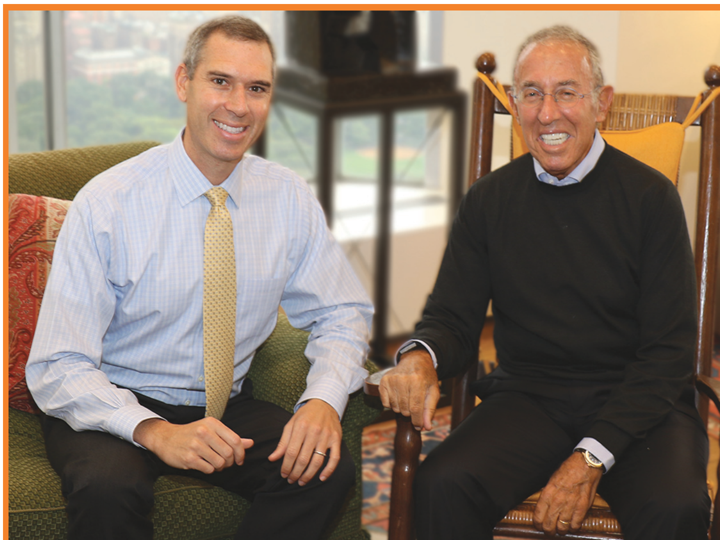
Dear Baron Growth Fund Shareholder:

Performance

Baron Growth Fund (the "Fund") declined 1.61% (Institutional Shares) during the quarter ended September 30, 2022. This modestly trailed the Fund's primary benchmark, the Russell 2000 Growth Index (the "Benchmark"), which rose 0.24%. The S&P 500 Index, which measures the performance of publicly traded large-cap U.S. companies, declined 4.88% during the period. Persistently high inflation led most central banks to continue aggressive interest rate increases that weighed on equity returns.

Stocks have declined significantly on a year-to-date basis. While our performance is largely in line with our benchmark, we have continued to generate positive relative results from stock selection, which is the focus of our fundamentally oriented investment process. Despite growing fears of a macroeconomic slowdown, the businesses in which we have invested have continued to report robust financial results while also reinvesting back into their businesses to pursue long-term growth. We think that the combination of attractive long-term growth outlooks and increasingly compelling valuations positions our portfolio for attractive compound returns over time.



NEAL ROSENBERG CO-PORTFOLIO MANAGER | RONALD BARON CEO AND LEAD PORTFOLIO MANAGER | Retail Shares: BGRFX Institutional Shares: BGRIX R6 Shares: BGRUX

Table I.
Performance
Annualized for periods ended September 30, 2022

	Baron Growth Fund Retail Shares[1,2]	Baron Growth Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(1.66)%	(1.61)%	0.24%	(4.88)%
Nine Months[4]	(30.80)%	(30.67)%	(29.28)%	(23.87)%
One Year	(26.31)%	(26.12)%	(29.27)%	(15.47)%
Three Years	6.12%	6.39%	2.94%	8.16%
Five Years	9.54%	9.81%	3.60%	9.24%
Ten Years	11.02%	11.31%	8.81%	11.70%
Fifteen Years	8.16%	8.40%	6.82%	8.03%
Since Inception (December 31,1994)	12.33%	12.47%	7.21%	9.75%

Global markets continued their declines during the third quarter. The S&P 500 Index declined 4.88%. The S&P 500 Index's 23.87% year-to-date decline represents its third-worst performance at this point of a year since 1931, according to Bloomberg. The Benchmark was approximately flat in the third quarter, while the MSCI ACWI ex USA Index, which measures stock performance across 46 different global markets, declined 9.91%.

Global equities were adversely impacted by a hawkish outlook from the Federal Reserve, which is aggressively raising interest rates to combat persistently elevated inflation. The Federal Reserve has raised its benchmark Federal Funds Rate by 3% through September 30, driving the yield on 10-year Treasury bonds above 4% for the first time in over a decade. Higher U.S. interest rates have correspondingly boosted the dollar's attractiveness versus international currencies. Year-to-date through September 30, the dollar has risen approximately 21% versus the British pound, 16% versus the euro, and 26% versus the yen. Investors have actively debated how this combination of higher interest rates, elevated core inflation, and a stronger

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail shares and Institutional shares as of September 30, 2021, was 1.29% and 1.03%, 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 Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

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 Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009, did not reflect this fee, the returns would be higher.

4 Not annualized.

dollar will impact global GDP in the short term. International developments, such as the ongoing war in Ukraine and September's sudden change in the U.K.'s fiscal policy also moved to the front of investors' minds, further muddling an already uncertain outlook.

As we have noted in prior letters, we do not employ discrete macroeconomic forecasts to construct or manage our portfolio. We believe that the $100 trillion global economy is far too complex, too interdependent, and too contingent on external factors such as geopolitics for us to reliably predict macroeconomic developments. Additionally, when such forecasts occasionally prove accurate, outcomes may already be reflected in equity prices. Instead, we focus on identifying and researching well-managed unique businesses with significant barriers to entry and compelling growth prospects, investing in them at attractive prices, and holding them for the long term.

The businesses in which we have invested have continued to report strong financial results despite growing concern of a slowdown. We believe this is a result of the powerful and durable secular drivers that are benefiting the businesses in which we have invested. For example, **CoStar Group, Inc.**, a leading provider of real estate information, analytics, and marketplaces, reported near-record net new sales in its most recently reported quarter. Its quarterly net new sales grew a remarkable 62% year-over-year, and trailed only the 65% growth generated in the prior quarter. **Iridium Communications Inc.**, a provider of global communications via its low-earth orbit satellite constellation, reported that growth in its recurring services revenue was 8.8% during its most recently reported quarter. Iridium's growth is benefiting from increased demand for communications services in regions of the world that lack terrestrial network coverage, as well as the emerging Internet of Things. Simulation software pioneer **ANSYS, Inc.** reported annual contract value growth of over 13.4% on a constant currency basis, a meaningful acceleration from over 11.0% in the prior quarter. ANSYS is benefiting from growing adoption of simulation software to design, develop, and optimize ever-more complex products and systems. Finally, excess & surplus lines (E&S) insurer **Kinsale Capital Group, Inc.** grew its written premiums by 44% in its most recently reported quarter. The robust expansion of the overall E&S market, which is driven by strong pricing and the migration of standard risks away from the admitted market, has propelled Kinsale's growth.

Our investments have also continued to exercise their pricing power, with pricing realization accelerating over the course of the year. Most recently, insurer Kinsale reported benefiting from average prices that are rising at a low-teens percentage versus last year. This premium rate growth is higher than Kinsale's claim loss growth, leading to enhanced profitability. Veterinary diagnostic leader **IDEXX Laboratories, Inc.** realized a global 4% price increase during the first half of the year and elected to raise prices in the U.S. by an additional 4% to 5% in August. Scale and analytical instrument vendor **Mettler-Toledo International, Inc.** reported 4% price increases in the first quarter, 4.5% in the second quarter, and currently expects to raise prices by 5% in the second half of the year. Finally, child-care provider **Bright Horizons Family Solutions, Inc.** raised prices by 5% to 6% to begin 2022, and opportunistically went back to certain markets to adjust prices again over the summer. Despite the above-trend price increases taken during 2022, we expect all these businesses to implement their traditional annual price increase in early 2023.

While we have not observed a slowdown in macroeconomic conditions, we recognize that the business cycle has valleys as well as peaks. We have observed that negative economic cycles frequently create multi-year growth opportunities for well-managed, competitively advantaged businesses. Such businesses continue to invest in critical areas such as R&D, sales, and product development regardless of the macroeconomic backdrop. They accommodate customers, which creates loyalty and goodwill and enhances lifetime value. This is a stark contrast to sub-scale, poorly capitalized, or less well-managed businesses. Such businesses frequently cut costs critical for future growth too deeply, lose focus on servicing their customers, or experience financial distress. When conditions subsequently normalize, we find that weaker competitors have folded or have been acquired, and survivors are better positioned than ever to take advantage of their resiliency and expand market share.

We have also observed that well-capitalized, well-managed businesses participate in opportunistic M&A during downturns. Valuations for assets have been reset this year, and sub-scale or over-leveraged businesses will find that sources of capital are presently expensive and scarce. We think that strategic acquirers with robust balance sheets will be attractive buyers. We have already had several conversations with management teams boasting robust balance sheets that have been fielding large numbers of inbound M&A calls. Most recently, CoStar seized on its addition to the S&P 500 Index to enhance its already stellar balance sheet, and now boasts almost $5 billion of cash on hand to deploy. An M&A cycle may take some time to play out as potential sellers remain anchored to last year's valuations, but we expect strategic M&A to be a compelling use of capital for many of our portfolio companies.

Table II groups our portfolio based on our assessment of the attributes that best characterize each investment. While this does not perfectly correlate to the Global Industry Classification Standard, the industry standard nomenclature, we believe it provides added transparency into our thought process.

Table II.
Total returns by category for the three months ended September 30, 2022

	% of Net Assets (as of 9/30/2022)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	**11.4**	**1.13**	**0.14**
Iridium Communications Inc.	5.6	18.13	0.74
Northvolt AB	0.3	2.16	0.01
ANSYS, Inc.	3.5	–7.35	–0.24
Farmers Business Network, Inc.	0.2	–7.84	–0.02
Guidewire Software, Inc.	1.0	–13.26	–0.12
Altair Engineering Inc.	0.5	–15.77	–0.08
Pegasystems, Inc.	–	–22.02	–0.08
Figs Inc.	0.2	–25.12	–0.07

	% of Net Assets (as of 9/30/2022)	Total Return (%)	Contribution to Return (%)
Financials	**39.3**	**0.58**	**–0.04**
Kinsale Capital Group, Inc.	4.1	11.28	0.32
FactSet Research Systems, Inc.	7.7	4.25	0.16
Primerica, Inc.	3.0	3.55	0.06
MSCI, Inc.	10.4	2.56	0.21
Arch Capital Group Ltd.	6.6	0.11	–0.06
Cohen & Steers, Inc.	1.9	–0.80	–0.04
Houlihan Lokey, Inc.	0.5	–3.85	–0.02
Essent Group Ltd.	0.3	–9.87	–0.03
Morningstar, Inc.	3.2	–12.21	–0.37
Moelis & Company	0.2	–12.92	–0.03
The Carlyle Group Inc.	0.7	–17.73	–0.13
SS&C Technologies Holdings, Inc.	0.6	–17.83	–0.11
Russell 2000 Growth Index		**0.24**	
Real/Irreplaceable Assets	**24.5**	**–2.51**	**–0.51**
Marriott Vacations Worldwide Corp.	2.4	5.33	0.07
Red Rock Resorts, Inc.	0.9	3.37	0.02
Vail Resorts, Inc.	6.9	–1.11	–0.05
Choice Hotels International, Inc.	5.2	–1.68	–0.07
Gaming and Leisure Properties, Inc.	3.8	–2.11	–0.06
Alexandria Real Estate Equities, Inc.	1.7	–2.52	–0.04
Boyd Gaming Corporation	0.3	–3.92	–0.01
OneSpa World Holdings Limited	0.0	–9.40	–0.00
PENN Entertainment, Inc.	2.2	–9.58	–0.17
American Assets Trust, Inc.	0.1	–12.39	–0.01
Douglas Emmett, Inc.	1.0	–18.71	–0.20
Core Growth	**25.3**	**–4.50**	**–0.97**
CoStar Group, Inc.	5.9	15.30	0.67
Gartner, Inc.	6.7	14.42	0.60
Mettler-Toledo International, Inc.	1.2	–5.64	–0.08
IDEXX Laboratories, Inc.	3.0	–7.14	–0.14
Bio-Techne Corporation	3.5	–18.02	–0.63
West Pharmaceutical Services, Inc.	2.0	–18.57	–0.38
Trex Company, Inc.	0.9	–19.34	–0.15
Littelfuse, Inc.	0.2	–21.59	–0.04
Dechra Pharmaceuticals PLC	0.3	–31.13	–0.11
Bright Horizons Family Solutions, Inc.	1.1	–31.81	–0.40
Marel hf.	0.2	–31.93	–0.08
BrightView Holdings, Inc.	0.2	–33.83	–0.06
Neogen Corp.	0.3	–42.01	–0.16
Cash	**–0.5**	**8.29**	**0.00**
Fees	**–**	**–**	**–0.28**
Total	**100.0***	**–1.63****	**–1.63****

Sources: FactSet PA, BAMCO, and FTSE Russell.

* *Individual weights may not sum to the displayed total due to rounding.*

** *Represents the blended return of all share classes of the Fund.*

Our investments in **Financials**, **Core Growth**, and **Real/Irreplaceable Assets** represent between 24% and 40% of the Fund's net assets, and aggregate to 89% of net assets. The remaining 11% of net assets is invested in businesses that we consider to be **Disruptive Growth** businesses, which we believe offer greater growth potential, albeit with more risk relative to other investments. We believe this balance appropriately reflects our goal to generate superior returns over time with less risk than our Benchmark.

Financials have garnered increasing attention from the market given this year's dramatic change in interest rates. While we have chosen to make significant investments in businesses that are classified as Financials, this is not a function of a view on interest rates, credit spreads, or capital ratios. Instead, approximately 60% of our Financials investments are technology-enabled market data vendors, and the remaining 40% of our Financials exposure includes sustainably differentiated P&C carriers or unique advisory businesses. While we consider these investments Financials, their success is not dependent on GDP growth or interest rates, and they do not assume any credit risk. All share the attractive characteristics that we value in our investments, which include large addressable markets, positive secular trends, sustainable competitive advantages, attractive business models underpinned by recurring revenue, annual price increases, robust free-cash-flow generation, and best-in-class management teams.

These attributes have enabled our investments to generate robust business growth, and attractive compound returns, in both falling and rising rate environments. For example, our three largest Financials investments are **MSCI, Inc.**, **FactSet Research Systems, Inc.**, and **Arch Capital Group Ltd.**, and we have owned these positions for 14.9 years, 15.9 years, and 20.5 years, respectively. During this period, yields on 10-year Treasuries have fluctuated in a 5% range, from a trough around 0.52% to a peak around 5.36%. Despite rates both rising and falling, MSCI has grown its revenue by a factor of 6.6 times since we first invested, FactSet's has grown by a factor of 3.9 times, and Arch Capital's has grown by a factor of 2.7 times. This has driven shares of MSCI to compound at 21.6% annualized since our initial purchase, FactSet to compound at 15.1%, and Arch Capital to compound at 14.5%, all meaningfully ahead of our Benchmark. We believe it is the growth of these competitively advantaged businesses, not changing interest rate dynamics, that has driven their equity returns. We are optimistic that these three companies, like the entirety of our portfolio, will continue to generate robust growth despite inevitable fluctuations in interest rates, and offer compelling risk-adjusted returns.

Table III.

Performance Based Characteristics as of September 30, 2022

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 9/30/2022	Millennium Internet Bubble to Present 12/31/1999 to 9/30/2022	Inception 12/31/1994 to 9/30/2022
Alpha (%)	5.05	3.63	5.24	6.80
Beta	0.58	0.82	0.70	0.72

Table IV.

Performance

Millennium to COVID-19 Pandemic. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 9/30/2022		Millennium Internet Bubble to Present 12/31/1999 to 9/30/2022		Inception 12/31/1994 to 9/30/2022	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Growth Fund	$12,448	2.46%	$56,598	13.44%	$70,456	8.96%	$260,624	12.47%
Russell 2000 Growth Index	$ 6,476	–4.71%	$44,718	11.51%	$28,958	4.78%	$ 69,075	7.21%
S&P 500 Index	$ 7,188	–3.60%	$52,328	12.79%	$37,613	6.00%	$132,067	9.75%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

The Fund has meaningfully outperformed its Benchmark over the long term. The Fund has gained 12.47% on an annualized basis since its inception on December 31, 1994, which exceeds that of the Benchmark by 5.26% and the S&P 500 Index by 2.72% annually. This represents robust absolute and relative returns across a variety of market environments, driven primarily by favorable stock selection. We attribute this result to not losing money during periods of significant market drawdowns, such as the nine years ended December 2008, as well as robust absolute and relative performance during the most recent five-year period.

While the Fund did not make much money from December 31, 1999 through December 31, 2008, a period which includes the highs of the Internet Bubble and the lows of the Financial Panic, it did generate a positive annualized return of 2.46%. Conversely, a hypothetical investment in a fund designed to track the Fund's Benchmark would have declined in value by 4.71% on an annualized basis over the same time. Similarly, a hypothetical investment in a fund designed to track the large-cap S&P 500 Index would have declined 3.60% annualized. (Please see Table IV–Millennium Internet Bubble to Financial Panic).

From the Financial Panic to the present, the Fund generated an annualized return of 13.44%, which has exceeded that of its Benchmark by 1.93% annually, and the S&P 500 Index by 0.65% annually. This includes the most recent five-year period when the Fund gained 9.81% on an annualized basis and exceeded the Benchmark by 6.21% annually and the S&P 500 Index by 0.57% annually.

Just like during the post-Internet Bubble period, the Fund is outperforming during this growth equity-led market decline. Since small-cap equities peaked on November 8, 2021, the Fund has outperformed its benchmark by 4.94%.

We believe that the power of compounding is better demonstrated by viewing these returns in dollar terms. A hypothetical investment of $10,000 in the Fund at its inception on December 31, 1994 would be worth $260,624 on September 30, 2022. This is approximately 3.8 times greater than the $69,075 the same hypothetical investment made in a fund designed to track the Benchmark would be worth. Hypothetically, our returns were achieved with approximately 28% less volatility than the Benchmark, as represented by its beta. (Please see Tables III and IV.) Importantly, we believe that the returns in the portfolio have come primarily through the compounded growth in the revenue and cash flow of the businesses in which we have invested rather than the expansion of valuation multiples. We are pleased that our long-term investments in what we believe are competitively advantaged companies with sustainable growth prospects and exceptional management teams have generated attractive returns in good markets and have helped to protect capital during more challenging ones.

Table V.

Top contributors to performance for the quarter ended September 30, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Iridium Communications Inc.	2014	$0.6	$ 5.6	18.13%	0.74%
CoStar Group, Inc.	2004	0.7	28.3	15.30	0.67
Gartner, Inc.	2007	2.3	21.9	14.42	0.60
Kinsale Capital Group, Inc.	2016	0.6	5.9	11.28	0.32
MSCI, Inc.	2007	1.8	34.0	2.56	0.21

Shares of **Iridium Communications Inc.**, a leading satellite-based mobile voice and data communications services vendor, rose after it announced a related development agreement with a smartphone manufacturer, potentially creating a new revenue stream for the company. In addition, Iridium reported record quarterly results showing an acceleration of revenue growth with strong profitability. Lastly, growth initiatives including Aireon, an award from the Space Development Agency, and faster Certus speeds continue to progress.

Shares of real estate data and marketing platform **CoStar Group, Inc.** contributed to performance on strong financial results and its inclusion in the S&P 500 Index. We believe the company is well positioned to benefit from the continuing migration of real estate market spend to online channels. CoStar is investing aggressively to build out its residential marketing platform, which will launch later in 2022 and offers significant upside potential, in our view. CoStar has over $4.7 billion of cash on its balance sheet, which we expect it to begin to deploy for opportunistic M&A.

Shares of **Gartner, Inc.**, a provider of syndicated research, contributed to results. Business conditions remained strong, with Gartner's research business compounding at double-digit levels. We expect sustained revenue growth and renewed focus on cost control to drive margin expansion and enhanced free cash flow generation. The company's balance sheet is in excellent shape and can support aggressive repurchases and bolt-on acquisitions, in our view.

Shares of specialty insurer **Kinsale Capital Group, Inc.** increased after the company reported quarterly results that exceeded analyst estimates. Gross written premiums grew 43% and EPS grew 51%. Market conditions remain favorable, with rising premium rates and more business shifting from the standard lines market to the excess and surplus lines market where Kinsale operates. We continue to own the stock because we believe Kinsale is well managed and has a long runway for growth in an attractive segment of the insurance market.

Shares of **MSCI, Inc.**, a leading provider of investment decision support tools, contributed to performance. Despite the negative impact of broad market weakness, which has hurt MSCI's asset-based fee revenue in particular, the company reported solid earnings results, and the underlying business continued to perform well. We retain long-term conviction as MSCI owns strong, "all weather" franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community.

Table VI.
Top detractors from performance for the quarter ended September 30, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Bio-Techne Corporation	2009	$2.1	$11.1	–18.02%	–0.63%
Bright Horizons Family Solutions, Inc.	2013	1.8	3.3	–31.81	–0.40
West Pharmaceutical Services, Inc.	2013	2.3	18.2	–18.57	–0.38
Morningstar, Inc.	2005	0.8	9.0	–12.21	–0.37
ANSYS, Inc.	2009	2.3	19.3	–7.35	–0.24

Bio-Techne Corporation is a leading developer and manufacturer of reagents, instruments, and services for the life sciences research, diagnostics, and bioprocessing markets. Short-term headwinds, including COVID-related lockdowns in China, foreign currency exchange rates, and some pull forward of sales into the prior quarter ahead of a price increase, pressured shares. We view these headwinds as temporary and continue to have conviction that Bio-Techne can generate strong long-term growth.

Bright Horizons Family Solutions, Inc. is the leading U.S. provider of corporate-sponsored childcare. Shares fell as labor shortages exacerbated the time needed to backfill center enrollment lost during COVID. While we believe full enrollment recovery is a matter of when, not if, it now appears that this recovery will occur sometime in 2023 as opposed to the year-end 2022 target. Margins will also remain pressured as wage hikes to attract new teachers outpace tuition increases. Despite near-term headwinds, we remain bullish on this high-quality company.

West Pharmaceutical Services, Inc. detracted from performance. West manufactures components and systems for the packaging and delivery of injectable drugs. The stock fell on investor concerns about a decline in the company's COVID-related revenue due to a drop in vaccine demand and a slowdown in the shift to single use vials and syringes. Once COVID-related revenue stabilizes, we believe the stock will perform well driven by healthy fundamentals in the ex-COVID base business.

Morningstar, Inc., a provider of independent investment research, detracted in the quarter due to multiple short-term headwinds. Market volatility has caused a slowdown in asset- and transaction-based revenue, while margins were pressured by an increase in merit-based compensation. Finally, there is investor concern that license revenue could decline if clients implement headcount reductions. We remain confident in Morningstar's ability to grow organically despite the difficult near-term macro environment.

ANSYS, Inc. is a leading provider of physics-based simulation software. Despite an upbeat analyst day and results that exceeded analyst estimates, shares got caught up in the broader sell-off of software stocks. The risk that ANSYS' customers will cut back on software purchases in a moderating macro environment, thus pressuring its large deals cadence and growth profile, also weighed on shares. Despite these short-term challenges, we think ANSYS will benefit from secular trends, differentiated products, and strategic customer relationships in the long term.

Recent Purchases

This quarter the Fund made an initial investment in **Figs Inc.**, a fast-growing disruptor of the global health care apparel industry. The company was founded in 2013 to design and sell scrub wear to health care professionals using a digitally native direct-to-consumer (DTC) strategy. It has since expanded to offer additional non-scrub offerings, such as lab coats, underscrubs, outerwear, activewear, loungewear, compression socks, and footwear.

We believe that Figs' technical product innovation and digital DTC capabilities position it to disrupt the traditional health care apparel market. Prior to Figs, health care workers purchased highly commoditized scrubwear through an antiquated distribution network. Figs has broken this dynamic by selling directly to consumers, thereby engaging with its customers in authentic and meaningful ways. Eliminating the wholesale channel frees up financial resources for Figs to reinvest into its products, which it has used to engineer a product set with highly differentiated function and style. Additionally, since customer interactions all happen digitally, Figs collects a unique data set that provides a sustainable competitive advantage in product design and customer acquisition.

We believe these competitive advantages have resulted in high customer loyalty and strong first order retention rates, which are presently running at around 50%. Additionally, the finite life of scrubwear and the physically taxing nature of most health care jobs creates a natural reorder cycle that provides Figs with a level of baseline revenue visibility. The combination of these factors has enabled Figs to maintain best-in-class customer acquisition costs even as the company has experienced exponential growth.

We believe that Figs serves a vast and growing addressable market that will allow it to generate durable revenue growth over time. The Health Care sector is benefiting from attractive long-term secular growth trends, driven by an aging population, longer expected average life spans, and growing intensity of care. According to the U.S. Bureau of Labor Statistics, overall domestic health care employment is expected to grow around 13% this decade, or almost twice the rate of overall national employment growth. Today, Figs has 2 million active customers, or less than 10% of the estimated 21 million health care professionals in the U.S. Figs is presently laying the groundwork to expand internationally, which we believe could increase the addressable market by four to five times. We also expect Figs to expand spending per customer from growing its product set in professional, activewear, and loungewear, providing–an additional growth vector that is showing early signs of traction.

This quarter's purchase of Figs is representative of our disciplined investment process and focus on purchasing competitively advantaged businesses at attractive prices relative to their long-term opportunities. Figs came public in May of 2021 at $22 per share and soared to $50 per share after its first month of trading. Over the subsequent 15 months, the stock declined from $50 to $8.25 as of September 30 as market multiples contracted and Figs wrestled with post-COVID headwinds including supply-chain challenges and normalizing consumer purchasing behaviors. While the stock has declined, our level of conviction in the company's long-term opportunity has increased through iterative due diligence and repeated management meetings on both coasts. We believe that the market's focus on short-term headwinds has enabled us to purchase shares at particularly compelling prices relative to Figs' long-term potential.

Portfolio Structure And Investment Strategy

We seek to invest in businesses with attractive and durable fundamental characteristics. These attributes include competitive advantages, large and growing addressable markets, and favorable secular tailwinds. We favor business models that have high levels of recurring and predictable revenue, generate attractive incremental margins, are cash generative, and are not dependent on third-party financing. We exclusively invest with management teams that we believe are exceptional and that consistently reinvest in their businesses in pursuit of long-term profitable growth. We apply an iterative and holistic research process to verify, refine, or refute our assessment of these businesses and our expectations for durable growth over time.

We hold investments for the long term. As of September 30, 2022, the weighted average holding period of the Fund was 15 years. This is dramatically longer than most other small-cap growth funds, which, according to Morningstar, turn over about 71% of their portfolios annually. The portfolio's 10 largest positions have a weighted average holding period of 16.5 years, ranging from a 5.8-year investment in **Kinsale Capital Group, Inc.** to investments in **Choice Hotels International, Inc.** and **Vail Resorts, Inc.** that now both exceed 25 years. We have held 22 investments, representing 76.3% of the Fund's net assets, for more than 10 years. We have held 12 investments, representing 21.8% of the Fund's net assets, between 5 and 10 years. We have owned an additional nine investments, representing 2.4% of the Fund's net assets, for less than 5 years. We believe that Table VII and Table VIII quantify the merits of our long-term holding philosophy.

Table VII.
Top performing stocks owned more than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Choice Hotels International, Inc.	1996	2,209.6%
IDEXX Laboratories, Inc.	2005	2,163.7
MSCI, Inc.	2007	1,744.1
CoStar Group, Inc.	2004	1,639.5
Arch Capital Group Ltd.	2002	1,492.9
Mettler-Toledo International, Inc.	2008	1,402.8
Vail Resorts, Inc.	1997	1,241.1
Gartner, Inc.	2007	1,149.7

The cohort of investments that we have held for more than five years earned an annualized rate of return of 17.3% based on weighted average assets since we first purchased them. This exceeded the performance of the Fund's Benchmark by 9.4% annualized. Seven of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year, including three that have achieved annualized returns that exceeded the Benchmark by more than 15% per year and one that has exceeded the benchmark by more than 40% annually. The subset of this cohort that we have held for more than 10 years has compounded at a similar 15.8% based on weighted average assets and exceeded the benchmark by 7.9% annualized.

Table VIII.
Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Altair Engineering Inc.	2017	141.5%
Houlihan Lokey, Inc.	2017	103.7
Northvolt AB	2020	90.0

The cohort of investments that we have held for less than five years has returned 8.8% annually based on weighted average assets since our initial purchase and exceeded the Benchmark by 8.0% annualized. Three of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year, including two that have achieved annualized returns that exceeded the Benchmark by more than 15% per year.

Portfolio Holdings

As of September 30, 2022, Baron Growth Fund had 43 investments. The top 10 holdings represented 62.7% of the Fund's net assets. All were small-cap businesses at the time of purchase and have become top 10 positions mostly through stock appreciation. Our holdings in these stocks have returned 18.6% annually based on weighted average assets since our initial investment, exceeding the Benchmark by a weighted average of 11.8% annually. We attribute much of this relative outperformance to the superior growth rates and quality exhibited by these businesses relative to the Benchmark average. We believe all our positions offer significant further appreciation potential individually, and that the Fund's diversification offers potentially better-than-market returns with less risk than the market as measured by beta. Note that diversification cannot guarantee a profit or protect against loss.

While we only purchase small-cap companies, we tend to hold stocks as long as our investment thesis remains intact and we see a path to earning attractive compounded returns. This causes the Fund to own a significant percentage of assets in securities that have appreciated beyond their market capitalizations at the time of purchase. Baron Growth Fund's median market cap is $5.2 billion, and its weighted average market cap is $14.9 billion. This compares to Morningstar's U.S. market cap breakpoints for small- and mid-cap funds of $5.9 billion and $33.5 billion, respectively, as of September 30, 2022.

Table IX.
Top 10 holdings as of September 30, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
MSCI, Inc.	2007	$1.8	$34.0	$653.8	10.4%
FactSet Research Systems, Inc.	2006	2.5	15.2	480.1	7.6
Vail Resorts, Inc.	1997	0.2	8.7	431.3	6.9
Gartner, Inc.	2007	2.3	21.9	422.0	6.7
Arch Capital Group Ltd.	2002	0.4	16.8	415.3	6.6
CoStar Group, Inc.	2004	0.7	28.3	367.4	5.8
Iridium Communications Inc.	2014	0.6	5.6	350.5	5.6
Choice Hotels International, Inc.	1996	0.4	6.1	325.8	5.2
Kinsale Capital Group, Inc.	2016	0.6	5.9	255.4	4.1
Gaming and Leisure Properties, Inc.	2013	4.2	11.4	238.9	3.8

Thank you for joining us as fellow shareholders in Baron Growth Fund. We are appreciative of the confidence you have shown in us, and we will continue to work hard to justify that confidence.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager

Neal Rosenberg
Co-Portfolio Manager

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

Risks: The Adviser believes that there is more potential for capital appreciation in smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities may be thinly traded, and they may be more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future 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.

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

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2000 Growth Index) is 1.00 by definition.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).