

DEAR BARON GLOBAL ADVANTAGE FUND SHAREHOLDER:

PERFORMANCES

We had a brutal second half of the fourth quarter which led to a bad year.

Baron Global Advantage Fund (the "Fund") lost 3.4% (Institutional Shares), during the fourth quarter, compared to the 6.7% gain for the MSCI ACWI Index (the "Index"), and the 7.0% gain for the MSCI ACWI Growth Index, the Fund's benchmarks. For the year, the Fund was up 0.9% compared to returns of 18.5% and 17.1% for the benchmarks, respectively.

Table I.
Performance[†]
Annualized for periods ended December 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	(3.47)%	(3.41)%	6.68%	6.95%
One Year	0.66%	0.90%	18.54%	17.10%
Three Years	37.75%	38.10%	20.38%	27.58%
Five Years	30.32%	30.62%	14.40%	19.92%
Since Inception (April 30, 2012)	18.56%	18.82%	11.12%	13.82%

Needless to say, we are disappointed with this result. Even after last year's dramatic 79.5% gain (over 63% better than the Fund's primary benchmark), we expected a better outcome for 2021. The favorable investing environment that we have been pointing to as a meaningful tailwind in the prior few years was not there in the last 12 months, so some reversion to the mean and a period of consolidation was likely. Despite the pockets of the portfolio where valuations were clearly stretched, we generally felt good about the quality of the businesses, their improving fundamentals, and importantly, our position sizing. At the end of business on November 16, the Fund had a 21.5% year-to-date gain, which compared to the 19.0% and 19.1% gains for the Fund's benchmarks, respectively, and we have to admit we felt pretty good about the world and our place in it. Yes, a new COVID-19 variant called Omicron was discovered two days earlier in

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, 2032, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

[†] The Fund's 4Q 2021, 1-, 3-, and 5-year historical performance was impacted by gains from IPOs. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs 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. The indexes and the Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. 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

South Africa, and inflation was still running hot (we made fun of "transitory"), and we were putting fresh money to work at prices that we had wished were lower, but all in all...we thought we were in a good place.

Some quarters ago, we wrote in this letter how "the best investors we know do not measure success in percentage gains, or dollars and cents... they measure success in *lessons learned*." Here is one to add to the list: this occupation will humble you! It is also more likely to happen exactly at a time when you believe you have things figured out. While below we offer reasons and explanations (some even good ones) for what has occurred, hubris and a lack of necessary humility on our part clearly played a role in this disappointing outcome. Given the particular circumstances and market dynamics, the relative success we experienced in the prior four years was plainly not in the cards, but it was arrogance in the decision making that led to a number of mistakes that compounded, and we all paid a price for it in the end. The good news is that most of these mistakes were related to

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timing, and we do not believe they caused us to suffer permanent losses of capital. Perhaps the better news is that a valuable lesson has been learned.

While we can attribute the Fund's entire underperformance of 2021 to the powerful rotation out of growth stocks that led to Fund holdings declining 17.0% over approximately the last six weeks of the year (from November 16), against the benchmarks that were essentially flat, we will examine performance attribution from the trailing 12 months perspective as we have done in the last quarter of every year.

Stock selection was poor in three of the four major GICS sectors in which the Fund typically invests and accounted for the overwhelming majority (82%) of the relative shortfall. Consumer Discretionary, Information Technology (IT), and Health Care were the culprits while Communication Services (think Alphabet and Meta) outperformed. Negative overall stock selection over this period was further compounded by sector allocation effect with overweights in Consumer Discretionary, Communication Services, and Health Care detracting, offset somewhat by an overweight in IT and underweight in Consumer Staples. Underweights in Financials, Energy, and Real Estate also detracted from relative returns. Coincidentally (or likely not) our three best performing sectors from 2020 (that on average more than doubled in price) were our three largest detractors in 2021. Within Consumer Discretionary, our worst performing sector, we were bludgeoned in education services (down an unprecedented 88% in the *Index*), and internet & direct marketing retail (down 14%). Ironically, our stock selection in these two sub-industries was stellar, contributing a net 222bps to relative returns. Unfortunately, it was not nearly enough to offset the significant overexposure to the toxic space, which ended up costing us a staggering 1,001bps over the course of the year.

From a geographical perspective, our overweight exposure to Emerging Markets (EM) accounted for 57% of our underperformance as our investments in those markets *declined 37%*, driven primarily by China and Brazil, which were responsible for 585bps and 264bps of underperformance, respectively. Historically, EM and China, in particular, were a fertile ground for the Fund with many rewarding big ideas. At 10.1% of the Fund on average, this was the smallest exposure to China we've had since 2014. It proved to be entirely too much as China was down 21.5% in the Index, and our investments in China lost 53.7% of their value on average. We did not do particularly well in the Developed Markets either, which at 76% of the Fund's average assets accounted for the remainder of the relative gap, but at least we made money there which allowed us to eke out a small absolute gain overall.

Looking under the hood at the performance of individual stocks, the Fund experienced incredible volatility at both sides of the spectrum. Five of our investments (**Alphabet, Endava, Rivian, EPAM, and Accelaron**) contributed over 100bps each to absolute returns, but their results were largely offset by five losers (**TAL Education, RingCentral, Alibaba, StoneCo, and GDS**) that detracted over 100bps each. TAL, Alibaba, and GDS are all based in China, while StoneCo is based in Brazil. **Meta Platforms**, formerly known as Facebook, **Cloudflare, Dynatrace, argenx, Datadog, DLocal, Bill.com, Zscaler, ZoomInfo, and ASML** all contributed in excess of 40bps each, while **Wix, Pinduoduo, Fiverr, BridgeBio, Splunk, Zymergen, Schrodinger, Zai Lab, Opendoor, Twilio, and Sea** were all 40bps-plus detractors.

Many of the above detractors were some of our largest *contributors* in 2020 and we are confident that we did not suffer permanent losses of capital despite their stocks' precipitous decline in the latter half of the fourth quarter. Unfortunately, that cannot be said for all of them. Some

investments in China, Brazil, and in biotechnology have become permanently impaired, in our view, and they are discussed in more detail below.

As in years past, we had many big winners with 14 stocks appreciating at least 60%, 7 of which were up over 80%, 3 of which were up over 110%, with our top gainer (Rivian) up over 316% on the year. Unlike years past, we also had too many big losers with 8 companies losing at least half of their value, 4 of which were down more than 70% and TAL Education losing 93% of its value as a result of the Chinese government forcing the entire private education sector to convert to non-profits. You wouldn't know it from the flat absolute return, but it was almost like feast or famine.

From a 30,000 feet view, there were a number of factors that contributed to the disappointing results:

- Over the short term, return profiles tend to be negatively correlated to most recent outcomes. When the market (or a segment of the market) is rising, our prospective return profiles are declining. When the market is in a drawdown, our expected return profiles rise. At the end of 2020, the Fund's trailing 3-year annualized return was 36.0%, its 5-year annualized return was 30.1%, and its since inception (April 2012) annualized return was 21.1%. Those numbers were not sustainable. The Fund benefited from an investment environment that was very favorable to the fast-growing businesses that we tend to prefer and at some point, that environment was going to change. As fundamental investors that optimize for long-term value creation, we explicitly do NOT attempt to manage stock/market volatility. We have a lot of confidence that our process works, and, as a result, we stick to it in all market environments. Still, we have to execute this process well and we needed to be better in the challenging conditions of 2021.
- We made too many costly mistakes. While most errors of the prior few years were that of omission (missing attractive opportunities that in hindsight proved to be big ideas), this time they were of the other variety and those always hurt more! It's not that we didn't know about the rapidly deteriorating regulatory environment in China, or were unaware about the difficulty in scaling novel bio-manufacturing processes, or that the majority of early-stage clinical trials actually fail. It's that in every one of these cases our range of outcomes was not calibrated properly. The worst-case scenario proved to be significantly worse than we thought was possible. That was true with TAL Education when the regulators outlawed for profit education, it was true with Zymergen when they could not scale the manufacturing of Hyaline, and it was true with BridgeBio when a failed clinical trial that we thought of as largely "positive optionality" sent the stock down 75%. These were smaller positions that were being "starved" of fresh capital and were becoming smaller as a result, while we were figuring things out. They became large servings of the humble pie. Tablespoons passed all around...
- Our timing on both sides of the ledger was bad, at least when examined over the trailing 12 months timeline. There is a fine line between being deliberate and diligent and being slow and indecisive. Of course, often our actions are characterized as one or the other based on the outcome, that is, we are diligent and deliberate when the outcome is good and slow and indecisive when it is not. In any case, our timing in scaling into sizable positions in Shopify, RingCentral, Sea, and NVIDIA (all businesses that we have studied and known to be a good fit for us for years) was clearly less than fortuitous, at least when evaluated at this moment in time.

So, there is plenty of room for us to improve and we are going to continue to work hard to get better at our craft. We always suggested that investment results, or performance, should be evaluated over longer periods of time and ideally, over full market cycles. We had a tough year in 2016 with a modest drawdown of 0.9% against a solid benchmark return of 7.9%, which was then followed by a very strong 2017, with a nearly 26% *relative gain*. We suggested then, that investors should look at the two years combined as a mini/compressed cycle. We think the last two years could also be viewed as such a cycle, except that this time a period of outsized gains and relative strength was followed by a period of underperformance. There were in fact a few distinct mini-cycles within that cycle as the Index gained 2.9% from the beginning of 2020 until the peak on February 12, had a stunning correction of 33.7% over the course of less than six weeks, during the early days of COVID, hitting a trough on March 23, followed by an equally stunning rally earning back all its losses in under six months. The Index is up 102.1% cumulatively, in a span of 21 months (from the March 2020 trough to the end of 2021). The Fund has performed very well for most of this market cycle. The Fund outperformed its benchmark by 9.9% on the way up, then outperformed by 8.2% on the way down. We were crushing it from there until the middle of November when it turned on a dime, causing us to underperform significantly over the last six weeks of the quarter against a benchmark that was essentially flat. Despite this drawdown, the Fund is still up 115.7% on a cumulative basis since the recovery began, which is 13.5% better than its Index. For the 2020 and 2021 years combined, the Fund returned 81.1% vs. 37.8% for the Index, on a cumulative basis.

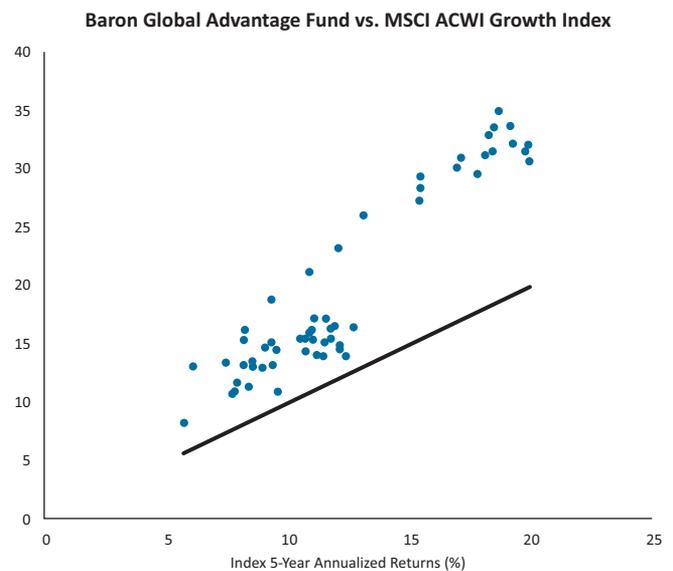
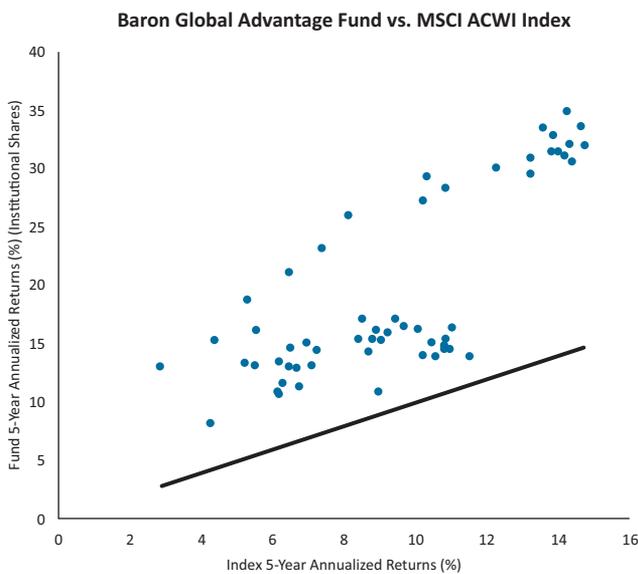
Of course, any two years, especially the hopefully anomalous last two years, cannot be relied upon in evaluating whether our performance objectives are being met. We use relative 3-year and 5-year monthly rolling returns (among other things) for that purpose. Our goal is to generate 300bps to 400bps of excess, risk-adjusted return (or alpha) per year, net of all fees and expenses over the 3- to 5-year rolling cycle, relative to both benchmarks and peers, although we must remind you that there is no assurance that our goal will be met. Here is a snapshot of our net rolling monthly returns since the inception of the Fund in April of 2012:

Percentage of time Fund outperformed over different time periods from inception through December 31, 2021

Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years
Outperformance vs. MSCI ACWI Index	66%	68%	79%	95%	100%
Outperformance vs. MSCI ACWI Growth Index	60%	64%	76%	90%	100%
Outperformance vs. Morningstar World Large-Stock Growth Category Average	62%	66%	77%	95%	100%
Outperformance vs. Lipper Global Multi-Cap Growth Category Average	63%	67%	77%	95%	100%

Source: BAMCO, Morningstar Direct, and Refinitiv.

5-year rolling return scatterplot charts as of December 31, 2021



Source: BAMCO and MSCI, Inc.

Baron Global Advantage Fund

According to Morningstar, as of December 31, 2021, Baron Global Advantage Fund is ranked in the top 91% for its 1-year return, top 3% for its 3-year return, and the top 1% for its 5-year return. The Fund is also ranked in the top 1% since its inception on 4/30/2012. The Fund has received a 5-Star Morningstar Rating™ for its 3-year, 5-year, and Overall risk-adjusted performance. Since its inception, Baron Global Advantage Fund has returned 429.8% (Institutional Shares), cumulatively, compared to 177.1% for the MSCI ACWI Index, and 249.6% for the MSCI ACWI Growth Index. Over that same period of time, the Fund has outperformed the Morningstar World Large-Stock Growth Category average by 204.7%, cumulatively. On an annualized since inception basis, the Fund generated excess returns of 7.7% and 5.0% 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 5.9% over its peer group average.*

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

	Quarter End Market Cap (billions)	Percent Impact
Rivian Automotive, Inc.	\$ 93.4	1.71%
Endava plc	9.4	0.85
EPAM Systems, Inc.	37.9	0.55
argenx SE	18.0	0.51
Alphabet Inc.	1,921.8	0.46

We established a large position in the well-received November IPO of electric vehicle company **Rivian Automotive, Inc.**, adding to our small pre-IPO holdings. Rivian is launching vehicle programs for both the consumer and commercial markets, enabled by its unique partnership with Amazon. While the launch of parallel programs is complex, it should allow scale and data collection advantages. With supplier and regulator support, its high-capacity factory, significant cash reserves, strong partnerships, and unique talent, we believe that Rivian will be a key participant in the growing autonomous electric automotive market. We go into more detail on our thesis in the new

buys section below, but this is a good example of the reasons behind following and occasionally participating in private investments. Thanks to the work we have done on Rivian over the last few years, we were able to conduct extensive due diligence and allocate a significant amount of capital to this high-conviction idea in the early stages of its lifecycle.

Endava plc provides outsourced software development services to business customers. The company operates at the forefront of the digital revolution by helping clients find new ways to interact with their customers, enabling them to become more engaging, responsive, and efficient. Endava's stock was up 23.6% during the fourth quarter, after reporting strong quarterly results with revenue growth accelerating again to 55% year-over-year and 89% EPS growth. Full-year financial guidance was raised to reflect strong demand across all verticals and geographies. Management expects organic revenue growth to exceed 30% this year and 20% over the long term with upside from accretive acquisitions. As companies continue to digitally transform to avoid being disrupted (especially in a post-COVID world), they turn to companies like Endava for help. We believe that this dynamic will be a tailwind to Endava's market share in the large global IT services market for years to come.

EPAM Systems, Inc. provides outsourced software development to business customers. Shares rose 17.2% on quarterly results that beat Street forecasts, showing continued acceleration with 52% revenue growth and 47% EPS growth. Full-year financial guidance was also raised to reflect strong client demand across all market segments. Management expects organic revenue growth to exceed 20% over the long term with upside from accretive acquisitions. EPAM operates at the forefront of digitization by helping customers optimize ways to interact with their clients, enabling them to become more engaging, responsive, and efficient. Following last year's COVID-driven slowdown, investments in digital transformation have risen in priority. We remain excited about EPAM's long runway for growth underpinned by the need for digital transformations and the company's strong execution in addressing this growing demand. Despite years of strong double-digit growth, it still accounts for less than 3% of the \$150 billion annually spent on digital engineering services.

As of 12/31/2021, the Morningstar Ratings™ were based on 306, 261, and 306 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. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

As of 12/31/2021, the Morningstar World Large-Stock Growth Category consisted of 355, 306, 261, and 172 share classes for the 1-, 3-, 5-year and since inception (4/30/2012) periods.

* **As of 12/31/2021, the annualized returns of the Morningstar World Large Stock Category average were 12.84%, 25.27%, 18.53%, and 12.97% for the 1-, 3-, 5-year, and since inception (4/30/2012) periods, respectively.**

Morningstar calculates the Morningstar World Large-Stock Growth 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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argenx SE is a Netherlands-based biotechnology company focused on autoimmune disorders. Shares increased 16.0% on the December 2021 approval of Efgartigimod (now branded Vyvgart), which will enter the U.S. market to treat myasthenia gravis patients (by reducing levels of antibodies that cause the disease). We expect 2022 to have multiple catalysts, including readouts in immune thrombocytopenic purpura, chronic immune demyelinating polyneuropathy, myositis, and their subcutaneous formulation. Assuming a well-received commercial launch, we expect 2022 to be another year of solid performance. Longer term, Efgartigimod has multi-billion dollar sales potential in our view. The company also has a pipeline of additional drug candidates with significant commercial potential.

Alphabet Inc. is the parent company of Google, the world's largest online search and advertising company. Shares of Alphabet were up 8.6% in the quarter given continued recovery in ad spending (with total net revenues up 41% year-over-year), strong growth in cloud revenues (over 45%), and improved cost controls (operating margins reached 32%). We have high conviction in Alphabet's merits as it continues to benefit from growth in mobile and online video advertising, which accrues to its core assets of search, YouTube, and the Google ad network. We are further encouraged by Alphabet's investments in AI, autonomous driving (Waymo), and life sciences (Verily, Calico).

Table III.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Nuvei Corporation	\$ 9.3	-0.92%
Fiverr International Ltd.	4.2	-0.74
Sea Limited	124.1	-0.57
BridgeBio Pharma, Inc.	2.5	-0.47
Zai Lab Limited	6.1	-0.42

Nuvei Corporation is a Canadian-based payment processor that serves online merchants around the world. The stock fell sharply, closing the fourth quarter down 43.7% following a short seller report that raised questions about management's background, the company's acquisitions, and the stock's valuation. Management provided a point-by-point rebuttal and reaffirmed full-year guidance and medium-term growth targets. The share price was also likely impacted by weak performance of other payment company stocks during the quarter. We continue to own the stock due to Nuvei's numerous growth opportunities and strong execution.

Shares of **Fiverr International Ltd.**, a two-sided online marketplace for freelance services, detracted from performance after declining 37.8% during the fourth quarter. The company reported good third quarter earnings (a nice bounce back from weaker results in the prior quarter) and raised guidance. However, the stock sold off due to a combination of concerns around tougher comps heading into 2022 and broader weakness in high-growth, high-multiple stocks. While Fiverr will face some formidable comps in the near term, we believe that underlying business fundamentals remain strong (revenues were up 42% year-over-year and guidance calls for over 50% growth for the full calendar year). We retain conviction since Fiverr remains early in its growth curve with freelance work being a secularly growing part of the global economy with a multi-billion dollar total

addressable market. We also believe that the company's early-mover, scale advantages, and well-known brand would lead to a virtuous cycle, reinforcing its competitive moat.

Shares of **Sea Limited**, a Singapore-based but increasingly global e-commerce platform, declined 29.9% in the fourth quarter due to multiple compression in global internet stocks along with rising losses in its e-commerce segment above market expectations as the company continues reinvesting back into its business (which we believe would benefit it over the long term). We are impressed by the way in which Sea overtook the incumbent e-commerce players across Southeast Asia despite a later start, in an industry where first mover advantages are important. While the runway for growth in its Southeast Asian market remains long, we also believe Sea has a good probability of success in penetrating new markets in Europe and Latin America.

BridgeBio Pharma, Inc. is a biotechnology company focused on drugs for untreated diseases with a focus on genetic disorders. While a diversified company, much of the investor focus has been on data for a drug it is developing for the TTR amyloidosis disease. Shares fell sharply during the fourth quarter due to an unsuccessful clinical trial when the drug unexpectedly failed to statistically differentiate itself from a placebo. We exited the small position and reallocated to higher conviction ideas.

Zai Lab Limited is a Chinese biotechnology company dedicated to bringing western medicines to greater China and transitioning to a fully integrated company with internal drug development capabilities. Shares declined 40.4% during the fourth quarter due to concerns related to regulations the government has enacted in education, technology, and real estate and whether they would expand into health care. While we continue watching these developments closely and have reduced our position to account for the wider range of possible outcomes, we think that it is unlikely that health care will face draconian rulings since Zai Lab provides access to medications that would not otherwise be available in China.

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."

As of December 31, 2021, the top 10 positions represented 42.5% of the Fund, and the top 20 represented 61.9%. As explained in prior letters, we are working on gradually returning back to a higher conviction, more concentrated portfolio (top 10 and top 20 positions represented 35.0% and 58.0% of the Fund in December 2020, respectively) and reducing the number of holdings towards our preferred range of 40 to 50. We ended 2021 with 57 investments, though the top 50 holdings accounted for 96.7% of net assets.

Our investments in the IT, Consumer Discretionary, Health Care, Communication Services, and Financials sectors, as classified by GICS, represented 95.5% of the Fund's net assets. Our investments in non-U.S. companies represented 39.5% of net assets, and our investments in emerging markets and other countries totaled 18.2%.

The Fund's turnover was 23.7% in 2021, compared to average turnover of 17.3% over the last three years, and 19.9% average over the last five years. The Fund ended the year with \$2.6 billion in assets under management.

Baron Global Advantage Fund

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Rivian Automotive, Inc.	\$ 93.4	\$191.8	7.3%
Alphabet Inc.	1,921.8	169.9	6.5
Amazon.com, Inc.	1,691.0	128.1	4.9
Endava plc	9.4	122.0	4.7
EPAM Systems, Inc.	37.9	112.6	4.3
Shopify Inc.	172.4	104.5	4.0
argenx SE	18.0	83.6	3.2
MercadoLibre, Inc.	68.0	73.9	2.8
ZoomInfo Technologies Inc.	25.9	64.3	2.5
Twilio Inc.	47.0	59.4	2.3

EXPOSURE BY COUNTRY

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

	Percent of Net Assets
United States	60.2%
Netherlands	6.0
Canada	5.5
Israel	4.7
United Kingdom	4.7
China	4.2
Argentina	3.8
India	3.7
Indonesia	1.6
Korea	1.5
Brazil	1.3
Uruguay	1.1
Poland	1.0
Spain	0.4

RECENT ACTIVITY

During the fourth quarter, we added to 22 existing investments, including the IPO of EV auto manufacturer, **Rivian**, as well as the connected TV ad server, **Innovid**, where we were existing holders of the SPAC. We also took advantage of market volatility in order to add to our position in the leading commerce platform, **Shopify**, the Southeast-Asian e-commerce player, **Sea**, and the South Korean e-commerce leader, **Coupang**. We also liquidated 6 positions, exiting 2021 with 57 investments.

On the private side, we now hold five private investments that together represent 3.2% of the Fund's net assets: **Farmers Business Network**, **Resident Home**, **SpaceX**, **GM Cruise**, and **Think & Learn**.

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

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Rivian Automotive, Inc.	\$ 93.4	\$95.6
Innovid Corp.	0.8	27.7
Shopify Inc.	172.4	26.4
Coupang, LLC	51.5	19.3
Sea Limited	124.1	15.7

Our largest purchase in the quarter was **Rivian Automotive, Inc.** We expect that over the next decades, the automotive industry will shift from a combustion powertrain, human-driven, and unconnected fleet to an electrified, largely autonomous, software-enabled, and connected industry. These are paradigm shifting transformations that will meaningfully increase the size and profitability of the industry. Moreover, with battery and software as core competencies, automotive companies should be able to capture new and attractive growth opportunities including software services, autonomous delivery, energy storage, and more. With modern vehicle architecture, a software-first approach, and strong talent position, we believe that differentiated, well-managed, and newer automotive companies can capture a large portion of the value generated through this structural change.

During this November, following years of engagement and investment in Rivian as a private company, an enlightening multi-day factory visit, and a deep product and strategy review, we participated in Rivian's IPO, one of the largest IPOs in recent history. Enabled by its unique partnership with Amazon and distinctive vehicle architecture, Rivian is simultaneously launching multiple vehicle programs focused on both the consumer and commercial markets. While a parallel vehicle program launch is complex, we expect it will allow the company to reach scale and collect data faster than most of its competitors, while also benefiting from vertical integration and economies of scale across both markets. Additionally, with management's focus on software enablement from the onset of the company, Rivian offers a broad set of value-added services to customers, allowing the company to generate more revenue while offering a better and more differentiated customer experience. With supplier and regulator support, its high-capacity factory, significant cash reserve, strong partnerships, and talent, we believe that Rivian can reach its target of multi-million vehicles across different geographies and industries over time.

During the fourth quarter, we also invested in **Innovid Corp.**, an Israeli software company that enables the creation, delivery, and measurement of television ads across connected-TV ("CTV"), mobile TVs, and desktop TVs. Innovid (which stands for "innovation in video") currently services over 40% of the top 200 brands by U.S. TV advertising spending. As an independent ad server, Innovid is uniquely positioned to benefit from the secular shift to CTV as more households opt to cut the cord and use various streaming platforms. Since it is not tied to a particular platform, Innovid benefits from general industry growth, regardless of which specific platform is driving that growth. This type of unique industry positioning was what initially attracted us to the investment. As Innovid grows in the emerging CTV market, it can continue to solidify its position as a neutral third-party which is attractive to advertisers, as they can improve advertising results by sharing data with Innovid that they would be reluctant to do with another player such as Google. We believe Innovid participates in a large \$300 billion global TV market, and even though CTV is growing at a much faster clip than the broader ecosystem, it still comprises only 5% of the digital advertising market. Innovid is gaining share in this emerging advertising vertical. We see

multiple growth drivers for Innovid including volume growth as the number of CTV advertisements increases, upselling existing advertisers into advanced solutions such as personalized ads, expanding internationally, and growing via strategic partnerships.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Acceleron Pharma Inc.	\$ 10.9	\$114.3
Meta Platforms, Inc.	935.6	105.3
SoFi Technologies, Inc.	12.8	21.3
Opendoor Technologies Inc.	9.0	12.8
Alphabet Inc.	1,921.8	12.4

We reluctantly said goodbye to **Acceleron Pharma Inc.** as its acquisition by Merck closed during the quarter. After previously trimming the size of our investment in **Meta Platforms, Inc.** (formerly known as Facebook), we decided to exit due to several reasons: First, the growing penetration of digital advertising (now representing more than 50% of total advertising spending), which over time would make Meta less of a big idea, and hence not a great fit for this strategy. Second, rising risks on the supply side, as TikTok has been gaining significant share in the time spent by users (note that while time spent on Meta assets has been relatively stable, it's unclear to us how the end of the pandemic will impact those metrics). Finally, ESG risks have risen, and, on the balance, we decided to exit our position in order to reallocate capital into higher conviction, more attractively valued ideas. Similarly, we also reduced our **SoFi Technologies, Inc.** and **Opendoor Technologies Inc.** holdings in order to increase weightings of our higher conviction ideas. Finally, we slightly reduced our **Alphabet Inc.** position, after adding to it significantly earlier in the year and after the stock rallied 64.4% in 2021.

OUTLOOK

We have seen a significant shift in the investing environment over the last six weeks of 2021 and continuing into early 2022, as investors once again rotate into Energy, legacy Financials, and Industrials while using high-growth companies for funding. This interest in "shorter duration investments" is typically explained by a lesser impact expected from the tightening monetary policy. Interest rates are finally moving up (again?), with 10-year bond rates above 1.75%, even though real rates remain negative (10-year TIPS have an implied yield of around -0.70% presently).

It is especially during times like these that investors ask us to provide our outlook for the next 3, 6, and 12 months. While they are willing to let us get away with talking about and focusing their attention on long-term opportunities when they feel good about the world and they are generally in a "good place," it seems that during the times of drawdowns and stress, the fear and anxiety over short-term losses turning into sustained losses and permanent losses of capital overwhelms all other emotions. Three years from now, let alone five, seems so far out, and if you're clueless about the next three to six months why should anyone listen to your views five years out?

Well... we are clueless about the next three to six months. Always were. But we have a long track record (hard data) that suggests that our investment process works, and that it should enable us to generate excess risk-adjusted returns if we continue to execute it well. We do not know when this rotation will end or how much more "pain" there is left to go, but we do know that it will end. But there will come a time when investors' attention will refocus on the long term and the inherent unpredictability of short-term stock gyrations will matter less. That time always comes. That's when we hope and expect to be doing well again. Remember, prospective (or future) market returns tend to be negatively correlated with present (or recent) returns. When the market is rising, our return profiles are declining. When there is a drawdown, the return profiles are rising. Said differently, the margin of safety between our stock prices and their intrinsic values has risen significantly over the last seven weeks. If we liked Shopify at \$1,700 per share, then we are likely to be even more fond of it at \$1,100, assuming no significant change in its competitive dynamics. The prospective return from \$1,100 is plainly more attractive than it was from \$1,700 just seven weeks ago. We do not believe this price correction, while painful for all owners of the company, represents a permanent loss of capital and view this as an attractive opportunity with much improved risk-reward dynamics. We feel the same way about the great majority of our investments.

Finally, it is important to understand that intrinsic values of the businesses we own typically increase every year, in many cases, materially so. The stock prices usually reflect those increases, at least directionally, although never quite at the same pace. At the end of 2020, we warned that while intrinsic values of the companies that comprised the Fund increased substantially, they did not match the portfolio's 79.5% return. On the other hand, the increase in intrinsic values that surely occurred in 2021, was not reflected in the Fund's 0.9% gain. It is even more evident when examined at the company-specific level. For example, Twilio's stock declined 22.1% in 2021, but we believe that the company's intrinsic value expanded significantly. We expect year-over-year revenue growth to exceed 60%, driven by the closing of the Segment acquisition (a leading Customer Data Platform or CDP), and the introduction of Twilio Engage, a solution that expands Twilio's offering from the communication layer to an end-to-end customer engagement platform. This makes Twilio a more strategic solution for customers, increases customer stickiness, priority in IT budgets, widens its competitive moat, and expands its addressable market, which we believe will enable it to grow rapidly for longer. Similarly, while RingCentral's stock has corrected dramatically (down 50.6%), the company's intrinsic value has increased in our view. Despite the growing investor concerns over competitive dynamics in the industry, RingCentral's annualized recurring revenues accelerated five points this year (on a larger base and tougher comps) from over 34% growth in the third quarter of 2020 to over 39% in the third quarter of 2021, driven by a growing contribution from the distribution deals it has signed with large incumbents over the last few years. RingCentral has also closed a new deal with Mitel, expanding the potential seat base for which it has a "first shot on goal" to over 200 million. In both of these examples, we believe that lower stock prices will not result in permanent losses of capital.

We think that rotations, corrections, and drawdowns are generally necessary and healthy, and in any case, are largely unavoidable. Almost always, they present good opportunities for long-term investors such as ourselves. We are taking advantage of this correction and adding to our highest conviction ideas, which are now trading at a greater margin of safety to their intrinsic values than they have in a while. 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.

Baron Global Advantage Fund

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve 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 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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