Dear Baron Focused Growth Fund Shareholder:

Performance

Baron Focused Growth Fund (the "Fund") increased 10.83% (Institutional Shares) in the fourth quarter, marking a strong end to 2021 for the Fund. For the year, the Fund increased 19.16%. This compares to the Russell 2500 Growth Index (the "Index"), the benchmark against which we compare the performance of the Fund, which increased just 0.20% for the fourth quarter and increased 5.04% for the year. The S&P 500 Index, which measures the performance of large-cap companies increased 11.03% in the fourth quarter and increased 28.71% for the year. The Fund has continued to outperform its benchmarks for the 3-, 5-, and 10-year periods. Since its inception as a private partnership on May 31, 1996, the Fund has increased 14.85% annualized. This compares favorably to the Index, which has increased 9.25% annualized, and the S&P 500 Index, which has increased 10.02% annualized.

Table I.
Performance
Annualized for periods ended December 31, 2021

	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]	10.76%	10.83%	0.20%	11.03%
One Year	18.83%	19.16%	5.04%	28.71%
Three Years	50.86%	51.24%	25.09%	26.07%
Five Years	35.11%	35.44%	17.65%	18.47%
Ten Years	20.76%	21.07%	15.75%	16.55%
Fifteen Years	14.53%	14.77%	11.29%	10.66%
Since Inception (May 31, 1996)	14.71%	14.85%	9.25%	10.02%

DAVID BARON CO-PORTFOLIO MANAGER | RONALD BARON CEO AND LEAD PORTFOLIO MANAGER | Retail Shares: BFGFX Institutional Shares: BFGIX R6 Shares: BFGUX

Fourth quarter performance for the Fund continued to be led by companies that are currently experiencing accelerating revenue growth such as **Tesla, Inc.** and **FactSet Research Systems, Inc.** as well as those companies that are benefiting most from inflation and pricing power such as **Arch Capital Group Ltd.**, **Hyatt Hotels Corp.**, and **Choice Hotels International, Inc.**

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, 2020 was 1.35% and 1.07%, 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 indexes 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.

Baron Focused Growth Fund

Tesla increased 35.7% in the quarter as its electric car deliveries and production accelerated sharply. This was despite supply-chain issues principally for computer chips and battery cells. 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 1,065 basis points in the quarter. Tesla is the Fund's largest holding and at quarter end represented over a quarter of net assets. We believe Tesla sales could increase substantially when additional production capacity is added this year in Berlin, Germany and Austin, Texas. Demand for Tesla cars remains extremely strong.

FactSet increased 23.2% in the quarter and helped performance in the period by 89 basis points. 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 can 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.

Hyatt increased 24.4% in the quarter and helped performance by 121 basis points. The company continued to pivot towards a more asset-light business and increased focus on leisure with the acquisition of Apple Leisure Group. Apple Leisure increases the company's leisure exposure from 25% to 50% of its business. Together with the planned sale of $2 billion of owned real estate over the next two years, this acquisition should result in a business that is 80% fee-based and 20% owned-based. Hyatt plans to use proceeds from the sale of owned assets to pay down debt taken on to complete the acquisition. We think its pivot to an increasingly more asset-light business with an improved balance sheet and cash flow profile should result in more stable earnings that could result in multiple expansion over time.

Choice Hotels increased 23.4% in the quarter and contributed 57 basis points to performance on a rebound in its business due to a surge in leisure travel and work-from-anywhere arrangements that allowed people to combine work and pleasure. Revenue per available room surpassed 2019 levels in the quarter, and unit growth accelerated overall and among higher revenue generating segments like its Cambria and Ascend brands, producing strong earnings and a robust balance sheet.

Arch increased 16.0% in the quarter and contributed 62 basis points to performance as the company continues to increase premiums written while raising prices. This is resulting in strong 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. Its valuation remains attractive as the company continues to use its excess cash flow to repurchase stock.

These portfolio gains were offset partly by declines in high-growth companies whose valuations were impacted by the anticipated rise in interest rates over the coming years. Rate increases make the present value of expected future earnings worth less. **SmartRent, Inc.** declined 25.5% in the quarter and hurt performance by 44 basis points; **Figs, Inc.** declined 25.8% in the quarter and detracted 36 basis points from performance; and **Warby Parker Inc.** declined 14.2% in the quarter and detracted 32 basis points from performance. We believe these companies have strong competitive advantages with large market opportunities to disrupt incumbents. They all have well-respected management teams and should be able to grow their earnings despite higher interest rates. They are all consistently investing in their businesses no matter the market environment to enable them to grow. Therefore, we believe any decline in the multiple of stocks from rising rates may be offset by stronger earnings growth. .

In terms of our categories of investments, performance was led by our **Disruptive Growth** investments: rapid, early-stage growth businesses that are disruptive to their industries. These stocks increased 18.2% in the quarter and represent 53.7% of the Fund. The strength was led by our investment in Tesla, offset somewhat by declines in our smaller fast-growing businesses including SmartRent and Figs, as mentioned above.

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, increased 4.7% in the quarter. Those investments represent 21.2% of the Fund. This increase was led by our investments in FactSet and Arch as mentioned above, each of which represented 4.8% of the Fund at quarter end. This was offset slightly by the decline in **GDS Holdings Limited**, which was sold in the quarter due to uncertainty regarding Chinese regulations. Our investment in GDS penalized the Fund's performance by 61 basis points.

Our **Real/Irreplaceable Assets** are those companies with assets that generally have strong pricing power and are hedges against inflation. They increased 0.3% in the quarter and represent approximately a quarter of the Fund. This increase was led by our investments in lodging companies Hyatt and Choice Hotels as noted above, as well as **Red Rock Resorts, Inc.**, which together comprised 10.2% of the Fund at quarter end.

Red Rock, a Las Vegas "locals" casino company, increased 14.2% in the quarter and contributed 27 basis points to the Fund's performance. Red Rock's earnings growth across its properties remained steady in the quarter, as the company continued to achieve EBITDA significantly above pre-COVID-19 levels. The Las Vegas locals market is benefiting from new higher income customers who are staying longer and spending more. The closure of some non-gaming amenities, a reduction in the workforce, and more targeted marketing has also helped increase margins and cash flow. This, combined with completing the sale of the Palms, improved the company's balance sheet and increased its cash flow.

This strength was offset by declines in **Penn National Gaming, Inc.**, a regional U.S. casino company, due to investor concerns over accelerating losses from its Barstool business. Those losses were the result of high marketing expenses and questions about business profitability. We believe this expenditure represents customer acquisition costs incurred as additional states legalize online gambling. Since it is far less expensive to retain an existing customer than to acquire new ones, we think marketing costs will 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 the digital losses.

Table II.
Total returns by category for the quarter ended December 31, 2021

	% of Net Assets (as of 12/31/2021)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	**53.7**	**18.19**	**9.65**
Tesla, Inc.	25.9	35.74	10.65
Space Exploration Technologies Corp.	7.8	33.81	1.40
Spotify Technology S.A.	4.2	3.90	0.27
Iridium Communications Inc.	2.9	3.40	0.11
Mirion Technologies, Inc.	2.1	3.10	–0.02
Denali Therapeutics Inc.	–	–0.32	0.00
Guidewire Software, Inc.	4.7	–4.54	–0.19
Pegasystems, Inc.	2.1	–5.83	–0.16
Schrodinger, Inc.	–	–7.08	–0.03
BioNTech SE	–	–12.08	–0.33
Warby Parker Inc.	1.8	–14.16	–0.32
Stitch Fix, Inc.	–	–17.04	–0.13
Zillow Group, Inc.	–	–23.86	–0.51
SmartRent, Inc.	0.6	–25.54	–0.44
Figs Inc.	1.0	–25.79	–0.36
Velo3D, Inc.	0.6	–30.82	–0.30
Core Growth	**21.2**	**4.70**	**1.03**
Krispy Kreme, Inc.	1.2	35.40	0.33
FactSet Research Systems, Inc.	4.8	23.22	0.89
Arch Capital Group Ltd.	4.8	15.98	0.62
Sweetgreen, Inc.	1.7	10.87	0.06
HEICO Corporation	0.6	4.62	0.02
Adyen N.V.	–	0.59	0.01
Jefferies Financial Group Inc.	2.0	0.36	0.02
MSCI, Inc.	0.6	–6.73	–0.04
CoStar Group, Inc.	5.5	–8.20	–0.29
GDS Holdings Limited	–	–30.83	–0.61
Real/Irreplaceable Assets	**24.8**	**0.31**	**0.46**
Hyatt Hotels Corp.	5.7	24.38	1.21
Choice Hotels International, Inc.	2.9	23.44	0.57
American Homes 4 Rent	1.2	14.67	0.16
Red Rock Resorts, Inc.	1.6	14.15	0.27
MGM Resorts International	2.7	0.69	0.01
Boyd Gaming Corporation	1.2	–0.03	0.02
Vail Resorts, Inc.	4.7	–1.53	–0.04
Americold Realty Trust	–	–3.24	–0.01
Manchester United plc	1.8	–26.05	–0.75
Penn National Gaming, Inc.	3.0	–28.50	–0.99
Russell 2500 Growth Index		0.20	
Cash	**0.3**	**–1.73**	**–0.06**
Fees	**–**	**–0.27**	**–0.27**
Total	**100.0**	**10.81***	**10.81***

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%

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 and 2021, as those investments began to generate 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 falling 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 having favorable growth prospects, they have unusually strong balance sheets. Their consumer facing businesses are already recovering quickly as vaccines and boosters are administered to combat the virus.

Since its inception as a private partnership on May 31, 1996 through December 31, 2021, the Fund's **14.85% annualized performance** has **exceeded** that of its Index by **560 basis points per year**! **This means that a hypothetical $10,000 investment in Baron Focused Growth Fund over 25 years ago would now be worth approximately $345,200! If an investor had instead hypothetically invested $10,000 in a fund designed to track the Index, it would be worth approximately $96,100.** (Please see Tables I and IV.)

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 7.37% annual alpha, a measure of risk-adjusted performance, since inception.

Baron Focused Growth Fund

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 12/31/2021		Millennium Internet Bubble to Present 12/31/1999 to 12/31/2021		Inception 5/31/1996 to 12/31/2021	
	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%	$112,364	20.45%	$143,063	12.86%	$345,215	14.85%
Russell 2500 Growth Index	$ 6,931	–3.99%	$ 77,562	17.07%	$ 53,758	7.94%	$ 96,109	9.25%
S&P 500 Index	$ 7,188	–3.60%	$ 68,733	15.98%	$ 49,405	7.53%	$114,962	10.02%

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 $345,215 on December 31, 2021. That is more than three times the value of a hypothetical investment of the same amount in funds designed to track the S&P 500 and Russell 2500 Growth Indexes. (Please see Table IV.)

Table V.
Top contributors to performance for the quarter ended December 31, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$1,061.3	35.74%	10.65%
Space Exploration Technologies Corp.	2017	–	–	33.81	1.40
Hyatt Hotels Corp.	2009	4.2	10.5	24.38	1.21
FactSet Research Systems, Inc.	2008	2.5	18.3	23.22	0.89
Arch Capital Group Ltd.	2003	0.9	17.2	15.98	0.62

Tesla, Inc. designs, manufactures, and sells fully electric vehicles, solar products, energy storage solutions, and battery cells. The stock rose as Tesla continued to present strong deliveries growth and a meaningful improvement in profitability despite a complex supply-chain environment. Demand remains robust, new localized manufacturing capacity is expected to support more efficient growth, and the autonomous program is accelerating. We expect Tesla's growing vehicle offering, battery technology, and energy businesses to offer meaningful growth opportunities in the future.

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 global hotelier **Hyatt Hotels Corp.** increased as the company continued to pivot towards a more asset-light business and greater focus on leisure with the acquisition of Apple Leisure Group. The deal increases the company's leisure exposure from 25% to 50% of its business. Together with the planned sale of $2 billion of owned real estate over the next two years, this acquisition should result in a business that is 80% fee-based and 20% owned-based. Hyatt plans to use proceeds from the sale of owned assets to pay down debt taken on to complete the acquisition.

Shares of **FactSet Research Systems, Inc.**, a leading provider of investment management tools, contributed to performance. The company reported strong earnings with accelerating revenue growth and expressed confidence in its pipeline. FactSet also announced the acquisition of CUSIP Global Services, which is an accretive deal that we view as a smart use of capital. 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.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares increased on earnings that exceeded analyst estimates and 13% 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 declined. We continue to own the stock due to Arch's strong management team and our expectation of continued strong growth in earnings and book value.

Table VI.
Top detractors from performance for the quarter ended December 31, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
Penn National Gaming, Inc.	2019	$ 2.5	$ 8.8	–28.50%	–0.99%
Manchester United plc	2012	2.3	2.3	–26.05	–0.75
GDS Holdings Limited	2020	9.3	8.1	–30.83	–0.61
Zillow Group, Inc.	2021	23.7	16.7	–23.86	–0.51
SmartRent, Inc.	2021	0.4	1.9	–25.54	–0.44

Penn National Gaming, Inc., a regional U.S. casino company, detracted due to investor concerns over accelerating losses from its Barstool business due to high marketing expenses and questions around profitability. We believe this is money well spent to acquire more customers as more states legalize online gambling. As it is far less expensive to retain an existing customer, we think marketing costs will decline as it builds out its customer base. The core bricks and mortar casino business remains strong, and Penn has a strong balance sheet to fund the digital losses.

Manchester United plc is the best known team in the English Premier League and generates revenue from broadcasting, sponsorship, and licensing. Shares were down following some lackluster match performance, even with Cristiano Ronaldo's return to the team. Management announced plans to change the coaching structure to better develop the team. With the stadium back to full capacity and Cristiano back on the roster, we view Manchester United as a unique media company with over 1.1 billion fans globally and broad appeal that should compound value.

Chinese data center operator **GDS Holdings Limited** detracted from performance as a result of the overall sell-off in Chinese technology-related companies due to tightening government regulations/restrictions, increased investor fears of U.S. market delisting, higher energy costs, and slower customer move-ins. We sold our position during the quarter due to ongoing regulatory uncertainty in China.

Zillow Group, Inc. operates leading U.S. real estate sites. Shares were down following the announced closure of its home-buying business, along with hundreds of millions of dollars in write-downs in the segment as a result of overpaying for homes. This was a rapid change in narrative, and we still do not have a good answer as to what went wrong. We lost a significant amount of trust in management and their ability to execute. We chose to exit our position.

SmartRent, Inc. is an enterprise software company enabling the connected home. Shares fell due to a broad sell-off in companies that went public via SPAC, weakness in high-valuation stocks, and deferral of hardware revenue recognition due to supply chain issues. We retain conviction given SmartRent's significant pipeline of embedded growth, existing relationships with the top multi-family landlords, and a relationship with venture capital firm Fifth Wall, which will allow the company to access customers who are limited partners in Fifth Wall's funds, in our view.

Investment Strategy & Portfolio Structure

Despite current market volatility and investor angst, we have continued to manage the Fund the same way we have historically–looking 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 fourth quarter, we initiated a small position in **MGM Resorts International**, a global casino gaming company with assets in the U.S. and Macau. The company is seeing a strong rebound at its Vegas properties with EBITDA above pre-pandemic levels, has a robust balance sheet improved by the pending sale of the Mirage casino at a highly accretive multiple, and has a strong growth opportunity in the online gaming market via its betMGM sportsbook. While management expects betMGM to generate losses for the next two years as it invests in its growth, we believe the company should be able to easily fund all losses and the segment should be profitable by 2024. We believe this growth opportunity to penetrate a potential $30 billion market combined with strong cash flow generation from its Las Vegas and U.S. regional casinos along with a robust balance sheet should make MGM an attractive investment for the next several years.

We also added to our positions in **Space Exploration Technologies Corp.** and **Guidewire Software, 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 98% 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 December 31, 2021, we held 28 investments. The Fund's average portfolio turnover for the past three years was 22.6%. This means the Fund has an average holding period for its investments of approximately 4.4 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 52.4% of its net assets in this sector versus 15.4% for the Index. The Fund also has much less exposure to the Health Care with just 1.0% of the portfolio in this sector versus 22.3% for the Index, as we believe the sector changes 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 December 31, 2021

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	25.8%	2014	2,010.10
Space Exploration Technologies Corp.	7.8	2017	301.71
Guidewire Software, Inc.	4.7	2013	145.63
Spotify Technology S.A.	4.2	2020	–2.19
Iridium Communications Inc.	2.9	2019	52.64
Pegasystems, Inc.	2.1	2021	–6.64
Mirion Technologies, Inc.	2.1	2021	–4.82
Warby Parker Inc.	1.8	2021	–13.89
Figs Inc.	1.0	2021	–8.19
SmartRent, Inc.	0.6	2021	–21.62
Velo3D, Inc.	0.6	2021	–28.94

Disruptive Growth firms accounted for 53.7% 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 December 31, 2021

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corp.	5.7%	2009	249.57%
Vail Resorts, Inc.	4.7	2013	513.77
Penn National Gaming, Inc.	3.0	2019	147.02
Choice Hotels International, Inc.	2.9	2010	662.75
MGM Resorts International	2.7	2021	0.25
Manchester United plc	1.8	2012	10.91
Red Rock Resorts, Inc.	1.6	2017	177.66
Boyd Gaming Corporation	1.2	2021	0.20
American Homes 4 Rent	1.2	2018	115.74

Companies that own what we believe are **Real/Irreplaceable Assets** represented 24.8% 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.
Core Growth Investments: Growth, Dividends, and Share Repurchases as of December 31, 2021

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	5.5%	2014	269.30%
FactSet Research Systems, Inc.	4.8	2008	1,000.70
Arch Capital Group Ltd.	4.8	2003	1,120.78
Jefferies Financial Group Inc.	2.0	2021	1.49
Sweetgreen, Inc.	1.7	2021	16.70
Krispy Kreme, Inc.	1.2	2021	33.71
HEICO Corporation	0.6	2021	4.14
MSCI, Inc.	0.6	2021	–6.21

Core Growth investments, steady growers that continually return excess free cash flow to shareholders, represented 21.2% of net assets. Examples of these companies include **CoStar Group, Inc.** and **FactSet Research Systems, Inc.** CoStar continues to add new services both in the commercial and residential areas of real estate that have grown its addressable market and added new services for its clients further improving retention and cash flow.

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.

Portfolio Holdings

As of December 31, 2021, the Fund's top 10 holdings represented 71.1% 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.**, **Hyatt Hotels Corp.**, **CoStar Group, Inc.**, and **FactSet Research Systems, Inc.** all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior know-how, or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth and returns over time.

Table X.
Top 10 holdings as of December 31, 2021

	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	$1,061.3	$216.6	25.9%
Space Exploration Technologies Corp.	2017	–	–	65.4	7.8
Hyatt Hotels Corp.	2009	4.2	10.5	48.0	5.7
CoStar Group, Inc.	2014	6.2	31.2	45.8	5.5
FactSet Research Systems, Inc.	2008	2.5	18.3	40.1	4.8
Arch Capital Group Ltd.	2003	0.9	17.2	40.0	4.8
Guidewire Software, Inc.	2013	2.7	9.5	39.7	4.7
Vail Resorts, Inc.	2013	2.3	13.3	39.3	4.7
Spotify Technology S.A.	2020	45.4	44.7	35.2	4.2
Penn National Gaming, Inc.	2019	2.5	8.8	25.3	3.0

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

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager

David Baron
Co-Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Adviser believes that there is more potential for capital appreciation in small and medium-sized companies and using non-diversification, but there also may be more risk. Specific risks associated with non-diversification include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. Securities of small and medium-sized companies may be thinly traded and they may be more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition. **Alpha:** measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero.

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).