

DEAR BARON GLOBAL ADVANTAGE FUND SHAREHOLDER:

PERFORMANCE

We had another good quarter and another year of strong returns.

Baron Global Advantage Fund (the "Fund") gained 17.3% (Institutional Shares), exceeding the 14.7% return for the MSCI ACWI Index, and 13.1% gain for the MSCI ACWI Growth Index, the Fund's benchmarks. For calendar year 2020, the Fund appreciated 79.5%, outperforming the index returns of 16.3% and 33.6%, respectively. This was the best absolute and relative annual performance for the Fund since its inception in April of 2012.

Table I.
Performance[†]
Annualized for periods ended December 31, 2020

	Baron Global Advantage Fund Retail Shares ^{1,2}	Baron Global Advantage Fund Institutional Shares ^{1,2}	MSCI ACWI Index ¹	MSCI ACWI Growth Index ¹
Three Months ³	17.24%	17.33%	14.68%	13.09%
One Year	79.01%	79.46%	16.25%	33.60%
Three Years	35.65%	35.99%	10.06%	17.66%
Five Years	29.85%	30.14%	12.26%	16.94%
Since Inception (April 30, 2012)	20.82%	21.09%	10.29%	13.45%

Amazingly, and despite everything that has happened this year, 2020 turned out to be another year in which it was hard to lose money, as long as... one had the courage to remain invested through the scary downturn. Most equity indexes were up double digits, both domestically and globally. Emerging markets were up, and developed markets were up as well. Bonds were up, gold was up, and bitcoin was also up (a lot!). Growth companies continued to be in favor, driven by lower interest rates, for longer, and in many cases by rapidly improving business fundamentals. COVID-19 proved to be a strong accelerant for every company that enables modernization and digital transformation, and as we have written over the years, the Fund had invested in many of them.

The year 2020 will undoubtedly go down in history for many things. We think one of them will be for one of the most compressed and violent



ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX
R6 Shares: BGLUX

market cycles. Stocks and indexes continued the prior year's rally uninterrupted until the peak of February 12 (Stage 1), suffered an unprecedented decline (-34% for the MSCI ACWI Index) over the next five weeks until the trough on March 23 (Stage 2), and then staged an equally unprecedented recovery (+71% for the MSCI ACWI Index) over the next nine months, through the end of the year (Stage 3). The Fund outperformed by 9.9% during Stage 1, 8.2% during Stage 2, and 43.2% during Stage 3.

As is usually the case, most of our excess returns were derived from stock selection, which accounted for 50.2% out of 63.2% of outperformance. Investments in Information Technology (IT), Health Care, and Consumer Discretionary, accounted for the entirety of that. Our investments in IT and Health Care (56% of the Fund, on average) more than doubled in value over 2020, while our holdings in Consumer Discretionary (additional 25% of the Fund, on average) were up nearly 90%. From a sector allocation perspective, the Fund also benefited from being underweight Financials, Energy, Real Estate, Industrials, Consumer Staples, and Utilities. From a geographical

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2019 was 1.25% and 1.00%, respectively, but the net annual expense ratio is 1.15% and 0.90% (net of the Adviser's fee waivers), 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, 2031, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

[†] The Fund's 3- & 5-year historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

¹ The MSCI ACWI indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes reflected in US dollars. The **MSCI ACWI Growth Index Net USD** measures the equity market performance of large- and mid-cap growth securities across developed and emerging markets. The **MSCI ACWI Index Net USD** measures the equity market performance of large- and mid-cap securities across developed and emerging markets. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. MSCI is a trademark of Russell Investment Group. The indexes and the Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

² The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

³ Not annualized.

Baron Global Advantage Fund

perspective, performance was stronger in developed markets with a gain of 114.7%, while our investments in emerging markets were up 58.4%, outperforming the MSCI ACWI Index by 98.4% and 42.2%, respectively. The Fund's aggregate investments more than doubled in value in four countries: Argentina (+172.1%), Canada (+156.2%), the Netherlands (+105.5%), and the U.S. (+105.0%), and more than tripled in Israel (+265.4%). That was modestly offset by losses in India and the UAE.

Looking under the hood at the performance of individual holdings, the Fund again had a large number of outsized gainers. Over the course of the year, 27 of our investments more than doubled, 9 of which at least tripled, 5 quadrupled, and 1 was up more than 8 times. Looked at differently, 33 of our holdings contributed at least 100bps each to absolute return. The Fund's top 10 contributors were our usual mix of long-term core holdings, as well as a few newcomers: **Fiverr**, **Amazon**, **Twilio**, **MercadoLibre**, **Accelaron Pharma**, **Wix**, **CrowdStrike**, **RingCentral**, **Schrodinger**, and **Veeva**. We have written about most of them over the years and cover the newcomers later in this letter. We also took some losses and upgraded the quality of the portfolio, particularly during the sell-off early in the year.

We have come to the section of the letter where we usually list the Fund's awards and accolades and tell our shareholders how highly we rank among our competitors and how much value we have created over the years. But this year was unlike any other and so, we think some introspection is in order instead. 2020 was an incredibly difficult, challenging year. The pain, the suffering, the human tragedy... it was real, and it was personal. Watching the market and the Fund perform as well as it did was surprising, and it was sort of... embarrassing. We struggled mightily with many decisions. An environment conducive to good decision-making requires balance and we couldn't find it in our economy, in our country, at home, or abroad. As ardent followers of Michael Mauboussin's probabilistic investing principles, we allocate capital against a range of outcomes and this time the range was not only extremely wide but some of the consequences were really dark. Since we could not find that balance, we tried to postpone as many decisions as we could because we thought they were more likely to be bad than good, and postponing bad decisions was one of the more valuable lessons we learned from past mistakes. So, we focused on doing the little things right, and we focused on risk management.

Under normal circumstances, we are *not* risk-averse. Successful investing, as we see it, is all about risk assessment and the willingness to take on investment risk. It is the only way to generate investment returns that are above risk-free rates. We seek asymmetric risk-reward opportunities where for every unit of risk taken, we believe we are receiving multiple units of return. It is an oversimplification, but the key assumption here is that we know how to price risk appropriately. There was no way to do that with any conviction in the midst of a global pandemic, and so we made a conscious decision to reduce the number of "risk units" that we would take on under normal circumstances. All of that was evidenced by the higher number of holdings, which diluted the concentration of both our top 10 and top 20 investments, and a turnover ratio of below 9%, the lowest since the Fund's inception.

So how do we reconcile taking on a reduced number of "risk units" with what was an objectively strong investment return? We attribute it primarily to four factors:

1. We were undoubtedly helped by good luck. Even during the depth of the crisis, the investment environment remained favorable to our style and to the kinds of businesses we favor. Of course, we could have gotten even luckier had we not sold *Tesla* and *Zoom Video* in the second half of 2019, but the point is that we are cognizant that the environment and our style will not always remain in favor.
2. We benefited disproportionately from the good investment decisions made in prior years. *Veeva*, *Okta*, *Wix*, and *argenx* in 2017; *RingCentral*, *MercadoLibre*, *Adyen*, *Meituan*, *Zscaler*, and *Pinduoduo* in 2018; *Twilio*, *Shopify*, *Fiverr*, *Accelaron Pharma*, *10X Genomics*, and *Datadog* in 2019—all resulting in an incredible harvest. We are a bit more skeptical about the 2020 crop, but time will tell.
3. The Baron investment process. The one thing we never lost conviction in, even during the most challenging times, is that our process works! Invest in unique, competitively advantaged businesses, managed by exceptional people that focus on long-term value creation. Evaluate companies through the disruptive change lens, with an emphasis on specific characteristics (platform businesses, eco-systems, network effects, etc.) that enable companies' growth to be particularly durable. Valuations matter—margin of safety at purchase price is the most effective risk management tool available to us. And finally...
4. Baron Global Advantage's unconstrained opportunity set. We have long argued that structural flexibility is a competitive advantage. Our ability to allocate capital to businesses regardless of their country of domicile, market capitalization, or sector classification proved especially valuable in 2020. In the midst of a global pandemic, an election year unlike any we have seen before, a market rally that left swaths of stocks (and pockets of our portfolio) with unpalatable valuations, and significant cash inflows, we found ourselves in a tricky situation. Having the ability to adopt on the fly and not having to "force shots" into any particular geography or segment of the market proved to be incredibly beneficial, in our view. One specific example follows.

We have been fans of Chamath Palihapitiya, the founder and CEO of Social Capital, for a long time. He is one of the few independent and truly original thinkers, in our view, and we have benefited from his insights in the past. In 2019, he introduced us to Sir Richard Branson as part of the due diligence process for Social Capital's merger with Virgin Galactic via a Special Purpose Acquisition Company ("SPAC"). Spending a few hours with Sir Richard, a recommended bucket list item for all, and learning about the **overview effect*** (look it up) was an amazing learning experience. Though eager to invest with Chamath and Sir Richard, we did not have enough knowledge about space travel and did not know how to value the company and so, we passed. However, the experience opened the door (pun intended) for the next opportunity.

* The **overview effect** is a cognitive shift in awareness reported by some astronauts during spaceflight, often while viewing the Earth from outer space. It is the experience of seeing firsthand the reality of the Earth in space, which is immediately understood to be a tiny, fragile ball of life, "hanging in the void," shielded and nourished by a paper-thin atmosphere. From space, national boundaries vanish, the conflicts that divide people become less important, and the need to create a planetary society with the united will to protect this "pale blue dot" becomes both obvious and imperative.

In the middle of 2020, we were approached by Social Capital with an offer to look at the acquisition candidate for their next SPAC, **Opendoor Technologies**. Opendoor operates the leading mobile/digital platform for buying and selling homes in the U.S. Home buyers can tour properties virtually, make offers, apply and obtain financing, while sellers can receive express cash offers with flexible closing dates, enabling a vastly superior buyer and seller experience. From our perspective, Opendoor is digitizing a very large segment of the economy, the \$1.3 trillion U.S. residential real estate market. It is in the early stages of penetrating this large market, and we believe the company's opportunity set is both very large and attractive. We invested through a Private Investment in Public Equity ("PIPE") transaction which closed during the fourth quarter. Unlike a traditional IPO, we were able to allocate a significant amount of capital and acquire a medium-sized position at the initial PIPE/SPAC price of \$10 per share, which is rarely possible with IPOs of high-quality businesses. Shares of Opendoor exited 2020 above \$21 per share.

Table II.
Top contributors to performance for the quarter ended December 31, 2020

	Quarter End Market Cap (billions)	Percent Impact
Opendoor Technologies Inc.	\$ 12.4	1.52%
MercadoLibre, Inc.	83.4	1.36
Fiverr International Ltd.	6.9	1.10
Pinduoduo Inc.	218.6	0.93
Twilio Inc.	51.1	0.87

Opendoor Technologies Inc. operates a mobile/digital real estate platform where buyers can tour homes, make offers, and get financing, while sellers can receive next-day cash offers with flexible closing dates. Shares rose 112% after the company went public through a merger with a SPAC sponsored by Social Capital. We believe that Opendoor is a leader in digitizing a very large segment of the economy, the \$1.3 trillion U.S. residential real estate market, which is very early in its transformational penetration rate (less than 1%). With a long run rate for growth, we think the company's opportunity set is both very large and attractive.

Shares of **MercadoLibre, Inc.**, the leading e-commerce and digital payments platform in Latin America, appreciated 55% during the quarter, gaining 195% in 2020. While MercadoLibre saw significant benefit from the accelerated e-commerce penetration due to COVID-19, the company showed accelerating growth in gross merchandise value after reporting its third quarter results, despite the reopening of physical retail stores over the summer, indicating stickiness among recently acquired users and market share gains in some of its largest segments, particularly in Brazil. Our investment thesis remains unchanged—that MercadoLibre is a long-term winner in both e-commerce and payments across a region that remains in the early stages of digitization.

Shares of **Fiverr International Ltd.**, a two-sided online marketplace for freelance services, were up 40% in the fourth quarter, and closed the year with a staggering 736% return. The company continued experiencing an acceleration in its business, reporting third quarter revenue growth of 88% year-over-year, due to the increased pace of digitization, and work-from-anywhere arrangements, likely as a result of COVID-19. We believe that Fiverr remains early in its growth curve since freelance work is a secularly growing part of the global economy with a multi-billion dollar total addressable market. Fiverr's opportunity will continue to increase as millennials and Gen-Zers become a larger part of the population, and as organizations realize they can benefit from reducing inefficiencies associated with searching for, contracting, and collaborating with freelance workers. Finally, we believe that the company's early-mover and scale advantages and well-known brand lead to a virtuous cycle that reinforces its competitive moat.

Pinduoduo Inc. is the second largest online marketplace in China after Alibaba. Rising e-commerce penetration in lower tier cities, and the company's effective strategy to acquire incremental, new users and gain market share drove the 139% return in the share price during the fourth quarter, and an impressive 372% gain in 2020. The company was perceived as a clear beneficiary of the Chinese government's announcement that it was investigating rival Alibaba for antitrust violations. The action could potentially drive more valuable merchants to the company's platform and further improve and strengthen its eco-system. We think Pinduoduo will remain one of the few winners in e-commerce in China for many years to come.

Twilio Inc. is a leading Communications-Platform-as-a-Service ("CPaaS") company offering a set of application programming interfaces that help developers embed communications into their software through its cloud platform. Shares were up 37% during the quarter, and over 245% over the last 12 months, as Twilio continued to demonstrate broad strength due to accelerated digital transformation, which drove 50% plus revenue growth. We believe the accelerating pace of digitization is driving businesses to increasingly embed communications into their software, creating potentially a massive market opportunity for Twilio.

Table III.
Top detractors from performance for the quarter ended December 31, 2020

	Quarter End Market Cap (billions)	Percent Impact
Alibaba Group Holding Limited	\$629.7	-1.37%
Splunk, Inc.	27.5	-0.25
Afya Limited	2.4	-0.14
TAL Education Group	42.9	-0.13
Arco Platform Limited	2.0	-0.12

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Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates the shopping platforms Taobao and Tmall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares were down 21% during this quarter after a sequence of events that started with Chinese regulators abruptly preventing Ant Group's highly anticipated IPO (would have been one of the largest IPOs in history) following Jack Ma's comments at a conference criticizing Chinese regulators just days prior to the opening of public trading. The sequence continued with the regulators launching a formal investigation into Alibaba for suspected monopolistic practices. It is never good to run afoul of one's government, particularly in emerging markets, and particularly in China. While we were clearly disappointed, we continue to believe that Alibaba owns the most comprehensive ecosystem of commerce platforms, logistics, and payments to lead the digital transformation of the Chinese economy. We find Alibaba's stock to be particularly mispriced because its core business remains one of the fastest growing and most profitable businesses in the world, with significant positive optionality in newer areas such as cloud, groceries, health care, or logistics, while it trades at the lowest valuation multiples on any metric, relative to its peers. Admittedly, our investment case depends on our belief that the management will find a way to get along with the Chinese government again. Alternatively, it will once again get replaced.

Splunk, Inc. is a data analytics company that sells software solutions to help enterprises run their IT organizations, including security, internet-of-things, application and business analytics, and infrastructure. Splunk enables customers to collect, index, store, and analyze data, generating insights through a flexible and efficient platform architecture. The stock declined 10% during the quarter, though it still gained 13% in 2020. The company reported a deceleration in contract activity within its large customer segment due to longer budgetary approval processes, which, according to Splunk's management, was a result of COVID-19. We are sticking with it as we expect Splunk's new cloud offering to drive material growth in annualized recurring revenues, even though it looks like it may take longer to achieve in the pandemic-impacted spending environment. We also think that Splunk is a unique and scarce asset that will likely become an attractive target for a larger software company should they continue to mis-execute on their own.

Afyra Limited is the leading medical education group in Brazil, with approximately 20 undergraduate and graduate programs. Afyra offers courses and residency preparatory and specialization programs. Despite strong quarterly results, Afyra's stock declined 7.1% in the most recent quarter and ended 2020 down 6.2% due to continued concerns regarding the impact of COVID-19 on its business. We remain confident in Afyra's opportunity to benefit from the highly regulated, limited supply, and rapidly growing demand dynamics supporting a long runway for growth for the company. Brazil remains severely understaffed with doctors, and COVID-19 is only making that issue all the more obvious.

TAL Education Group is a leading K-12, after-school tutoring, company in China with over 930 learning centers in 91 cities. Shares declined 6.2% in the fourth quarter, though it ended 2020 with a 50% gain. The ongoing investments in online offerings resulted in margin pressure, while the offline business continued to face pandemic-related headwinds. We retain conviction as we believe TAL will benefit from positive secular trends in China, including growing competition to gain admission to top universities and rising disposable incomes, and we believe it will continue to gain market share in the fragmented private tutoring industry for years to come.

Arco Platform Limited is a Brazilian education technology company that specializes in providing content and software solutions to K-12 private schools. Shares declined 12.9% during the quarter and were down 13.5% for the year, after the company's guidance for 2021 bookings missed consensus estimates due to the pandemic-generated delay in its sales cycle. We believe that Arco remains in the early stages of disrupting the industry with a modern learning platform that generates higher rankings for schools and more importantly, better results and outcomes for students. We expect that to drive strong growth with high profitability for Arco over the long term.

PORTFOLIO STRUCTURE

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the most significant roles in determining the size of each individual investment. Sector and country weights are an outcome of the stock selection process and are not meant to indicate a positive or a negative "view." The top 10 positions represented 35.0% of the Fund, and the top 20 represented 58.0%. Our investments in the IT, Consumer Discretionary, Health Care, and Communication Services sectors, as classified by GICS, represented 90.8% of the Fund's net assets. Our investments in companies domiciled outside the U.S. represented 42.4% of net assets and our investments in emerging markets totaled 26.6%.

The Fund's turnover was 8.8% in 2020, compared to average turnover of 16.0% over the last three years, and 19.5% average over the last five years. The Fund ended the year with \$2.4 billion in net assets.

Table IV.
Top 10 holdings as of December 31, 2020

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	\$1,634.2	\$119.3	5.0%
Alibaba Group Holding Limited	629.7	112.6	4.7
Alphabet Inc.	1,185.3	92.8	3.9
RingCentral, Inc.	34.0	82.9	3.4
GDS Holdings Limited	17.5	80.8	3.4
Facebook, Inc.	778.0	80.6	3.3
MercadoLibre, Inc.	83.4	73.7	3.1
Acceleron Pharma Inc.	7.7	71.9	3.0
Fiverr International Ltd.	6.9	63.8	2.6
Opendoor Technologies Inc.	12.4	63.4	2.6

EXPOSURE BY COUNTRY

Table V.
Percentage of securities by country as of December 31, 2020

	Percent of Net Assets
United States	54.7%
China	15.3
Israel	5.7
Brazil	5.3
Netherlands	4.6
Argentina	3.8
Canada	3.2
United Kingdom	2.3
India	1.6
Mexico	0.5
Poland	0.1

RECENT ACTIVITY

During the fourth quarter, we initiated 11 new investments and added to 32 existing holdings as we continued to put the Fund's inflows to work. We also liquidated 5 positions, exiting 2020 with 60 investments. The Fund currently holds six "stub" positions in **DoorDash**, **BigCommerce**, **AbCellera Biologics**, **Allegro**, **nCino**, and **Airbnb**, in which we attempted to invest during their respective IPOs, but were unable to acquire any meaningful positions before their stock prices moved away from us. We retain these investments while we await a better buying opportunity. It also includes our four private investments. We added **Resident Home**, a leading e-commerce direct-to-consumer retailer of home furnishings, this quarter to our three other existing private investments – **Farmers Business Network**, **Zymergen**, and **Rivian Automotive**, with the four companies accounting for just over 1% combined. Lastly, it also includes three new SPAC investments, which totaled under 2% combined.

Table VI.
Top net purchases for the quarter ended December 31, 2020

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Bajaj Finance Limited	\$ 43.7	\$33.8
RingCentral, Inc.	34.0	31.1
Opendoor Technologies Inc.	12.4	30.0
Alphabet Inc.	1,185.3	29.3
Amazon.com, Inc.	1,634.2	26.5

Our new investments include seven public companies: medium-sized positions in **Opendoor Technologies** and **Bajaj Finance**, and small positions in **Arrowhead Pharmaceuticals**, **DoorDash**, **AbCellera Biologics**, **Allegro**, and **Airbnb**.

Our largest new investment during the quarter was a return to an old favorite: **Bajaj Finance Limited**. Bajaj is a leading data-driven, non-bank financial company in India. As part of risk mitigation and our desire to reduce the overall risk exposure of the Fund we sold Bajaj in the first quarter of 2020 as the COVID-19 crisis was unfolding, creating extreme uncertainty for its business, and increasing the probability of a permanent loss of capital. As the crisis unfolded, Bajaj demonstrated its resilience and conservative management approach, by experiencing limited Non-Performing Loans, while strengthening its balance sheet. The crisis appears to be shorter than we expected, and we were surprised to see that Bajaj remained profitable throughout the crisis (March to September 2020) despite excess provisioning for losses. Over the long term, we believe that Bajaj is well positioned to benefit from the growing demand for consumer financial services such as mortgages, personal and credit card loans, vehicle financing, and other related financial products. At the same time, Bajaj is rapidly transforming into India's largest fintech player by leveraging its proprietary technology platform to create a "supermarket of financial products," opening an opportunity for it to become a true financial platform of choice.

Table VII.
Top net sales for the quarter ended December 31, 2020

	Market Cap When Sold (billions)	Amount Sold (millions)
Neurocrine Biosciences, Inc.	\$ 9.6	\$19.0
Fidelity National Information Services, Inc.	89.6	13.2
Network International Holdings Ltd.	2.4	10.0
Constellation Software, Inc.	24.0	9.9
Agora, Inc.	3.8	0.1

We exited our investment in **Neurocrine Biosciences, Inc.**, a biotechnology company that is focused on both neurology and endocrinology as the company reported a slowdown in the commercial launch of its lead asset, Ingrezza, a treatment for a movement disorder called tardive dyskinesia. We chose to reallocate capital to higher conviction ideas.

We also eliminated our stake in **Fidelity National Information Services, Inc.** ("FIS"), which we held onto for a while after the company acquired our investment in Worldpay. While we continue to believe FIS has a solid business that will compound intrinsic value over a long period of time, its growth profile is not exciting enough to fit into our *Big Ideas* Fund. We continue to hold it in our Baron Durable Advantage Fund, for which its profile is a better fit. We culled our position in **Constellation Software, Inc.** for the same reason.

Lastly, we sold our small positions in **Network International Holdings Ltd.** and **Agora, Inc.** as we were not able to graduate them into core holdings and decided to reallocate capital to higher conviction investments.

OUTLOOK

"Those who have knowledge, don't predict. Those who predict, don't have knowledge" – Lao Tzu.

"I don't know when to buy stocks, but I know whether to buy stocks" – Warren Buffett.

"How many of you would have predicted stock market strength yesterday and today... if you had been able to predict *exactly* what happened in the election? Me either. Time spent on macro is entertaining. Does not help us make better investment decisions. Studying businesses not stock prices and investing in people and businesses for the long term are reasons we outperform." – Ron Baron, in an email to the research staff, on November 5, 2020. Two days after the U.S. Presidential election.

This summarizes how we feel about outlooks. Could anyone's outlook prove useful or valuable in 2020?

A global pandemic with *hundreds of millions* of jobs lost globally, entire cities and countries shut down for extended periods of time. Domestically, a deeply divided and dangerously polarized nation with an election year unlike any other, culminating with a shocking riot on Capitol Hill. And yet, despite the extreme uncertainty and a significantly wider range or possible outcomes, the markets keep making new record highs.

Sure, we understand the global, coordinated monetary and fiscal easing response that leads to near zero (or negative) interest rates for longer, making high-quality, growing businesses increasingly more valuable (the discounted value of future cash flows is higher). Plus, with COVID-19 acting as a strong accelerant for every company enabling digital transformation, the intrinsic values of many of our investments have increased meaningfully, and we expect them to continue to grow.

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Personal consumer credit card debt has fallen off a cliff as discretionary spending collapsed. At the same time, individual savings have gone up significantly and the amount of money sitting in money market funds is supposedly at an all-time high! So, there is that...

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve interest rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day, and seem to drive them up or down the next. We often find it difficult to know why the market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is

the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

Sincerely,



Alex Umansky
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: Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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