growth rates that would slow or even turn negative, and the company is currently generating peak profits. Thus far, the company has seen no material slowdown in occupancy levels or rates and continues to increase prices, especially on the leisure side. While leisure may be experiencing peak demand levels, management believes any slowdown in growth should be offset by the continued recovery of group and business customers. Volumes in these segments are rapidly returning to pre-pandemic levels. This should lead to higher margins as group and business travel spending is higher than leisure spending. The company's anticipated strong free cash flow, coupled with cash proceeds from owned asset sales, can be used to repay debt incurred to complete its acquisition of Apple Leisure Group. Hyatt's balance sheet is strong, and it has recently re-initiated its stock buyback program. Hyatt's robust balance sheet and cash flow profile combined with additional asset sales should also result in more consistent earnings that could result in multiple expansion.

Shares of P&C insurance software vendor Guidewire fell 25.0% and hurt performance by 99 bps. We believe this is due to continued multiple compression in high-growth cloud technology stocks. However, the company continues to accelerate the investment it is making in its cloud computing growth opportunity. Guidewire has now crossed the midpoint 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 think the company should be the critical software vendor for the global P&C insurance industry. Guidewire could ultimately capture between 30% and 50% of its $15 billion to $30 billion total annual addressable market and generate margins above 40%. This resultant strong cash flow could be used to continue to invest in new products and services for its customers.

Shares of ski resort owner Vail declined 15.5% and hurt performance by 73 bps. The decline was due to investor concerns that a possible recession will result in a slowdown or decline in growth. However, thus far, Vail has seen no material change in its visitation or visitor spending levels and continues to generate robust earnings and free cash flow. It continues to invest in its people and resorts. It accelerated its investment this year by raising its minimum wage to $20 from $15 and increasing its investment in its resorts from $170 million per year to $320 million. This is to increase lift capacity and open acreage to make skiing at Vail an even better experience. Season pass sales for the 2022-2023 season increased from record levels last year and the company has more than 60% of lift ticket revenue locked in before the season even starts. Vail's strong balance sheet should enable it to weather any downturn should one occur while allowing further acquisitions.

Arch's share price declined 6.1% in the quarter and hurt performance by 30 bps. This was as the company continued to increase premiums written while raising prices. 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 that Arch will continue to generate mid-teens returns on capital. Arch's valuation remains attractive.

Shares of Boyd, a regional casino gaming company, declined 24.1% and hurt performance by 31 bps. The decline was due to concerns that a possible economic slowdown would cut into visitation and spending levels at its properties. Thus far, management has not seen any change to visitation or spending. Boyd has a robust balance sheet and is using its excess cash flow to invest in its properties and buy back its shares. Boyd's underleveraged financials at just 2.5 times lease-adjusted net leverage give it the ability to continue to invest in its assets, pursue accretive acquisitions, and return capital to shareholders.

FactSet, a financial intelligence provider to the investment community, declined 11.2% in the quarter and penalized performance in the period by 45 bps. 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 28.3% in the quarter and penalized performance by 71 bps. This was due to investor concerns that a potential recession would result in a slowdown or decline in growth. The company has seen no material change to its visitation or spending levels, and its earnings remain strong. Penn is generating strong cash flow to more than offset investments in its digital growth opportunity. It is using excess cash to buy back its stock. Penn is well positioned to weather a slowdown or recession and, if one does occur, the company should still generate revenue and EBITDA above pre-pandemic levels. Management continues to use its excess cash for share repurchases and debt reduction as well as continuing investments in its digital businesses. We think the $50 million of losses this year from its digital business is modest in relation to Penn's $1 billion of casino 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 its digital losses.

In terms of our investment categories, performance was led by our **Core Growth** investments. Core Growth companies can continue to grow revenue and earnings steadily, while returning excess cash flow to investors through dividends and share repurchases. These stocks declined 8.77% in the quarter and represented 8.2% of net assets. The decline was mainly due to CoStar's share price decline. This was as the company accelerated its investment in its residential business. This investment will hurt earnings in the short term but will significantly expand CoStar's addressable market longer term. We believe the investment should yield high returns and enhance the company's growth and free cash flow.

Our **Financials** investments also performed better than the Index in the quarter. This was given the expected rise in interest rates over the near term as well as the pricing power inherent in these businesses. These stocks fell less than the market at 10.75% in the quarter and represented 15.4% of net assets. The outperformance was led by our investments in Arch and FactSet.

Our **Real/Irreplaceable Assets** are those companies with assets that generally have strong pricing power and are hedges against inflation. They declined 22.87% in the quarter and represented 20.8% of net assets. The category was hurt by our investments in lodging companies Hyatt and Vail (as noted above) on recessionary fears as well as casino operators **Red Rock Resorts, Inc.**, **MGM Resorts International**, and Penn (as stated above). All of which we believe are unusually attractively priced with strong brands and future growth opportunities. With strong balance sheets, all should be able to generate earnings above pre-pandemic levels if a recession were to occur.

Our **Disruptive Growth** investments: rapid, earlier-stage growth businesses that are disruptive to their industries, declined 25.37% in the quarter and represented 45.7% of net assets. The decline was led by our investment in Tesla, as well as declines in several smaller, fast-growing businesses including **Spotify Technology S.A.** and Guidewire (as mentioned above).

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 continued controversy surrounding Joe Rogan, a podcaster exclusive to Spotify's platform, along with broader macroeconomic 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. Its 5 million creative artists could increase to 50 million, and we believe its advertising revenue potential is several multiples of what it currently generates.

Table II.
Total returns by category for the quarter ended June 30, 2022

	% of Net Assets (as of 6/30/2022)	Total Return (%)	Contribution to Return (%)
Core Growth	**8.2**	**–8.77**	**–0.57**
Verisk Analytics, Inc.	1.5	–1.40	0.00
Krispy Kreme, Inc.	1.4	–7.69	–0.13
CoStar Group, Inc.	5.2	–9.31	–0.37
HEICO Corporation	–	–10.96	–0.07
Financials	**15.4**	**–10.75**	**–1.49**
Arch Capital Group Ltd.	6.1	–6.05	–0.30
FactSet Research Systems, Inc.	4.7	–11.21	–0.45
Jefferies Financial Group Inc.	–	–14.87	–0.38
MSCI, Inc.	4.6	–18.71	–0.36
Russell 2500 Growth Index		**–19.55**	
Real/Irreplaceable Assets	**20.8**	**–22.87**	**–5.49**
American Homes 4 Rent	1.2	–10.99	–0.13
Vail Resorts, Inc.	4.4	–15.51	–0.73
Choice Hotels International, Inc.	2.6	–21.09	–0.64
Hyatt Hotels Corp.	5.5	–22.57	–1.49
Boyd Gaming Corporation	1.1	–24.15	–0.31
Penn National Gaming, Inc.	2.1	–28.29	–0.71
Red Rock Resorts, Inc.	2.7	–30.84	–0.75
MGM Resorts International	1.2	–31.35	–0.74
Disruptive Growth	**45.7**	**–25.37**	**–12.11**
Space Exploration Technologies Corp.	11.7	17.11	1.84
Figs Inc.	1.8	–2.89	0.16
Iridium Communications Inc.	3.6	–6.85	–0.13
Guidewire Software, Inc.	3.7	–24.97	–0.99
Mirion Technologies, Inc.	0.5	–30.50	–0.48
Tesla, Inc.	20.5	–37.51	–10.55
Spotify Technology S.A.	3.8	–38.54	–1.43
Velo3D, Inc.	–	–69.04	–0.53
Cash	**10.0**	**0.02**	**0.02**
Fees	**–**	**–0.28**	**–0.28**
Total	**100.0***	**–19.92****	**–19.92****

Sources: FactSet PA, BAMCO, and FTSE Russell.

* Individual weights may not sum *to* the displayed total due to rounding.

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

Baron Focused Growth 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. **CoStar Group, Inc.** and **Tesla, Inc.** were among those businesses. Their stocks outperformed in 2020 and 2021 as those investments began to generate strong returns. These companies have recently begun to accelerate their investments in their businesses 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 have recovered quickly and we believe even if a recession were to occur these businesses would still be generating earnings above pre-pandemic levels. This is further amplified by $2 trillion of consumer savings built up over the past two years combined with $2 trillion of private equity capital that is still sitting on the sidelines waiting to be invested, which we believe should help support our stocks.

Since its inception as a private partnership on May 31, 1996 through June 30, 2022, the Fund's **13.21% annualized performance** has **exceeded** that of its Index by **560 bps 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 since inception, the Fund has achieved 7.12% annual alpha, a measure of risk-adjusted performance.

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 6/30/2022		Millennium Internet Bubble to Present 12/31/1999 to 6/30/2022		Inception 5/31/1996 to 6/30/2022	
	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%	$82,768	16.95%	$105,380	11.03%	$254,286	13.21%
Russell 2500 Growth Index	$ 6,931	–3.99%	$54,721	13.42%	$ 37,926	6.10%	$ 67,805	7.61%
S&P 500 Index	$ 7,188	–3.60%	$55,014	13.46%	$ 39,544	6.30%	$ 92,017	8.88%

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 $254,286 on June 30, 2022. That is 3.8 times the value of a hypothetical investment of the same amount in funds designed to track the Russell 2500 Growth Index and 2.8 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 from performance for the quarter ended June 30, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Space Exploration Technologies Corp.	2017	–	–	17.11%	1.84%
Figs Inc.	2022	1.5	1.5	–2.89	0.16

Space Exploration Technologies Corp. (SpaceX) is a high-profile private company founded by Elon Musk that designs, manufactures, and launches rockets, satellites, and spacecrafts. Its long-term goal is to enable human beings to inhabit Mars. We believe SpaceX is creating substantial value through the expansion of its Starlink broadband service. It also reliably provides reusable launch capabilities, including crewed space flights, and is making progress on its largest rocket, Starship. We value SpaceX using prices of recent financing transactions and a proprietary valuation model.

Figs Inc. is a direct-to-consumer health care apparel brand. The stock price fell in the earlier part of the quarter due to a combination of poor market conditions for newly public companies and a reduction in guidance given the volatile backdrop for consumer spending. Shares contributed during the period owned after we took advantage of the weakness to initiate a position. We like Figs' long-term growth prospects as the company disrupts the commoditized and unbranded scrubs industry with its superior, premium product offering.

Table VI.
Top detractors from performance for the quarter ended June 30, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$697.9	–37.51%	–10.55%
Hyatt Hotels Corp.	2009	4.2	8.2	–22.57	–1.49
Spotify Technology S.A.	2020	45.4	18.1	–38.54	–1.43
Guidewire Software, Inc.	2013	2.7	6.0	–24.97	–0.99
Red Rock Resorts, Inc.	2017	2.6	3.6	–30.84	–0.75

Tesla, Inc. makes fully electric vehicles, related software offerings, solar and energy storage products, and battery cells. With the three-week shutdown of its factory in China, ongoing supply-chain disruption, and slowed manufacturing volume in its recently launched production facilities, shares fell during the quarter. We believe current production limitations will be resolved, allowing the company to execute its ambitious long-term goals across electrification and software initiatives.

Shares of global hotelier **Hyatt Hotels Corp.** declined in the quarter on investor concerns that a possible recession will result in growth rates that would slow or even turn negative. We maintain conviction. The company has seen no slowdown in occupancy levels or rates and continues to demonstrate the ability to increase prices, especially on the leisure side. While leisure may be experiencing peak demand levels, management believes any slowdown in growth should be offset by the continued recovery on the group and business side as pacing returns to pre-pandemic levels.

Spotify Technology S.A. is a leading digital music service available in 178 markets, offering on-demand audio streaming through paid premium subscriptions as well as an ad-supported model. Disappointing gross margin disclosure resulting from its investments in podcasts pressured shares. Subsequently, on its analyst day, Spotify provided better disclosure that highlighted the improving profitability of the company's music business. We continue to view Spotify as a long-term winner in music streaming with potential to reach more than one billion monthly active users.

Shares of P&C insurance software vendor **Guidewire Software, Inc.** fell due to broader multiple compression in high-growth technology stocks. 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. 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, with margins above 40%.

Red Rock Resorts, Inc., an owner and operator of Las Vegas locals casinos, detracted in the second quarter due to investor concerns that a possible recession would cause a slowdown or decline in growth. We remain investors. Red Rock has seen no material change in its visitation or spend levels, and its core customer base remains solid. Its robust balance sheet provides significant financial flexibility to continue to invest in its Durango casino expansion and other projects while using excess cash for share repurchases and dividends.

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 second 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 buy back 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 position in **Spotify Technology S.A.** and re-initiated a position in **Figs 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 June 30, 2022, we held 21 investments. The Fund's average portfolio turnover for the past three years was 25.9%. This means the Fund has an average holding period for its investments of almost four years. This contrasts sharply with the average mid-cap growth mutual fund, which typically turns over its portfolio every 20 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 41.5% of its net assets in this sector versus 11.8% for the Index. The Fund also has no exposure to Energy and low exposure to Health Care stocks versus 24.4% for the Index, as we believe the performance of stocks in these sectors can change quickly, making it difficult to invest in these stocks in a concentrated portfolio for the long term. 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 June 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	20.5%	2014	1,244.63%
Space Exploration Technologies Corp.	11.7	2017	386.18
Spotify Technology S.A.	3.8	2020	–60.79
Guidewire Software, Inc.	3.7	2013	53.59
Iridium Communications Inc.	3.6	2019	38.85
Figs Inc.	1.8	2022	–0.55
Mirion Technologies, Inc.	0.5	2021	–47.64

Disruptive Growth firms accounted for 45.7% 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 June 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corp.	5.5%	2009	169.42%
Vail Resorts, Inc.	4.4	2013	314.44
Red Rock Resorts, Inc.	2.7	2017	70.59
Choice Hotels International, Inc.	2.6	2010	448.76
Penn National Gaming, Inc.	2.1	2019	44.93
American Homes 4 Rent	1.2	2018	77.12
MGM Resorts International	1.2	2021	–35.32
Boyd Gaming Corporation	1.1	2021	–23.57

Companies that own what we believe are **Real/Irreplaceable Assets** represented 20.8% 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 June 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Arch Capital Group Ltd.	6.1%	2003	1,149.34%
FactSet Research Systems, Inc.	4.7	2008	774.72
MSCI, Inc.	4.6	2021	–36.62

Financials investments accounted for 15.4% 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 market data vendor **FactSet Research Systems, Inc.**

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 June 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	5.2%	2014	182.29%
Verisk Analytics, Inc.	1.5	2022	–0.16
Krispy Kreme, Inc.	1.4	2021	–3.40

Core Growth investments, steady growers that continually return excess free cash flow to shareholders, represented 8.2% of net assets. Examples of these companies include **CoStar Group, Inc.** The company 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. CoStar 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 June 30, 2022, the Fund's top 10 holdings represented 70.2% 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.**, **Arch Capital Group Ltd.**, **Hyatt Hotels Corp.**, 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 June 30, 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	$697.9	$138.1	20.5%
Space Exploration Technologies Corp.	2017	–	–	79.1	11.7
Arch Capital Group Ltd.	2003	0.9	17.1	40.9	6.1
Hyatt Hotels Corp.	2009	4.2	8.2	37.0	5.5
CoStar Group, Inc.	2014	6.2	23.9	35.0	5.2
FactSet Research Systems, Inc.	2008	2.5	14.6	31.7	4.7
MSCI, Inc.	2021	53.9	33.5	30.9	4.6
Vail Resorts, Inc.	2013	2.3	8.8	29.4	4.4
Spotify Technology S.A.	2020	45.4	18.1	25.8	3.8
Guidewire Software, Inc.	2013	2.7	6.0	24.8	3.7

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 the Funds' 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 27% 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.