Baron Focused Growth Fund

Dear Baron Focused Growth Fund Shareholder:

Performance

Baron Focused Growth Fund (the "Fund") increased 2.18% (Institutional Shares) in the quarter ended September 30, 2022. The Fund's primary benchmark, the Russell 2500 Growth Index (the "Index"), fell 0.12% in the period. The S&P 500 Index, which measures the performance of large-cap companies, fell 4.88%.

Table I.
Performance
Annualized for periods ended September 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]	2.14%	2.18%	(0.12)%	(4.88)%
Nine Months[5]	(24.87)%	(24.74)%	(29.54)%	(23.87)%
One Year	(16.78)%	(16.59)%	(29.39)%	(15.47)%
Three Years	31.79%	32.13%	4.76%	8.16%
Five Years	22.39%	22.71%	6.30%	9.24%
Ten Years	16.29%	16.58%	10.30%	11.70%
Since Conversion (June 30, 2008)	12.67%	12.93%	9.12%	9.70%
Fifteen Years	10.97%	11.22%	7.90%	8.03%
Since Inception (May 31, 1996)	13.03%	13.17%	7.53%	8.59%

The Fund, and markets in general, continued to be negatively impacted in the quarter by several factors. First, due to over 8% annualized inflation in the U.S., the Federal Reserve now plans to increase interest rates faster than previously expected. In September, the Fed 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, and some companies have indicated they are starting to see an easing of supply-chain pressures!

DAVID BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

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

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, 2033, 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 September 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 the performance of small to medium-sized companies that 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. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are 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.

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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 a smart strategy, especially in a focused product. 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-, 10-, and 15-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 13.17% annualized. This compares to a 7.53% annualized return for the Index and an 8.59% annualized return for the S&P 500 Index.

While the Fund's third quarter performance was strong on a relative basis, we believe absolute performance is being held back by overly pessimistic investors. We believe many investors remember operating declines seen in the 2008/2009 global financial crisis and are pricing in similar declines next year. Hence, we believe if we do not go into a recession next year or if the slowdown and/or declines in earnings are not as bad as feared, we should see significant upside in our investments. We believe our stocks are cyclically depressed, not secularly challenged, and should recover over the next 18 to 24 months. Thus far, our companies are seeing no slowdown in sales or earnings, and their outlooks remain strong. In addition, we believe that even if a downturn were to occur, our companies would still be operating above pre-pandemic levels. Our businesses' balance sheets have been strengthened compared to two and a half years ago. That was when the COVID pandemic-induced economic decline began. As a result, our businesses should be better able to withstand whatever slowdown or decline in earnings growth occurs.

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. That's a key differentiator for the Fund, as the weighted average return on invested capital for the Fund's holdings is 12.6% versus just 4.9% for the companies in the Russell 2500 Growth Index. One of the reasons we believe our companies should continue to grow through any market environment is that they invest for growth through any market environment. In addition, many are starting to accelerate their return of capital to shareholders through increased buybacks and dividends. Those are signs to us that management teams see significant value in their stocks.

Third quarter performance was led by companies that are beginning to see strong returns from recent investments. These include **Tesla, Inc.**, **CoStar Group, Inc.**, **Iridium Communications Inc.**, **Hyatt Hotels Corp.**, and **FactSet Research Systems, Inc.** These gains were partially offset by the underperformance of our higher-growth companies, whose multiples continued to contract given concerns about the Fed's aggressive rate hikes, such as **Figs Inc.**, **Guidewire Software, Inc.**, **Shopify Inc.**, and **PENN Entertainment, Inc.**

Tesla's stock price increased 18.2% in the quarter as its electric car deliveries and production ramped up following COVID shutdowns in Shanghai. Its two new production plants in Austin, Texas and Berlin, Germany continue to increase production, and demand for its cars remains strong. We expect both factories, as well as an expansion of its factory in China, to become profitable during the next 12 months. Despite the company implementing price increases to offset higher input costs, Tesla has seen no change in robust demand levels. Management indicated that production continues to ramp, and they expect to be at a run-rate of 40,000 cars per week by the end of the year. We believe production and deliveries should accelerate next 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 increase helped the Fund's performance by 325 bps in the quarter. Tesla remains the Fund's largest holding and, at quarter end, represented over 22% of the Fund's net assets.

Real estate data and marketing platform CoStar increased 15.3% in the quarter and helped performance by 74 bps. CoStar's share price increase was due to strong new bookings with continued strength in retention rates despite implementing price increases across its suite of products. While the company continues to invest in its residential platform and is starting to see benefits from it, we believe this investment should meaningfully accelerate CoStar's revenue growth through the expansion of its addressable market. We believe the stock market is attributing negative equity value to this growth opportunity. Over the next five years, this investment could add as much as $1 billion or more 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. Longer term, we believe this investment opportunity is several multiples of $1 billion of revenue.

Iridium, a leading mobile voice and data communications services vendor, offering global coverage via satellite, increased 18.1% and added 58 bps to performance. The stock outperformed as the company's revenue growth accelerated, leading to strong profitability and cash flow, which the company used to buy back its stock. The company continues to benefit from its $3 billion investment in its satellite constellation, which is a technologically and capital-intensive effort and a strong barrier to entry. Iridium continues to generate consistent and growing revenue and cash flow, which should lead to a return of capital to shareholders for at least the next 10 years. That is since its satellites last longer than its competitors' satellites, and they offer stronger broadband given its low-earth orbit positioning.

Hyatt increased 9.5% in the period and helped performance by 46 bps in the quarter. The company is achieving strong revenue-per-available-room as business travel continues to recover from pandemic lows. The company also benefited from its Apple Leisure Group acquisition completed last year. While leisure rates dropped a little in the seasonally slower back-to-school period, this decline was expected and was more than offset by increases in business transient and group bookings. These robust rates are leading to higher margins and increased cash flow that Hyatt is using to buy back its shares. We believe this is an indication that Hyatt believes its shares are undervalued. While there remains investor concern that a possible recession will result in growth rates that could slow or even turn negative, we believe most of this is being priced into the stock at current levels. We clearly think the risk/reward for the stock skews positive. 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 would be offset by the continued recovery of group and business customers. Volumes in these segments are rapidly returning to pre-pandemic levels. Hyatt's balance sheet and cash flow profile remain strong, which, combined with additional owned hotel asset sales, should result in more consistent earnings. This should expand the stock's multiple.

FactSet, a financial intelligence provider to the investment community, increased 4.1% in the quarter and helped performance in the period by 18 bps. FactSet shares increased as the company's revenue growth accelerated 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 without any change in retention rates. We expect further revenue and earnings growth in 2022 and beyond, as well as improved cash flow from its recent CUSIP acquisition. FactSet will likely use its increased cash flow for additional acquisitions and share repurchases. FactSet's prospects remain favorable due to its large addressable market, strong financial technology expertise, and consistent execution on both new product development and financial results.

Shares of Figs, the largest direct-to-consumer supplier of scrubs to the medical industry, declined 9.7% in the quarter and hurt performance by 85 bps. The decline was due to slight sequential declines in average order value and new customer growth rates, which were offset by better cost control. The company's supply chain has improved since having issues earlier in the year. Seventy percent of Figs' revenue is generated from returning customers. The company is still growing and profitable, generating a high-teens EBITDA margin even with increased logistics costs. Figs' balance sheet remains strong, and it continues to invest in its business with high rates of return. We continue to believe the company could double its revenue over the next three years while almost tripling its EBITDA.

Shares of P&C insurance software vendor Guidewire fell 13.3% and hurt performance by 33 bps. We believe this is due to continued multiple compression in high-growth cloud technology stocks. However, the company continues to accelerate its investment in its cloud computing growth opportunity. Guidewire has now 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 believe 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. It recently instituted a $400 million share repurchase program.

Shares of e-commerce platform Shopify were down 21.8%, detracting 17 bps from performance in the period. We believe the decline was due to e-commerce normalization as economies continued reopening, increased concerns about competition following Amazon's announcement of Buy with Prime, and the broader sell-off in growth stocks. We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth as it currently addresses less than 1% of global commerce spend.

Shares of gaming company PENN declined 9.6% in the quarter and penalized performance by 10 bps. This was due to investor concerns that a potential recession would result in a slowdown or decline in its earnings growth rate. However, thus far, the company has seen no material change to visitation or spending levels, and its earnings remain strong. PENN is generating strong cash flow, which it continues to use to invest in its digital growth opportunity, while using excess cash to buy back its stock. PENN is well positioned to weather a slowdown or recession, and we believe that even if one does occur, the company would still generate revenue and EBITDA above pre-pandemic levels. We consider the $50 million of losses this year from its digital business to be modest in relation to PENN's over $1 billion of EBITDA from its casino business. 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's healthy regional casino business and strong balance sheet enable it to absorb its digital losses.

In terms of our investment categories, performance was led our **Core Growth** category. 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 increased 4.95% in the quarter and represent 9.1% of net assets. The increase was wholly due to CoStar's strong performance in the period. This was as the company accelerated its investment in its residential business. This investment will penalize earnings in the short term but should 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 **Disruptive Growth** investments: rapid, earlier-stage growth businesses that are disruptive to their industries, increased 2.85% in the quarter and represent 47.1% of net assets. The increase was led by our investments in Tesla and Iridium (as mentioned above).

Our **Financials** investments also performed better than the Index in the quarter. This was due to rising interest rates over the near term as well as the pricing power inherent in these businesses. These stocks increased 2.06% in the quarter and represented 14.9% of net assets. The outperformance was led by our investments in financial data providers FactSet and **MSCI, Inc.**

Our **Real/Irreplaceable Assets** are those companies with assets that generally have strong pricing power and are a hedge against inflation. They increased 1.25% in the quarter and represent 20.0% of net assets. The category was led by our investment in Hyatt (as noted above), as well as casino operators **Boyd Gaming Corporation**, **MGM Resorts International**, and **Red Rock Resorts, Inc.** All are achieving continued strong results as consumer spending remains robust. Visitation and spending patterns have not been materially impacted by higher interest rates or the inflationary environment. We believe these stocks 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 and most are already discounting that one will occur in the next 12 months.

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

	% of Net Assets (as of 9/30/2022)	Total Return (%)	Contribution to Return (%)
Core Growth	**9.1**	**4.95**	**0.50**
CoStar Group, Inc.	5.5	15.30	0.74
Verisk Analytics, Inc.	1.9	–1.48	–0.02
Krispy Kreme, Inc.	1.7	–15.04	–0.22
Disruptive Growth	**47.1**	**2.85**	**1.16**
Tesla, Inc.	22.3	18.17	3.25
Iridium Communications Inc.	3.9	18.13	0.58
Mirion Technologies, Inc.	–	4.79	–0.00
Spotify Technology S.A.	3.2	–8.03	–0.09
Figs Inc.	4.0	–9.72	–0.85
Space Exploration Technologies Corp.	9.7	–10.74	–1.11
Guidewire Software, Inc.	2.9	–13.26	–0.33
BioNTech SE	0.4	–18.56	–0.13
Shopify Inc.	0.7	–21.76	–0.17
Financials	**14.9**	**2.06**	**0.30**
FactSet Research Systems, Inc.	4.9	4.14	0.18
MSCI, Inc.	4.3	2.59	0.18
Arch Capital Group Ltd.	5.6	0.11	–0.06
Real/Irreplaceable Assets	**20.0**	**1.25**	**0.47**
Hyatt Hotels Corp.	5.5	9.54	0.46
Boyd Gaming Corporation	–	9.13	0.11
MGM Resorts International	–	5.59	0.06
Red Rock Resorts, Inc.	2.8	3.44	0.14
Vail Resorts, Inc.	4.4	–1.20	0.01
Choice Hotels International, Inc.	2.3	–1.68	–0.01
Marriott Vacations Worldwide Corp.	2.1	–6.36	–0.14
American Homes 4 Rent	1.1	–7.01	–0.06
PENN Entertainment, Inc.	1.8	–9.57	–0.10
Russell 2500 Growth Index		**–0.12**	
Cash	**9.0**	**0.11**	**0.01**
Fees	**–**	**–**	**–0.28**
Total	**100.0***	**2.17****	**2.17****

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.

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 and Tesla 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 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 and most of their stocks are already discounting that a decline in earnings will occur next year. This is further amplified by $2 trillion of consumer savings built up over the past two and a half 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 September 30, 2022, the Fund's **13.17% annualized performance** has **exceeded** that of its Index by **564 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 9/30/2022		Millennium Internet Bubble to Present 12/31/1999 to 9/30/2022		Inception 5/31/1996 to 9/30/2022	
	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%	$84,569	16.80%	$107,674	11.01%	$259,820	13.17%
Russell 2500 Growth Index	$ 6,931	(3.99)%	$54,654	13.15%	$ 37,880	6.03%	$ 67,723	7.53%
S&P 500 Index	$ 7,188	(3.60)%	$52,328	12.79%	$ 37,613	6.00%	$ 87,524	8.59%

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 to 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 $259,820 on September 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 3.0 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 September 30, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$831.2	18.17%	3.25%
CoStar Group, Inc.	2014	6.2	28.3	15.30	0.74
Iridium Communications Inc.	2019	3.1	5.6	18.13	0.58
Hyatt Hotels Corp.	2009	4.2	8.8	9.54	0.46
FactSet Research Systems, Inc.	2008	2.5	15.2	4.14	0.18

Tesla, Inc. manufactures electric vehicles (EVs), related software offerings, solar and energy storage products, and battery cells. Shares rose on increased production volumes from Tesla's global factories, new full self-driving functionality, manufacturing techniques that improve quality and reduce costs, and industry-leading margins despite complex COVID-related shutdowns. A new federal tax incentive program should also provide material benefits for Tesla's differentiation, margins, and demand. We remain investors in this uniquely innovative company leading the EV revolution.

Shares of real estate data and marketing platform **CoStar Group, Inc.** contributed to performance on strong financial results and its inclusion in the S&P 500 Index. We believe the company is well positioned to benefit from the continuing migration of real estate market spend to online channels. CoStar is investing aggressively to build out its residential marketing platform, which will launch later in 2022 and offers significant upside potential, in our view. CoStar has over $4.7 billion of cash on its balance sheet, which we expect it to begin to deploy for opportunistic M&A.

Shares of **Iridium Communications Inc.**, a leading satellite-based mobile voice and data communications services vendor, rose on increased expectations for smartphone compatibility after it announced a related development agreement and other market participants announced similar capabilities. In addition, Iridium reported record quarterly results showing an acceleration of revenue growth with strong profitability. Lastly, growth initiatives continue to mature including Aireon, an award from the Space Development Agency, and increasing speeds for its Certus offering.

Shares of global hotelier **Hyatt Hotels Corp.** increased in the quarter on strong revenue-per-available-room results as business travel continued to recover from pandemic lows. While leisure rates dropped a little in the seasonally slower back-to-school period, this decline was expected and was more than offset by increases in business transient and group bookings. Robust rates across the industry are leading to higher margins, including for Hyatt. Hyatt is using the increased cash flow to buy-in its shares, indicating that it sees value in the stock.

Shares of **FactSet Research Systems, Inc.**, a leading provider of investment management tools, contributed to performance. While some investors may have been looking for slightly greater margin expansion, the company overall continued to perform quite well, and earnings demonstrated strong revenue growth. We retain conviction in FactSet due to the large addressable market, consistent execution on both new product development and financial results, and robust free cash flow generation.

Baron Focused Growth Fund

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Space Exploration Technologies Corp.	2017	$ –	$ –	−10.74%	−1.11%
Figs Inc.	2022	1.5	1.4	−9.72	−0.85
Guidewire Software, Inc.	2013	2.7	5.2	−13.26	−0.33
Krispy Kreme, Inc.	2021	2.4	1.9	−15.04	−0.22
Shopify Inc.	2022	43.9	29.1	−21.76	−0.17

Space Exploration Technologies Corp. (SpaceX) is a high-profile private company founded by Elon Musk that designs, manufactures, and launches rockets, satellites, and spacecrafts. The company's ultimate goal is to make humanity multi-planetary. Products include reusable orbital launch offering and a broadband service leveraging its satellite constellation, Starlink. We value SpaceX using prices of recent financing transactions and a proprietary valuation model.

Figs Inc. is the largest direct-to-consumer platform in health care apparel. While the company reported quarterly results that beat consensus and reaffirmed its outlook for the rest of the year, shares fell due to market-related weakness in September. Despite macroeconomic uncertainty, we believe Figs will be more resilient than other apparel categories as its products are largely non-discretionary and replenishment-driven. We also believe Figs can continue to expand its customer base due to its superior product offering.

Shares of P&C insurance software vendor **Guidewire Software, Inc.** detracted from performance due to broader multiple compression in high-growth stocks. We remain shareholders. Guidewire has crossed the midpoint of its cloud transition, which should correspond with improving financial results. Guidewire has tripled its potential market through new products and cloud delivery. Over time, we think Guidewire will be the key software vendor for the global P&C insurance industry, with 30% to 50% of its $15 billion to $30 billion total addressable market and margins above 40%.

Krispy Kreme, Inc. is a manufacturer and retailer of branded fresh doughnuts and packaged sweet treats sold through an omni-channel model in the U.S. and abroad. Shares declined following earnings that missed consensus, driven by the challenging macroeconomic environment, negative consumer sentiment in the U.K., and increased labor and commodity costs due to foreign exchange headwinds as a result of the strong U.S. dollar. We view these challenges as temporary and see opportunity for growth and margin expansion as Krispy Kreme broadens its unique hub-and-spoke business model.

Shopify Inc. is a cloud-based software provider offering an operating system for multi-channel commerce. Shares detracted from results in the third quarter due to e-commerce normalization as economies continued reopening, increased concerns about competition following Amazon's announcement of Buy with Prime, and the broader sell-off in growth stocks. We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth as it currently addresses less than 1% of global commerce spend.

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 third quarter, we added to our position in **Figs Inc.**, the only direct-to-consumer manufacturer and seller of premium scrub products to nurses and doctors. The stock is down 70% this year on supply-chain difficulties and trouble getting its product to consumers. This has resulted in margin degradation and lower earnings in the short run. However, the company remains highly profitable and continues to reinvest in its business for new products and marketing to increase brand awareness. It achieves extremely strong returns on these investments. We believe, over the next three years, the company should double its revenue, almost triple its EBITDA, and generate very strong returns for investors. The two co-founders own 15% of this business.

In the quarter, we also took advantage of losses for tax purposes, selling our positions in **MGM Resorts International** and **Boyd Gaming Corporation**, while initiating a new position in **Marriott Vacations Worldwide Corp.**, a global developer and operator of timeshare resorts, as we believe the valuation was unusually attractive, and the company continues to generate strong and consistent earnings, which it is using to buy back its shares. We also added to our stake in **Krispy Kreme, Inc.** The company has a large underpenetrated addressable market with a strong well-known brand that should allow it to take significant market share over time. We believe it is appropriately financed and should generate significant cash to continue investing in the business 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 99% of the upside when the market rises but just 80% of the downside when the market declines, which we believe is attractive. 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 September 30, 2022, we held 21 investments. The Fund's average portfolio turnover for the past three years was 27.3%. 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 entire portfolio every 21 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, we are heavily weighted in Consumer Discretionary businesses with 42.9% of net assets in this sector versus 12.0% for the Index. We have no exposure to Energy versus 5.5% for the Index, and low exposure to Health Care stocks versus 20.6% in the aggregate for the Index, as we believe the performance of stocks in these sectors can change quickly, making it undesirable 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 September 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	22.3%	2014	1,488.89%
Space Exploration Technologies Corp.	9.7	2017	333.97
Figs Inc.	4.0	2022	–9.93
Iridium Communications Inc.	3.9	2019	64.03
Spotify Technology S.A.	3.2	2020	–63.93
Guidewire Software, Inc.	2.9	2013	33.23
Shopify Inc.	0.7	2022	–22.61
BioNTech SE	0.4	2022	–16.45

Disruptive Growth firms accounted for 47.1% 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 underpenetrated addressable markets relative to the current size of these competitively advantaged businesses.

Table VIII.
Investments with Real/Irreplaceable Assets as of September 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corp.	5.5%	2009	195.11%
Vail Resorts, Inc.	4.4	2013	309.86
Red Rock Resorts, Inc.	2.8	2017	76.33
Choice Hotels International, Inc.	2.3	2010	439.56
Marriott Vacations Worldwide Corp.	2.1	2022	–7.88
PENN Entertainment, Inc.	1.8	2019	31.06
American Homes 4 Rent	1.1	2018	64.79

Companies that own what we believe are **Real/Irreplaceable Assets** represented 20.0% 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 Entertainment, 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 September 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Arch Capital Group Ltd.	5.6	2003	1,150.72%
FactSet Research Systems, Inc.	4.9	2008	811.92
MSCI, Inc.	4.3	2021	–34.97

Financials investments accounted for 14.9% of the Fund's net assets. These businesses generate strong recurring earnings through subscriptions and premiums that generate highly predictable earnings and cash flow, which they use to continue to invest in new products and services, while returning capital to shareholders through share buybacks and dividends. Examples of these companies include insurer **Arch Capital Group Ltd.** and market data vendor **FactSet Research Systems, Inc.** Arch, one of the leading P&C insurers, 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 believe that Arch will continue to generate mid-teens returns on capital and the company's valuation remains attractive. FactSet, which offers one of the leading financial intelligence systems for the asset management industry, 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 September 30, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	5.5%	2014	225.47%
Verisk Analytics, Inc.	1.9	2022	–1.47
Krispy Kreme, Inc.	1.7	2021	–17.91

Core Growth investments, steady growers that continually invest in their businesses for growth while returning excess free cash flow to shareholders, represented 9.1% of net assets. An example of these companies includes **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 enhanced 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.

Baron Focused Growth Fund

Portfolio Holdings

As of September 30, 2022, the Fund's top 10 holdings represented 70.1% 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 September 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	$831.2	$163.1	22.3%
Space Exploration Technologies Corp.	2017	–	–	70.6	9.7
Arch Capital Group Ltd.	2003	0.9	16.8	41.0	5.6
Hyatt Hotels Corp.	2009	4.2	8.8	40.5	5.5
CoStar Group, Inc.	2014	6.2	28.3	40.4	5.5
FactSet Research Systems, Inc.	2008	2.5	15.2	36.0	4.9
Vail Resorts, Inc.	2013	2.3	8.7	32.3	4.4
MSCI, Inc.	2021	53.9	34.0	31.6	4.3
Figs Inc.	2022	1.5	1.4	28.9	4.0
Iridium Communications Inc.	2019	3.1	5.6	28.3	3.9

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 fa mily'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.