

DEAR BARON GLOBAL ADVANTAGE FUND SHAREHOLDER:

PERFORMANCES

Baron Global Advantage Fund (the "Fund") declined 1.8% (Institutional Shares) during the first quarter. The MSCI ACWI Index and the MSCI ACWI Growth Index, the Fund's benchmarks gained 4.6% and 0.3%, respectively, for the quarter. After a few years of very strong performance, including last year's best absolute and relative returns in the 9-year history of the Fund, it was time for many of our investments to take a breather.

Table I.
Performance[†]

Annualized for periods ended March 31, 2021

	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	(1.89)%	(1.84)%	4.57%	0.28%
One Year	90.22%	90.71%	54.60%	58.95%
Three Years	31.86%	32.19%	12.07%	17.51%
Five Years	30.67%	30.97%	13.21%	17.08%
Since Inception (April 30, 2012)	19.93%	20.19%	10.55%	13.09%

From a performance attribution standpoint, the Fund's underperformance for the quarter was mostly due to stock selection, with holdings in Information Technology ("IT") and Consumer Discretionary accounting for most of the shortfall versus the MSCI ACWI Index. In terms of sector allocation, our lack of exposure to some of the best performing sectors also hurt our results:

- Energy – the sector was up 17.7%, and we had no exposure.
- Financials – the sector was up 11.4%, and we were 12.4% underweight.
- Industrials – the sector was up 7.5%, and we were 9.0% underweight.

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, 2020 was 1.17% and 0.92%, 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 1Q 2021, 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 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.



ALEX UMANSKY

PORTFOLIO MANAGER

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

Baron Global Advantage Fund

Looking on a level deeper, within Consumer Discretionary our results were impacted by not being in the right sub-industries as we had no exposure to double-digit gainers such as hotels, casinos, and homebuilders, and instead were significantly overweight e-commerce (internet & direct marketing retail) and education services, sub-industries that were down 2.8% and 24.4%, respectively, during the quarter. Similarly, in IT, we had almost no exposure to the more cyclical sub-industries, such as communications equipment and semiconductors, which performed very well, and were significantly overweight software and internet services & infrastructure which were either flat or down in the quarter.

Ironically, the picture is similar from a geographical perspective, where we seemed to have been in mostly the wrong places. Per usual, we were overweight emerging markets, which underperformed and were responsible for about half of our underperformance. Within emerging markets, we were also overweight some of the worst performing countries such as Argentina (down 11.4%) and Brazil (down 10.0%). Additionally, our investments in China – TAL Education, Pinduoduo, and Alibaba were hurt due to heightened regulatory concerns.

At the company specific level, we experienced unusual volatility with 18 double-digit gainers (in percentage terms) against 21 double-digit decliners. There has been a perceptible change in market leadership with value indexes of all market capitalizations outperforming their growth counterparts over the last 6 months and with small- and mid-cap value now outperforming growth over the last 12 months. At the same time, as vaccinations have started to take hold, the “reopening trade” or rotation, being funded by the work-from-home (“WFH”) stocks has picked up steam. Though this has little to do with the way we think or make investment decisions, we believe it partially explains our recent results. MSCI ACWI Index returns have been driven by energy, banks, airlines, cruise line and hotel businesses—areas that we typically do not invest in, while many of the WFH beneficiaries (i.e., companies enabling digital transformation, some of which we have been involved with for years) have sold off. And so, after experiencing and giving credit to a favorable investing environment over the last four years, we think it is fair to point out this headwind, which while clearly challenging was not entirely unexpected. In fact, we have discussed it at length in our last several quarterly letters.

So, if this change in the investing environment and the resultant underperformance were not unexpected, why not adjust the portfolio accordingly?

The reasons are rooted in our investment philosophy and process, and how we execute it in circumstances like these:

- **We focus on big ideas—companies that we believe to be beneficiaries of disruptive change.** These types of businesses are rarely found in sectors that are currently benefiting from the reopening of the economy. Brick and mortar retailers, for example, will see more foot traffic/sales in the short run, but will continue to be structurally disrupted by e-commerce.

- **We are long-term investors with a focus on the duration of growth.** A longer time horizon is a competitive advantage. If our research suggests that a company has sustainable competitive advantages that will enable it to compound its intrinsic value for extended periods of time, we will exercise patience, even during periods of underperformance.
- **We believe all investing is value-based investing—everything else is speculation.** Valuations matter. We only allocate capital to investments when they are trading at 20% discounts (or more) to our estimate of their intrinsic values (“IVs”). Because we focus on the duration of growth and prioritize businesses that we believe will compound their IVs over extended periods of time, we are willing to hold them when they are fairly valued, or even modestly overvalued, to allow the fundamentals to catch up to the price of the stock. Many big ideas appeared to be excessively valued in the early stages of their life cycles only to be recognized as great bargains once their growth rates proved to be durable (with the obvious caveat that no company can sustain excessive growth forever).
- **We think of risk differently than many others. As long-term investors we do not equate risk to market volatility. We define risk as probability of permanent loss of capital.** As a result, we do not attempt to manage market volatility through either cash management or sector rotation. There is nothing wrong with either, it is simply not a part of our process or skill set. We cannot add value that way.

We believe it would be beneficial for shareholders to know that we are not looking to outperform every quarter or every year. In fact, we are not “looking to outperform” at all. Instead, we focus on executing our investment process. We know that it works, and that if we execute it well, it will enable us to make good investment decisions over longer periods of time. If we focus on taking only good shots and avoid taking bad ones, the winning and losing (or outperforming) will take care of itself.

Threepeat? – We are happy to report that in March 2021, Baron Global Advantage Fund was named a winner by Lipper Analytics as the best fund in its category for consistent risk-adjusted returns over the last three years, for the third consecutive time. This year, the Fund was also recognized as the best fund in its category for its risk-adjusted returns over the last five years. That’s pretty cool.

The **Refinitiv Lipper Fund Awards**, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. For more information, see lipperfundawards.com. Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper.

According to Morningstar, as of March 31, 2021, Baron Global Advantage Fund ranked in the top 6% for its 1-year return and in the top 1% for its 3-year and 5-year returns. The Fund is also ranked in the top 1% since its inception on 4/30/2012. The Fund received a 5-Star Morningstar Rating™ for its 3-year, 5-year, and Overall performance. Since its inception, Baron Global Advantage Fund has returned 415.4% (Institutional Shares) cumulatively, compared to 144.5% for the MSCI ACWI Index, and 199.4% for the MSCI ACWI Growth Index. Over that same period of time, the Fund has outperformed the Morningstar World Large Stock Category Average, by 274.9%, cumulatively. On an annualized since inception basis, the Fund generated excess returns of 9.6% and 7.1% over its benchmarks, the MSCI ACWI Index and the MSCI ACWI Growth Index, respectively. On an annualized since inception basis, the Fund generated excess returns of 9.9% over its peer group average.*

Table II.
Top contributors to performance for the quarter ended March 31, 2021

	Quarter End Market Cap (billions)	Percent Impact
Alphabet Inc.	\$1,392.6	0.63%
10X Genomics, Inc.	19.7	0.49
Guardant Health, Inc.	15.3	0.38
Coupang, LLC	84.6	0.36
Fiverr International Ltd.	7.8	0.32

Alphabet Inc. is the parent company of Google, the world's largest search engine and online advertising company. Shares rose 17.7% in the quarter on strong fourth quarter results that saw continued recovery in ad spending and accelerating cloud revenue growth, which was up 47% year-over-year with backlog that nearly tripled. We remain excited about Alphabet's merits as it continues to benefit from growth in mobile and online video advertising, which accrue to its core assets of search, YouTube, and the Google ad network. Alphabet's investments in AI, autonomous driving

(Waymo), and life sciences (Verily and Calico) add additional layers of optionality to the story. (Ashim Mehra)

10X Genomics, Inc. sells products combining hardware, software, and chemistry to offer life sciences researchers single-cell, spatial, and in situ (targeted gene expression maps on specific tissue sections) views of biological systems. Shares performed well during the first quarter and were up 27.8% driven by a growing excitement about the company's positioning on the cutting edge of research, with a strong core competency in single-cell analysis and continued innovation in launching new instruments and product lines. We see a future for applications in clinical diagnostics as well. (Caleb Huang)

Guardant Health, Inc. offers liquid biopsy tests for advanced stage cancer and recurrence monitoring and is developing a test for early cancer detection. Shares performed well during the first quarter and were up 18.4%. The outperformance was driven by the recently launched test for disease recurrence monitoring, while Guardant also remains on track to complete enrollment this year for its early cancer screening trial. We continue to believe Guardant is a unique company that has potential to change cancer care. (Caleb Huang)

Coupang, LLC is a leading e-commerce platform in South Korea. Coupang outperformed during the quarter, with shares up 41.0% from strong market reception of its IPO as investors are excited about its ability to deliver long-term growth in the Korean e-commerce market. We believe Coupang, leveraging its unrivaled logistics capability and differentiated customer experience, with 99% of orders delivered within one day, will continue to gain market share, while benefiting from continued growth in underlying e-commerce penetration. (Shu Bai)

Shares of **Fiverr International Ltd.**, a two-sided online marketplace for freelance services, contributed to performance after being up 11.3% during the first quarter. The company reported strong fourth quarter earnings as it continued benefiting from the pandemic, which has accelerated digital transformations, with revenue sustaining above 80% year-over-year growth.

* As of 3/31/2021, the annualized returns of the Morningstar World Large Stock Category average were 57.22%, 11.58%, 12.57%, and 10.34% for the 1-, 3-, 5-year, and since inception (4/30/2012) periods, respectively.

As of 3/31/2021, the Morningstar Ratings™ were based on the Morningstar Risk-Adjusted Return measures of 762, 645, and 762 share classes for the 3-year, 5-year and Overall periods, respectively. The Morningstar Ratings™ are for the Institutional share class only; other classes may have different performance characteristics.

As of 3/31/2021, the Morningstar World Large Stock Category consisted of 866, 762 645, and 442 share classes for the 1-, 3-, 5-year and since inception (4/30/2012) periods.

Morningstar calculates the Morningstar World Large Stock Category average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The **Morningstar Rating™** for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

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Baron Global Advantage Fund

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) as Millennials and Gen-Z'ers 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 employees. 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. (Adam Lieb)

Table III.
Top detractors from performance for the quarter ended March 31, 2021

	Quarter End Market Cap (billions)	Percent Impact
RingCentral, Inc.	\$27.0	-0.63%
StoneCo Ltd.	18.9	-0.48
TAL Education Group	32.3	-0.44
Splunk, Inc.	21.9	-0.38
Afya Limited	1.7	-0.34

RingCentral, Inc. provides global cloud communications and collaboration solutions across multiple channels (voice, video, and messaging). Despite continued solid execution with revenue growth accelerating to over 32% year-over-year during the fourth quarter, RingCentral's stock corrected 21.4% as investors took profits after shares rose 126% in 2020 and rotated into stocks that benefit from the economy's reopening. With its distribution advantage and the COVID-19 pandemic crystalizing the need for a communications platform that is agile, scalable, and global, and with just 3 million current users, RingCentral remains early in the migration from premise-based communications solutions to the cloud, which should drive sustainable growth for years to come. (Guy Tartakovsky)

StoneCo Ltd. is a leading financial technology services company in Brazil. Shares of StoneCo declined 27.0% during the first quarter after the company reported weaker-than-expected results that were impacted by macro factors, including a steep devaluation in the currency and a resurgence of COVID cases in Brazil, which will likely impact near-term payment volumes in its core SME segment. We retain conviction in Stone as we believe it has the best value proposition to clients through its solutions in payments, software, and e-commerce, driving higher lifetime customer value and market share gains vs. peers. We remain excited about Stone's opportunity to enable credit, debit, and other forms of electronic payments in a large portion of the Brazilian economy, which is significantly underserved by the traditional banking sector. (Jose Baria)

TAL Education Group is a leading K-12 after-school tutoring company in China with 990 learning centers in 102 cities. Shares declined 24.3% during the first quarter following news of upcoming regulatory changes that investors fear will adversely impact the after-school tutoring industry in China. We continue to hold our shares while awaiting official announcements that will allow us to assess our position. (Guy Tartakovsky)

Splunk, Inc. is a data analytics company selling software solutions that 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. A meaningful deceleration in contract activity during Splunk's third quarter pressured the share price, which declined 20.3%. Despite improvements in business trends during the fourth quarter, Splunk's on-premises business remains under pressure as organizations are migrating to the cloud at an accelerated pace. Although we expect continued volatility due to an uncertain spending environment, we believe Splunk's new cloud offering should drive growth in annualized recurring revenues. 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. (Ishay Levin)

Afya Limited is the leading medical education group in Brazil, with over 20 undergraduate and graduate programs. Afya offers medical undergraduate courses as well residency preparatory and specialization programs. Afya's stock declined 26.5% in the first quarter due to continued concerns regarding the impact of the pandemic on its business along with macro factors that have driven FX volatility and renewed COVID surges in Brazil. We remain confident in Afya's opportunity to benefit from the limited supply, and rapidly growing demand dynamics supporting a long runway for growth as Brazil remains understaffed with doctors. (Guy Tartakovsky)

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 35.5% of the Fund, and the top 20 represented 58.4%. Our investments in the IT, Consumer Discretionary, Health Care, and Communication Services sectors, as classified by GICS, represented 91.6% of the Fund's net assets. Our investments in companies domiciled outside the U.S. represented 42.2% of net assets and our investments in emerging markets totaled 25.9%.

Table IV.
Top 10 holdings as of March 31, 2021

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Alphabet Inc.	\$1,392.6	\$147.0	5.7%
Amazon.com, Inc.	1,558.1	118.9	4.6
Alibaba Group Holding Limited	614.7	118.5	4.6
Facebook, Inc.	838.7	103.0	4.0
Accelaron Pharma Inc.	8.2	79.4	3.1
Fiverr International Ltd.	7.8	71.0	2.8
GDS Holdings Limited	15.2	70.1	2.7
EPAM Systems, Inc.	22.3	70.0	2.7
RingCentral, Inc.	27.0	69.5	2.7
Wix.com Ltd.	15.8	67.8	2.6

EXPOSURE BY COUNTRY

Table V.
Percentage of securities by country as of March 31, 2021

	Percent of Net Assets
United States	56.6%
China	13.7
Israel	6.1
Netherlands	4.7
Brazil	3.8
Argentina	3.3
Canada	3.1
India	2.6
United Kingdom	2.4
Korea	1.3
Poland	0.5
Mexico	0.4
Indonesia	0.3

RECENT ACTIVITY

During the first quarter, we initiated 11 new investments and added to 20 existing holdings as we continued to put the Fund's inflows to work. We now hold seven private investments that represent 3.2% of the Fund's net assets, cumulatively: Farmers Business Network, Zymergen, Rivian Automotive, Resident Home, and our three newly added investments: SpaceX, GM Cruise, and Think & Learn. SpaceX is the leading designer and manufacturer of rockets, satellites, and spacecraft, disrupting the space launch market with its reusable launch systems. Cruise is a leader in autonomous mobility solutions, with the company currently in development of purpose-built software and hardware that will enable a transition to clean (electric), autonomous, shared mobility, and Think & Learn is the leading Edtech platform in India with 75 million users and over 90% market share in the K-12 segment. We also exited three investments briefly described below.

Table VI.
Top net purchases for the quarter ended March 31, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Alphabet Inc.	\$1,392.6	\$35.8
BridgeBio Pharma, Inc.	9.2	33.3
Think & Learn Private Limited	–	29.8
Coupang, LLC	84.6	22.9
Facebook, Inc.	838.7	13.9

Our largest add in the first quarter was **Alphabet Inc.**, the parent company of Google. Alphabet reported once again strong financial results with \$57 billion of fourth quarter revenues, accelerating to over 23% year-over-year growth and with 28% operating margins, driven by a rapid recovery in advertising spending from the troughs of the pandemic. Moreover, Google Cloud ("Cloud") is now a \$15 billion run-rate business while growing over 40% and with a backlog that nearly tripled year-over-year. We believe that Cloud has become (and especially since Thomas Kurian took the lead of that business in 2019) a fiercer competitor in the public cloud market, as the company increased its investment in go-to-market direct and in partnerships, while refocusing the product vertically (making it more attractive to large enterprise customers). Alphabet has also recently made strategic changes to its commerce offering, opening the platform to third

parties like Shopify and enabling merchants to list products for free, which we believe increases the likelihood for success in this business. Lastly, Alphabet recently decided to start breaking out profitability by segment, which could, in our view, reduce the relative discount investors apply to Alphabet's various earlier stage businesses, such as Cloud. (Ashim Mehra)

We also added **BridgeBio Pharma, Inc.**, a biotechnology company developing a portfolio of breakthrough medicines for genetic diseases and cancers with genetic drivers. BridgeBio operates with a decentralized corporate structure in which each program is housed in its own subsidiary. We believe that this structure better aligns the experts (who are economically incentivized at the program level) with the success of their programs, enhancing operational decisions and making the development process more efficient. In addition, by focusing on drugs that target well-characterized genetic diseases at their source, the company increases its probability of success compared with other therapeutic categories. As evidence of the platform's ability to deliver, there are four late-stage trials and a small initial commercial opportunity expected to launch in 2021, just six years after the company's founding. We expect the number of key value-creating pipeline candidates to keep increasing every year. (Josh Riegelhaupt)

During the first quarter, we also participated in the Series F funding round of **Think & Learn Private Limited**, which is the parent entity of "BYJU's—the Learning App", India's largest education technology company with over 90% market share. Think & Learn is led by Byju Raveendran (founder) and his entrepreneurial team. In addition to organic growth in its user base, BYJU's has made a string of strategic acquisitions to give it an omnichannel presence across the entire product cycle (toddlers + K-12 + post K-12 + coding/programming). In our view, India's Edtech sector is still in its infancy and is expected to scale significantly over the next several years driven by a growing focus on education, rising disposable incomes to support premium services, and higher smartphone/4G penetration that is accelerating online education and expanding the total addressable market beyond Tier 1 and 2 cities. (Anuj Aggarwal)

We initiated a position in **Coupang, LLC**, a leading South Korean e-commerce platform. Founded in 2010, Coupang provides customers with a differentiated online shopping experience with its wide product selection and unrivaled convenience thanks to its early investments in an end-to-end logistics system that covers over 70% of Korea's population. As a result of its advanced logistics infrastructure, 99% of orders are delivered within one day rather than the industry norm of two to three days, driving customer satisfaction, which translates to higher customer retention rates and lifetime value. We believe Coupang has the potential to become the market share leader in the U.S. \$500 billion Korean retail market. It has multiple drivers for growth, including expanding its offerings into additional categories, expanding its ecosystem via a third-party marketplace, while continuing to invest in infrastructure density to further capture inefficiencies, enhancing the customer experience. (Shu Bai)

We also participated in the IPO of **InPost SA**, a Poland-based but increasingly pan-European operator of logistics networks including technology-enabled automated parcel lockers. InPost operates the largest automated parcel locker network in Poland with approximately 98% market share, increasingly the preferred method among Poles to receive and return goods purchased online. The company's dense, technology-enabled logistics network enables delivery times and e-commerce frequency levels generally not seen in any other emerging market (other than China). In our view, InPost's density (of lockers, couriers, and pick-up points) and merchant-neutral network creates unit economics that new entrants are unlikely to replicate. The company is also expanding to new markets, with a nascent

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position in the U.K. and via a recently announced acquisition of Mondial Relay, a logistics network in France, from which we believe InPost will extract synergies by overlaying its technology and onboarding pan-European customers from its Polish and U.K. businesses. We believe continued fast growth in Poland as well as international expansion will drive 30%-plus annual revenue growth over the next five years. (Eric Guzman)

Lastly, we took advantage of our inflows to add to **Facebook, Inc.** and 19 other existing positions, that are high conviction investments and also present a margin of safety at their current prices.

Table VII.
Top net sales for the quarter ended March 31, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Slack Technologies Inc.	\$23.6	\$25.7
DoorDash Inc.	42.0	9.2
AbCellera Biologics Inc.	6.7	2.3
PTC Therapeutics	3.3	1.5

We exited our position in **Slack Technologies Inc.**, whose acquisition by Salesforce was announced in late 2020. We also sold our stub positions in **DoorDash Inc.**, one of the leading food delivery platforms, and **AbCellera Biologics Inc.**, a single-cell discovery platform for therapeutic development. Both were IPOs in which we attempted to invest but were unable to purchase meaningful positions before their stock prices ran away from us. We slightly reduced our investment in **PTC Therapeutics**, which is a broad-based drug development company with RNA splicing capabilities, as we reallocated capital to higher conviction ideas.

OUTLOOK

To the uninitiated, the markets' continued march higher may appear to be "more of the same." However, the recent changes in market leadership have been clearly unfavorable to the kinds of businesses that we tend to favor. We are not all that concerned with a much talked about rotation from growth to value or with the even more talked about "reopening" trade, though both present obvious headwinds. The more important development, in our view, is the steady rise in interest rates. The yield on the 10-year U.S. Treasury bond moved from around 0.7% six months ago to 1.7% by the end of March. Why is this important? Well, besides offering a bit of an alternative to savers, for the first time in a long time, higher interest rates make fast growing companies more expensive since their future earnings

must be discounted back at higher rates. Having said that, we think some perspective here is in order. Jerome Powell, the chairman of the Federal Reserve, said in his most recent comments that the Fed intends to keep short-term interest rates low until *at least* 2023. And as the saying goes: "do not fight the Fed," especially when the Federal government is helping with the fiscal stimulus.

In any case, we think rotations, pull backs, and corrections are generally necessary and healthy, and they often create attractive opportunities for long-term investors like ourselves. We continue to focus on the quality of our decisions, and on taking what we believe are high percentage shots. Our goal continues to be to generate 300bps to 400bps of alpha per year, over our benchmarks and peers, net of all fees and expenses, over a three- to five-year cycle, while minimizing risk, which we define as probability of permanent loss of capital. Though we have exceeded our goals in the past, there is no assurance that we can meet or exceed them in the future.

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes (up and down), 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.

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading significantly below their intrinsic values.

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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