DEAR BARON GLOBAL ADVANTAGE FUND SHAREHOLDER:

PERFORMANCE

Baron Global Advantage Fund (the "Fund") returned 13.1% (Institutional Shares) during the September quarter, outpacing the 8.1% and 12.0% gains for the MSCI ACWI Index (the "Index") and MSCI ACWI Growth Index, respectively, the Fund's benchmarks. Year-to-date, the Fund has appreciated 53.0% compared to returns of 1.4% and 18.1%, respectively, for the Fund's benchmarks.

Table I.
Performance
Annualized for periods ended September 30, 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]	13.04%	13.10%	8.13%	12.00%
Nine Months[3]	52.68%	52.95%	1.37%	18.13%
One Year	71.26%	71.70%	10.44%	30.22%
Three Years	32.72%	33.05%	7.12%	15.36%
Five Years	29.06%	29.35%	10.30%	15.43%
Since Inception (April 30, 2012)	19.23%	19.49%	8.83%	12.23%

This quarter was largely a continuation of trends that we saw in the prior three months, which means that the investing environment remained favorable to our style and to the kinds of businesses that we tend to favor. So far, 2020 can be broken into three distinct segments: the continued momentum from last year with markets rising until the peak of February 12; the massive sell-off that followed until the bottom on March 23; and the unprecedented rally and market recovery from then until now. When examined in that framework and, compared to our primary benchmark, the Fund outperformed by 9.9% in the first stage, by 8.2% in the down stage, and by 33.5% from there through the end of the third quarter. That's pretty good.

Most of our outperformance during this quarter was driven by stock selection, which contributed 282bps out of 493bps of total excess return.

ALEX UMANSKY
PORTFOLIO MANAGER

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

Investments in Consumer Discretionary and Information Technology accounted for 474bps of the excess returns. The continued outperformance in these segments was driven by accelerating digitization trends, which again shined through companies' reported second quarter results. Our relative returns also benefited from not investing in Financials, Energy, Real Estate, Utilities, and Consumer Staples, which were the worst-performing sectors during the quarter, all up less than the Index. Performance was consistent across developed and emerging markets, with investments in these geographies outperforming by 6.4% and 6.6%, respectively. Within the developed markets, our best-performing investments were in Israel and the U.K., where we outperformed by 34.5% and 31.4%, respectively (with both together responsible for 193bps of our excess returns). Our investments in China and Brazil were our best emerging market performers, up 20.3% and 15.1% during the quarter, respectively, compared to their returns in the Index of 12.5% and a decline of 3.3%, respectively.

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-month, 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 indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index. The MSCI ACWI indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes reflected in US dollars. The **MSCI ACWI Index Net USD** measures the equity market performance of large- and mid-cap securities across developed and emerging markets. 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 indexes and the Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. 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.

[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.

Taking a deeper look at individual investments, we again had a large number of winners this quarter, with 15 stocks that appreciated over 25%, 11 of which were up over 35%. 29 of our holdings were up more than the Index, and we had 10 investments that contributed over 55bps to absolute returns. As has been the trend for many quarters now, these contributors were a mix of well-known, long-term holdings with established platforms as well as new additions and up-and-comers. In no particular order, these quarterly contributors were **Alibaba**, **Amazon**, **EPAM Systems**, **Endava**, **Meituan Dianping**, **Fiverr**, **Snowflake**, **Guardant Health**, **Acceleron Pharma**, and **10X Genomics**.

We are happy to report that Baron Global Advantage Fund was named a repeat winner of the 2020 Lipper Analytics Award as the best fund in its category for consistent risk-adjusted returns over the last three years. Joel – we have another plaque for you.

According to Morningstar, as of September 30, 2020, Baron Global Advantage Fund ranked in the top 2% for its 1-year performance, and top 1% for its 3-year and 5-year performance. The Fund is also ranked in the top 1% since its inception on 4/30/2012. The Fund received 5-Stars for its 3-year, 5-year, and Overall Morningstar Rating™.

Since its inception, Baron Global Advantage Fund (Institutional Shares) has returned 347.5% cumulatively, compared to 103.9% for the MSCI ACWI Index, and 164.0% for the MSCI ACWI Growth Index. Over that same period of time, the Fund has outperformed the Morningstar World Large Stock Category average, by 247.5% cumulatively. On an annualized basis, the Fund has generated excess returns of 10.7% and 7.3%, respectively over its benchmarks, and 10.9% over its category peers.[4]

As we started writing this letter a "Breaking News Alert" was flashing across the screen: "Markets Tumble on Trump's COVID-19 Diagnosis! Trump Faces Risk of a Severe Case!" The S&P 500 Index was down 0.98%, while the MSCI ACWI Index was down 0.38%. It occurred to us that Mr. Market may or may not care if Trump has COVID or even whether he gets re-elected or not. It also reminded us of one of Yogi Berra's truisms: "It's tough to make predictions… especially about the future."

The good news is that making predictions is not part of our process or of what we really do. We believe that the future is inherently unpredictable and always think probabilistically and attempt to make investment decisions against an entire range of possible outcomes. Within that context, most of our analysis is focused on the long-term probabilities, outcomes, and their respective consequences. Conventional thinking suggests that if we cannot predict short and intermediate results with a high degree of accuracy then it is a fool's errand to attempt to figure out the long term. We actually think it is the opposite. The short- and intermediate-term outcomes are always subject to too many variables that are outside of a company's control. Geopolitical currents, economic backdrop, currency fluctuations, even the weather will have positive and negative impacts on businesses' short-term results. But in the long run… *it's all about quality!* Quality of the growth algorithm, quality of the business model, quality of the management team will decide the long-term success of a business regardless of politics, economies, currencies, or the weather. We are certain of that.

In addition to seeking quality businesses, we want to invest in them at a discount to their intrinsic values. It is no secret that after a 10-year bull market finding high-quality, fast growing companies at attractive valuations has become challenging. But if it was easy, wouldn't everyone be able to do it?

Morningstar calculates the Morningstar World Large Stock Category average using the Morningstar Fractional Weighting methodology. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. As-of 9/30/20, Morningstar ranked Baron Global Advantage Fund Institutional Share Class in the 2nd, 1st, 1st, and 1st percentiles, respectively.

For the period ended 9/30/2020, the Baron Global Advantage Fund received a 5-Star Overall Morningstar Rating™, 5-Star 3-Year Rating, and 5-Star 5-Year Rating. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures of 725, 725, and 608 funds in the category, respectively. This Morningstar Rating is for the Institutional share class only; other classes may have different performance characteristics.

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.

[4] As of 9/30/2020, the annualized returns of the Morningstar World Large Stock Category Average were 10.77%, 6.59%, 9.58%, and 8.58% for the 1-, 3-, 5-year, and since inception (4/30/2012) periods. The cumulative returns of the Morningstar World Large Stock Category Average were 10.77%, 21.118%, 57.97%, and 99.97%, respectively.

The Lipper Fund Awards program highlights funds that have excelled in delivering consistently strong risk-adjusted performance relative to peers. The awards are given to funds in 23 countries in Asia, Europe, MENA and North America. Lipper designates award winning funds in most individual classifications for the 3-, 5- and 10-year periods and fund family awards covering three years. Lipper Fund Awards are based on Lipper's Consistent Return calculation. Lipper scores for Consistent Return reflect funds' historical risk-adjusted returns relative to funds in the same Lipper classification and include each fund's expenses and reinvested distributions, but exclude sales charges. Consistent Return values are calculated with all eligible share classes for each eligible classification. The highest Lipper Leader for Consistent Return value within each eligible classification determines the fund classification winner over 3, 5 or 10 years. Lipper, a Thomson Reuters company, is a leading global provider of mutual fund information and analysis to fund companies, financial intermediaries and media organizations. Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

There are pockets of the market where, in our opinion, valuations have become unattractive even if one is willing and able to take the long-term view. While these stocks may continue to perform well, the absence of a margin of safety that we require at purchase price (think discount to intrinsic value) eliminates them from our pool of investment candidates. There is also a pocket of these stocks in the Fund where the meteoric rise in their prices over the last six months is precluding us from allocating fresh capital to these holdings. We require a margin of safety at the time of purchase but are not allergic to holding fairly valued, and even modestly overvalued investments, provided we have very high conviction in the duration of their growth. This is because if a business' growth proves to be durable, the margin of safety at a given price is actually higher than is generally understood.

Think of a company that can compound free cash flow (and its stock price) at 26% per year. After 3 years, it would double. After 7 more years, it would be a 10-bagger and after 30 years, it will be 1,000-bagger. Now, if we overpaid for this compounder by 50% at purchase, we would have severely impaired our 3-year returns, which would decline to 10% annually, but if growth proves to be *durable*, and we remain patient and hold on to our investment over 30 years, our annual return would still be 24.3%. This is what we call a Big Idea! Of course, the real challenge is to identify those businesses that can compound their intrinsic values at high growth rates for long periods of time, AND to have enough conviction to hold on to them through the inevitable volatility of market cycles. We believe that through decades of experience, we have built the skill set necessary to identify these companies and that we have the process, the investors, and the long-term ownership mindset necessary to enable us to continue to do so.

During the third quarter, the Fund once again experienced significant inflows. While inflows create a modest headwind to performance during rising markets, they provide meaningful benefits and increased flexibility in portfolio management. Since we do not allocate fresh capital to a pocket of fairly/over-valued holdings, inflows allow us to reduce the size of these holdings without triggering any capital gains. We were effectively trimming this "pocket" every day without having to actually sell any shares. Also, we believe we have finally gotten to sufficient size to start taking advantage of opportunities we did not deem appropriate before, namely, investments in private companies and Special Purpose Acquisition Companies ("SPACs").

Since the inception of the Fund, private companies have been a fertile source of new ideas, and in our opinion, a competitive advantage. Baron's reputation as long-term investors and preferred partners has led to many outstanding businesses to seek us out early on, while they were still private. This often enabled us to get to know them, follow them, and sometimes, perform in-depth due diligence for a long time before they went public. That allowed us to develop conviction and make better, more informed, decisions when these companies finally did go public (which contrasts to the usual one-to-two week IPO roadshow process that the majority of investors get). Occasionally, we get an opportunity to invest in these businesses while they are still private. We believe now that the Fund is of a size and scale, we are in a position to take advantage of these opportunities. We want to be very clear: while we hope that each investment will have a positive outcome the goal here is NOT to juice up returns or to pretend that we have developed a skill set necessary to be successful in venture capital investing. Our goal is to learn. In the ordinary course of business, we meet hundreds of companies, many of them very interesting and promising; a few truly excellent and exciting. Fewer still, appear to be exceptional. When we find those rare opportunities, we will attempt to make small investments and partner with these businesses in order to get a seat at the table early and learn and grow along with them. In the third quarter, we have made our first three private investments: the electric car manufacturer, **Rivian**; the agricultural platform, **Farmers Business Network** ("FBN"®); and the synthetic biology company, **Zymergen**. These three investments represent less than 1% of the Fund's net assets, combined. We do not expect exposure to private investments to exceed 5% of the Fund's net assets at purchase.

We believe this is consistent with our mandate to invest in the best ideas anywhere in the world regardless of geography, market cap, or sector classifications. Being able to learn and to invest in the best companies at an earlier stage could have significant benefits for our shareholders over the long term, if we are right.

We have also committed capital to two SPACs and are in the process of due diligence and negotiations with two others. We expect these transactions to close in the fourth quarter and to discuss them in some detail in the next shareholder letter.

One side effect of the increased valuations and our lack of appetite to allocate capital to stocks we believe to be fairly/overvalued, as well as our new ability and willingness to invest in privates and SPACs is that the number of holdings in the Fund has increased. We think this is likely temporary and we will continue to guard against overdiversification. We expect the number of investments to return to the historical 40 to 50 range sometime in the future.

Table II.
Top contributors to performance for the quarter ended September 30, 2020

	Quarter End Market Cap (billions)	Percent Impact
Alibaba Group Holding Limited	$ 795.4	2.19%
Fiverr International Ltd.	4.9	1.49
Snowflake Inc.	70.5	1.24
Amazon.com, Inc.	1,577.2	0.87
Guardant Health, Inc.	11.1	0.68

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Financial, which operates Alipay, the largest digital payment provider in China with over 1 billion active users. Shares of Alibaba were up 36% in the quarter on sustained core commerce recovery benefiting from improved purchase frequency and spending per order with revenues and adjusted EBITDA up 34% and 31% year-over-year, respectively. We believe that Alibaba has the most comprehensive ecosystem of commerce platforms, logistics, and payments infrastructures that support the digital transformation of the retail sector. Alibaba's long-term opportunity remains vast, as the company continues to benefit from rising e-commerce penetration (about 35% of total retail sales now) while widening the moat around its platform (874 million monthly active users), increasing the value proposition to its customers and growing its addressable market.

Fiverr International Ltd. is a leading two-sided online marketplace for freelance services that helps connect businesses with freelancers. Fiverr's stock was up 88% during the third quarter after the company reported significant acceleration with 82% year-over-year revenue growth (up from over 44% in the first quarter) due to the increased pace of digitization 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) 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 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.

Snowflake Inc. provides a data warehouse platform used mainly for large-scale data analytics and storage. The company is leveraging its cloud-native architecture to offer low-cost storage, scalability, and ease-of-use that are lacking in many other solutions. Snowflake is a new investment for the Fund following the company's IPO in September. Snowflake's shares rose 109% during the quarter as the offering was received enthusiastically by market participants. We retain conviction as we believe Snowflake remains early in penetrating the large addressable market of database workloads given its platform approach, cloud first architecture and highly experienced management team.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares rose 14% during the quarter on strong second quarter results with revenue growth accelerating to over 40% year-over-year (quite remarkable for a company with a $1.6 trillion market cap) as Amazon benefited from its prior investments in logistics and distribution to meet the increased COVID-19-related demand. Additionally, stock performance was driven by investors' expectations that Amazon will benefit from the accelerating pace of digitization trends following COVID-19 such as e-commerce penetration and the migration of IT workloads to the cloud. Amazon remains early in disrupting multiple large markets including e-commerce with around 15% penetration (as of 2019), advertising at 1% to 2%, logistics, health care, and more. We also think Amazon Web Services still has a long runway for growth with cloud penetration of around 6% in 2019 out of the $3.7 trillion global spending on information technology (according to Gartner).

Guardant Health, Inc. is a leading player in liquid biopsy with a blood-based test for advanced cancer therapy selection. The stock was up 38% during the third quarter as a result of a recovery in clinical volumes amid the pandemic. Guardant also received Emergency Use Authorization for a high-throughput next-generation-sequencing assay for COVID-19 testing as well as FDA approval for the Guardant360 CDx in August, which adds another layer to its competitive moat. We continue to believe Guardant is in the early stages of penetrating the market for cancer therapy selection and has significant growth opportunities in recurrence monitoring and early cancer detection.

Table III.
Top detractors from performance for the quarter ended September 30, 2020

	Quarter End Market Cap (billions)	Percent Impact
Schrodinger, Inc.	$ 3.3	–0.68%
Illumina, Inc.	45.2	–0.33
Network International Holdings Ltd.	1.9	–0.33
Neurocrine Biosciences, Inc.	9.0	–0.29
ZoomInfo Technologies Inc.	17.5	–0.28

Schrodinger, Inc. is a hybrid computer science, physics, and biotechnology company that has an established software suite allowing drug developers to explore the vast range of possible drug/target interactions allowed via the rules governing single atom interactions. Schrodinger shares declined 48% during the third quarter as investors took profits following the company's successful IPO earlier in the year (it was actually the best-performing IPO in the entire biotechnology space in the first six months of 2020). We remain investors for both the established software business and the biotechnology development arm and believe Schrodinger will benefit from outsized growth for years to come as it disrupts traditional drug development processes.

Illumina, Inc. is the leading manufacturer of DNA sequencing systems for genetic analysis. Shares declined 16% during the third quarter as lower utilization of the company's systems during COVID-19 led to disappointing second quarter financial results. Illumina also announced the acquisition of Grail, which is developing a blood test for early stage cancer detection to which investors responded negatively because of the substantial near-term earnings dilution and concerns about competition with Illumina's customers. Although we share these concerns, we believe the investment has significant long-term potential. We also continue to believe Illumina has a long runway for growth in its core market driven by expanding applications that utilize DNA sequencing, as less than 0.1% of the world's population had been sequenced thus far.

Network International Holdings Ltd. is a leading payment processor in the Middle East and Africa. Shares underperformed and were down 35% during the third quarter, after the company reported first half results that were negatively impacted by the COVID-19 pandemic. Revenue fell 12% and EBITDA fell 31% due to a rapid drop in spending and tourism. The company also announced an acquisition that received a mixed reaction from investors and required an equity raise. We continue to own the stock because we believe the COVID-19 impact on performance is temporary and the company should benefit from increasing adoption of electronic payments from still very low levels in the area.

Neurocrine Biosciences, Inc. is a biotechnology company focused on neurology and endocrinology. Its lead product, Ingrezza, is used for Tardive Dyskinisia, a movement disorder that is a side effect of antipsychotic medication. Shares declined 21% in the quarter mostly due to inventory stocking in the second quarter that management warned would potentially cause a momentary slowdown in sequential growth. We remain unconcerned about these types of business dynamics and are focused on Ingrezza continuing its strong launch and the pipeline delivering value over time.

ZoomInfo Technologies Inc. operates a cloud-based B2B platform that provides sales and marketing teams with comprehensive intelligence on 14 million companies and 120 million professionals, enabling shorter sales cycles and higher win rates. Shares were down 15% during the quarter given an uncertain client spending environment. We retain conviction as we believe the uncertainty is temporary. We think ZoomInfo is well positioned given its patented data extraction technologies, highly efficient go-to-market strategy, and unique contributory network for data collection and validation, which creates strong network effects.

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 or country weights are an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view." The top 10 positions represented 35.2% of the Fund, and the top 20 represented 57.1%. Our investments in the Information Technology, Consumer Discretionary, Health Care, and Communication Services sectors, as classified by GICS, represented 88.9% of the Fund's net assets. Our investments in companies domiciled outside the U.S. represented 40.5% of net assets and our investments in emerging markets totaled 25.4% of net assets. The Fund had $1.8 billion in net assets at the end of the third quarter.

Table IV.
Top 10 holdings as of September 30, 2020

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Alibaba Group Holding Limited	$ 795.4	$126.8	7.1%
Amazon.com, Inc.	1,577.2	89.2	5.0
Facebook, Inc.	746.1	71.4	4.0
Acceleron Pharma Inc.	6.7	57.3	3.2
GDS Holdings Limited	13.1	54.3	3.0
Alphabet Inc.	998.3	53.1	3.0
Fiverr International Ltd.	4.9	45.4	2.5
Wix.com Ltd.	14.0	45.4	2.5
MercadoLibre, Inc.	53.8	44.3	2.5
ZoomInfo Technologies Inc.	17.5	42.4	2.4

Exposure By Country

Table V.
Percentage of securities by country as of September 30, 2020

	Percent of Net Assets
United States	48.9%
China	16.1
Brazil	5.5
Israel	5.1
Netherlands	4.8
Argentina	3.3
Canada	2.9
United Kingdom	2.3
United Arab Emirates	0.5

Recent Activity

During the second quarter, we initiated 7 new investments and added to 35 existing positions as we continued to put the Fund's inflows to work. We again made no sales during the quarter, exiting the quarter with 54 investments. Those include two stub positions in **nCino** and **Agora**, in which we invested during their respective IPOs but were unable to acquire "real" positions before their stock prices ran away from us. It also includes our three new privates, which accounted 0.9% of net assets combined.

Table VI.
Top net purchases for the quarter ended September 30, 2020

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Alphabet Inc.	$998.3	$27.5
Acceleron Pharma Inc.	6.7	18.8
Alibaba Group Holding Limited	795.4	18.8
Snowflake Inc.	70.5	18.5
GDS Holdings Limited	13.1	18.4

The new investments include four public companies: **Snowflake**, **Nuvei**, **BigCommerce**, and **nCino** as well as three private companies: **Rivian**, **Farmers Business Network**, and **Zymergen**.

Our largest new investment during the quarter was **Snowflake Inc.,** which provides a data warehouse platform used mainly for large-scale data analytics. Similar to ZoomInfo, which we wrote about in the last letter, we have been following Snowflake for a long time. Snowflake is an example of one source of our idea generation – following private companies for a long while, which enables us to perform deep due diligence, giving us an edge when the company goes public. Baron's 38-year long reputation as long-term investors in high-quality businesses helps us build connections with these great businesses early on.

Part of the uniqueness of Snowflake's architecture is its ability to disaggregate storage and compute, enabling several key benefits that were not possible beforehand. First, it enables a single source of truth for the data, removing the need to replicate it across different geographies or to be used by different teams. This also helps solve one of the key impediments to enterprise agility (siloed data with no ability to get a holistic view that is necessary for real-time decision making). Second, the separation of compute and storage enables companies to adjust the level of necessary compute to the workload at hand (making it possible for thousands of analyses to be done on the same data simultaneously). This cloud-native (and cloud-agnostic) architecture enables Snowflake to offer superior TCO (Total Cost of Ownership), scalability, and ease-of-use that have been lacking in many competing solutions. We also believe that Snowflake has a superior management team with CEO Frank Slootman and CFO Mike Scarpelli, both with extensive experience from ServiceNow, where they were CEO and CFO, respectively, prior to joining Snowflake, growing it into one of the most successful SaaS companies in history. With Snowflake's leading position in the market for cloud databases, the size of the addressable opportunity (tens of billions of dollars) and the relative nascency of cloud adoption, we believe that Snowflake has the potential to become significantly larger over the next decade.

During the quarter, we also invested in **Nuvei Technologies Corp.**, a Canadian payments processor that is focused mostly on online merchants. Nuvei benefits from its significant exposure to e-commerce (more than 70% of volumes), which is the fastest-growing and most lucrative area of payment processing, thanks to the growing penetration of e-commerce that has further accelerated due to COVID-19. We believe Nuvei will also benefit from wallet share gains within its customers as they shift more volumes to its platform, expand globally, and adopt more of its services. Nuvei will also benefit from getting new customers within existing and new verticals and from global expansion. We also believe that Nuvei's founder-CEO, Phil Fayer has the right strategy to capitalize on those trends via its ability to serve customers on a global scale (Nuvei has more than 50,000 merchants using 450 alternative payment methods) via a single platform.

Our first private investment during the quarter was **Rivian Automotive Inc.**, which designs, manufactures and sells electric vehicles ("EVs"). The company is operating in two different segments including B2C and B2B (Amazon is a customer and an investor), both sharing similar underlying architecture. Its first vehicles are an electric pickup truck and an SUV that will leverage the R1 platform with production expected in 2021. As the electrification of the fleet is still in its infancy (less than 3% of cars are electric), we believe there is room for multiple winners in the EV space. We also believe that even though traditional auto OEMs will enter the EV market more aggressively over the next few years, they may face greater challenges due to their decades-long investments in combustion engine technologies, manufacturing processes and dealer-focused distribution networks. We believe that companies that are focused on a single architecture, starting from a clean slate, without the gravity of sunk costs, have a better shot at successfully attacking this opportunity. We expect Rivian to leverage its growing brand, talent, capital, and partners to build a successful EV company while expanding its addressable market via cost reductions and product efficiencies as it scales.

We also invested in **Farmers Business Network, Inc.** ("FBN"®), a platform company that is creating a two-sided digital marketplace to connect farmers and agricultural suppliers. FBN is seeking to disrupt the $5 trillion global agricultural market that is currently dominated by oligopolistic players, who use their scale to control distribution channels (leading to opaque pricing) while keeping most of the economic benefits of innovation to themselves (while farmers experience continuous margin pressure and low returns). FBN is leveraging technology to modernize this ecosystem by offering services such as direct-to-farmer inputs (such as seeds) as well as crop marketing and financing, all underpinned by farmer-oriented business analytics performed on a contributory data set. FBN gives farmers access to generic seeds for example that provide them significant ROI benefits. With only 13,000 farms on the platform out of two million in the U.S., we believe that FBN is still in the first inning of its opportunity.

The third private investment we've made during the third quarter was in **Zymergen Inc.**, a synthetic biology company that has developed a technology using biology and AI to design and manufacture microbes at scale, replacing traditional chemicals-based materials with better and more sustainable biologicals-based materials. The company has assembled a vast library of proprietary genetic data, which it utilizes together with Artificial Intelligence models in order to identify molecules, offering characteristics that are superior to traditional chemicals-based materials. Current products include biological films for electronic applications including flexible circuits, display touch sensors, printed electronics, and 5G antennas, as well as an innovative insect repellant. We think that Zymergen's process, platform, and intellectual property have significant potential, and we expect the company to create microbes that offer enhanced materials characteristics for use across different segments of the market from agriculture to health care, consumer care, and manufacturing.

Table VII.
Top net sales for the quarter ended September 30, 2020

	Market Cap When Sold (billions)	Amount Sold (millions)
None		

Outlook

The first nine months of 2020 have continued to present a good investing environment for the style and the way that we invest. Many of the disruptive trends that we anticipated have seen meaningful acceleration with many of the companies we invested in experiencing significant leverage with higher margins and cash flows that we did not expect to see until years from now. The market seems to believe that many of them have reached inflection points and escape velocity. Time will tell if that is so.

Human beings often confuse good outcomes for good decisions. We work hard not to. The Fund has experienced many good outcomes thus far this year. Good decisions made years ago were largely responsible for that. We invested in **Amazon** at the inception of the Fund in 2012. **Alibaba** and **TAL Education** were added in 2014. **Veeva**, **argenx**, **Wix**, and **Okta** in 2017; **Meituan Dianping**, **Endava**, **Adyen**, **MercadoLibre**, **Zscaler**, **RingCentral**, and **Pinduoduo** in 2018; **Fiverr**, **Acceleron Pharma**, **10X Genomics**, **Twilio**, **Datadog**, **Shopify**, and **GDS** last year. Nine of the top 10 contributors in the Fund year-to-date have been investments (and decisions made) in previous years.

While recent performance results have been noticeably strong, we continue to encourage investors to focus on our philosophy and process and *not* to assign much weight to quarterly or even one-year results, which are naturally driven more by luck and market circumstance than our recent investment decisions. The quality of those decisions will only become apparent down the road.

Our goal continues to be, to generate 300bps to 400bps of alpha over our stated benchmarks per year, net of all fees and expenses while minimizing risk, which we define or think of, 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.

Our goal remains to maximize long-term returns without taking significant risks of a permanent loss of capital. 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

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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.

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.

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