## DEAR BARON GROWTH FUND SHAREHOLDER:

### PERFORMANCE

Baron Growth Fund (the "Fund") rose 11.93% (Institutional Shares) during the quarter ended December 31, 2022. This significantly exceeded the Fund's primary benchmark, the Russell 2000 Growth Index (the "Benchmark"), which rose 4.13%. It also outperformed the S&P 500 Index, which measures the performance of publicly traded large-cap U.S. companies, which gained 7.56% during the period.

The Fund has continued to generate strong absolute and relative performance from favorable stock selection. Over the past five years, the Fund has increased 11.15% on an annualized basis, which has exceeded the Benchmark by 7.64% and the S&P 500 Index by 1.73% per year. During that period, the Fund has had a minimum of 472 bps and an average of 872 bps of favorable stock selection per year when compared to its Benchmark. This track record of favorable stock selection gives us confidence that our process is repeatable, scalable, and well positioned to deliver superior returns over time across all market cycles.

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 December 31, 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] | 11.85% | 11.93% | 4.13% | 7.56% |
| One Year | (22.60)% | (22.40)% | (26.36)% | (18.11)% |
| Three Years | 7.18% | 7.45% | 0.65% | 7.66% |
| Five Years | 10.87% | 11.15% | 3.51% | 9.42% |
| Ten Years | 12.04% | 12.33% | 9.20% | 12.56% |
| Fifteen Years | 9.16% | 9.41% | 7.26% | 8.81% |
| Since Inception (December 31, 1994) | 12.66% | 12.80% | 7.30% | 9.94% |

Global equity markets rallied during the fourth quarter but posted significant declines for the full year. During the quarter, the S&P 500 Index, rose 7.56%. The Russell 2000 Growth Index rose 4.13%, while the MSCI ACWI ex USA Index, which measures stock performance across 46 different global markets, rose 14.28%. Despite this quarter's rally, almost all asset classes posted material declines for the full year. The S&P 500 Index fell 18.11% and the Russell 2000 Growth Index declined 26.36%, the worst annual results since the financial crisis of 2008. Fixed income securities also declined, with high-yield bonds declining 15.4%, investment grade bonds declining 20.4%, and long-term Treasury bonds falling 16.7%.

During the quarter, investors continued to focus on the outlook for inflation and interest rates, and their ultimate impact on short-term employment and macroeconomic growth. Interestingly, the market's expectations for these variables made a complete 180-degree turn over the last year. Most investors began 2022 fearful that the Federal Reserve was doing too little to fight inflation, and vociferously bemoaned the slow pace of interest rate increases. Conversely, most investors ended 2022 lamenting the Fed's hawkish outlook for interest rates, worried that continued interest rate increases and sustained high rates would tip the economy into a recession. We think this exemplifies the futility of trying to predict what is inherently

*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, 2022 was 1.30% and 1.04%, 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.

unpredictable, and investing based on variables that are often contradictory, almost always transitory, and may already be reflected in equity prices. Instead of trying to forecast macroeconomic variables, we exclusively focus on identifying and researching well-managed unique businesses with significant barriers to entry and compelling growth prospects. We seek to invest in those businesses at attractive prices, and endeavor to hold our investments for the long term.

Consistent application of this investment process drove strong absolute and relative performance during the quarter. The Fund gained 11.93% during the three months ending December 31, 2022, which exceeded its Benchmark by 780 bps. Importantly, our performance included 995 bps of favorable stock selection, which indicates that our results were generated by owning stocks that performed better than the Benchmark, rather than having allocated capital to sectors that were temporarily in favor. Our full-year performance also meaningfully exceeded its Benchmark. For 2022, the Fund declined 22.40%, which was 396 bps better than our Benchmark. Our full-year performance included 992 bps of favorable stock selection, which was partially offset by our lack of or minimal exposure to certain cyclical or defensive sectors such as Energy, Consumer Staples, and Materials. We are gratified to see consistent outperformance from favorable stock selection, since we devote the preponderance of our time working with our growing team of research analysts to conduct fundamental analysis.

We are pleased that our 2022 results have continued to enhance the Fund's track record, building on its excellent performance since inception. Over the past five years, the Fund has increased at an annualized rate of 11.15% per year, which has exceeded our Benchmark by 7.64% annually and the S&P 500 Index by 1.73% annually. The trailing five-year period has included both rising and falling interest rates, expanding and contracting GDP, and tight and loose labor markets. It has also included a pandemic, the largest European land war since World War II, the first new sovereign of the U.K. in almost four generations, and three U.S. election cycles, among other headlines. Our performance has not stemmed from trying to reposition the portfolio in anticipation of any of these events. Instead, it has come from favorable stock selection. We have had a minimum of 472 bps of favorable stock selection per year over the past five years, and an average of 872 bps annually. This track record of favorable stock selection gives us confidence that our process is repeatable, scalable, and capable of delivering attractive returns over all market cycles

Despite growing warnings of a recession, the businesses in which we have invested have generally continued to report strong financial results. We have investments in several businesses that reported financial results in December and, therefore, offer recent publicly available data points. Market data vendor **FactSet Research Systems, Inc.** generated earnings growth of 22.8% for its most recent quarter, which represents an acceleration from 8.7% in the prior quarter and approximately 20% during the prior year. FactSet is reaping the benefits of a multi-year investment cycle and unwavering focus on customer service to bring new products to market, consolidate spending from competitors, and realize price increases. FactSet's new CFO has imbued the company with a vigorous expense discipline, which is favorably impacting margins. **Vail Resorts, Inc.**, the premier ski resort network in North America, reported continued strong conversion to ski passes, which grew 6% versus the prior year through December 7. Vail's total passes have almost doubled in volume since December 2019, while revenue from passes has grown approximately 53%. Finally, **Guidewire Software, Inc.**, the leader in property & casualty (P&C) insurance core systems software, reported outstanding financial results that included approximately 40% constant currency growth in its core recurring subscription revenue line and better-than-expected net new bookings. Guidewire has invested heavily to transition its software to be delivered in the cloud and is now benefiting from a virtuous cycle of customer adoption.

While we do not know if or when a recession might materialize, we believe that our businesses are well positioned to weather any storm. Most of the businesses in which we have invested sell their products on a subscription basis, giving them high levels of recurring revenue. Subscriptions are frequently governed by annual or multi-year contracts and can generally only be canceled at a finite number of pre-determined time periods. As such, subscriptions help dampen the volatility of a company's revenue to short-term macroeconomic fluctuations. Additionally, the businesses in which we have invested generate outstanding retention rates, indicating that very few customers ever elect to cancel their contracts. These high retention rates materialize because these companies sell highly differentiated products, deliver significant value relative to their cost, and become deeply embedded in customer workflows. In fact, some of the businesses in which we have invested generate net retention rates that exceed 100%, indicating that in aggregate customers tend to purchase more on renewal than what they cancel.

We believe that financial data and technology vendor **MSCI, Inc.** is an excellent example of the durability of recurring revenue and high retention rates across economic cycles. We estimate that approximately 97% of MSCI's revenue comes from recurring sources. This includes 75% of revenue that comes from subscription contracts, which carry an average contract length that exceeds one year. This also includes approximately 22% of revenue from asset-based fees. Asset-based fees generate recurring revenue and are governed by multi-year contracts with the sponsor but can be impacted by fund flows and fluctuations in asset prices. Conversely, just 3% of MSCI's revenue is non-recurring and needs to be resold in a future period.

MSCI's aggregate retention rate was 93.0% as of its most recently reported quarter and is approximately 95.2% on a year-to-date basis. This aggregate retention rate included 96.1% in its Index segment, 93.6% in its Analytics segment, 97.2% in its ESG & Climate segment, and 94.4% in its All-Other segment. MSCI has been public since 2007, which enables us to examine its growth and retention rates over many economic cycles. Its business units and reporting lines are not identical to those disclosed 15 years ago, but we believe that they are sufficiently comparable to be indicative. Within MSCI's flagship Index business, we find that aggregate retention rates have ranged from a trough of approximately 92% during 2009's financial crisis to a peak around 96% in 2021 and 2022. For the company overall, aggregate retention rates have ranged from a low of 84% during the financial crisis to a high of 95% in the same years. These are remarkable retention rates that demonstrate the criticality of MSCI's solutions and the value proposition that they generate relative to their cost. We see similar long-term evidence of durable recurring revenue with high retention rates throughout our portfolio, which gives us confidence in our investments' ability to generate attractive financial results across cycles.

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 December 31, 2022**

| | % of Net Assets (as of 12/31/2022) | Total Return (%) | Contribution to Return (%) |
|---|---|---|---|
| **Core Growth** | **26.1** | **15.45** | **3.79** |
| Mettler-Toledo International, Inc. | 1.5 | 33.33 | 0.40 |
| IDEXX Laboratories, Inc. | 3.2 | 25.17 | 0.70 |
| Gartner, Inc. | 7.5 | 21.49 | 1.35 |
| Bio-Techne Corporation | 3.6 | 16.83 | 0.54 |
| Marel hf. | 0.2 | 13.45 | 0.02 |
| Littelfuse, Inc. | 0.2 | 11.10 | 0.02 |
| CoStar Group, Inc. | 5.9 | 10.95 | 0.69 |
| Dechra Pharmaceuticals PLC | 0.3 | 9.87 | 0.03 |
| Bright Horizons Family Solutions, Inc. | 1.0 | 9.40 | 0.13 |
| Neogen Corp. | 0.3 | 9.02 | 0.02 |
| Trex Company, Inc. | 0.7 | –3.69 | –0.02 |
| West Pharmaceutical Services, Inc. | 1.7 | –4.30 | –0.09 |
| BrightView Holdings, Inc. | 0.1 | –14.19 | –0.01 |
| **Financials** | **39.2** | **11.91** | **4.77** |
| Arch Capital Group Ltd. | 8.3 | 37.86 | 2.39 |
| The Carlyle Group Inc. | 0.7 | 16.76 | 0.11 |
| Houlihan Lokey, Inc. | 0.6 | 16.25 | 0.09 |
| Primerica, Inc. | 3.1 | 15.32 | 0.48 |
| Moelis & Company | 0.2 | 15.22 | 0.03 |
| Essent Group Ltd. | 0.3 | 12.16 | 0.04 |
| SS&C Technologies Holdings, Inc. | – | 10.61 | 0.06 |
| MSCI, Inc. | 10.4 | 10.58 | 1.12 |
| Cohen & Steers, Inc. | 1.8 | 4.05 | 0.05 |
| Kinsale Capital Group, Inc. | 3.8 | 2.43 | 0.22 |
| Morningstar, Inc. | 2.9 | 2.18 | 0.11 |
| FactSet Research Systems, Inc. | 7.0 | 0.47 | 0.07 |
| **Disruptive Growth** | **11.4** | **10.63** | **1.18** |
| Farmers Business Network, Inc. | 0.3 | 28.97 | 0.06 |
| Iridium Communications Inc. | 5.9 | 15.85 | 0.93 |
| ANSYS, Inc. | 3.5 | 8.97 | 0.27 |
| Altair Engineering Inc. | 0.5 | 2.83 | 0.02 |
| Guidewire Software, Inc. | 0.9 | 1.56 | –0.01 |
| Northvolt AB | 0.2 | –15.23 | –0.04 |
| Figs Inc. | 0.2 | –18.42 | –0.05 |
| **Real/Irreplaceable Assets** | **24.3** | **9.81** | **2.46** |
| Red Rock Resorts, Inc. | 1.0 | 20.11 | 0.19 |
| Gaming and Leisure Properties, Inc. | 4.1 | 19.36 | 0.70 |
| OneSpaWorld Holdings Ltd. | 0.0 | 17.92 | 0.00 |
| Boyd Gaming Corporation | 0.3 | 14.74 | 0.05 |
| Vail Resorts, Inc. | 7.0 | 12.42 | 0.71 |
| Marriott Vacations Worldwide Corp. | 2.5 | 11.04 | 0.32 |
| PENN Entertainment, Inc. | 2.1 | 7.95 | 0.21 |
| Alexandria Real Estate Equities, Inc. | 1.6 | 4.79 | 0.08 |
| American Assets Trust, Inc. | 0.1 | 4.26 | 0.00 |
| Choice Hotels International, Inc. | 4.9 | 3.07 | 0.28 |
| Douglas Emmett, Inc. | 0.8 | –11.46 | –0.10 |
| **Russell 2000 Growth Index** | | **4.13** | |
| **Cash** | **–1.0** | **–** | **0.00** |
| **Fees** | **–** | **–0.29** | **–0.29** |
| **Total** | **100.0*** | **11.91**** | **11.91**** |

*Sources: FactSet PA, BAMCO, and FTSE Russell.*

* Individual weights may not sum to 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 24.3% and 39.2% of the Fund's net assets, and aggregate to 89.6% of net assets. The remaining 11.4% 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. In addition to allocating a relatively smaller portion of the portfolio to Disruptive Growth stocks, we also maintain a smaller average position size in each stock. As of December 31, 2022, the average position size of a Disruptive Growth position was 1.6%, significantly lower than the 2.6% average position size measured across the other three cohorts.

The portfolio benefited this quarter as all four categories significantly outperformed our Benchmark. We note that this is the first quarter that we have observed such a favorable outcome since initially disclosing this framework two years ago. In general, we believe the balance across categories appropriately reflects our goal to generate superior returns over time with less risk than our Benchmark.

**Table III.**
**Performance Based Characteristics as of December 31, 2022**

| | Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008 | Financial Panic to Present 12/31/2008 to 12/31/2022 | Millennium Internet Bubble to Present 12/31/1999 to 12/31/2022 | Inception 12/31/1994 to 12/31/2022 |
|---|---|---|---|---|
| Alpha (%) | 5.05 | 4.09 | 5.55 | 7.04 |
| Beta | 0.58 | 0.83 | 0.71 | 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 12/31/2022 | | Millennium Internet Bubble to Present 12/31/1999 to 12/31/2022 | | Inception 12/31/1994 to 12/31/2022 | |
|---|---|---|---|---|---|---|---|---|
| | Value $10,000 | Annualized | Value $10,000 | Annualized | Value $10,000 | Annualized | Value $10,000 | Annualized |
| Baron Growth Fund | $12,448 | 2.46% | $63,352 | 14.10% | $78,864 | 9.39% | $291,723 | 12.80% |
| Russell 2000 Growth Index | $ 6,476 | –4.71% | $46,566 | 11.61% | $30,154 | 4.92% | $ 71,929 | 7.30% |
| S&P 500 Index | $ 7,188 | –3.60% | $56,284 | 13.14% | $40,457 | 6.27% | $142,052 | 9.94% |

*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.*

In addition to strong short- and medium-term results, the Fund has meaningfully outperformed its Benchmark over the long term. The Fund has gained 12.80% on an annualized basis since its inception on December 31, 1994, which exceeds that of the Benchmark by 5.50% and the S&P 500 Index by 2.86%, annualized. 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 14.10%, which has exceeded that of its Benchmark by 2.49% annually, and the S&P 500 Index by 0.96% annually.

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 $291,723 on December 31, 2022. This is approximately 4.1 times greater than the $71,929 the same hypothetical investment made in a fund designed to track the Benchmark would be worth, and more than double a hypothetical investment in the S&P 500 Index. 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 December 31, 2022**

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap (billions) | Total Return | Percent Impact |
|---|---|---|---|---|---|
| Arch Capital Group Ltd. | 2002 | $0.4 | $23.2 | 37.86% | 2.39% |
| Gartner, Inc. | 2007 | 2.3 | 26.6 | 21.49 | 1.35 |
| MSCI, Inc. | 2007 | 1.8 | 37.2 | 10.58 | 1.12 |
| Iridium Communications Inc. | 2014 | 0.6 | 6.5 | 15.85 | 0.93 |
| Vail Resorts, Inc. | 1997 | 0.2 | 9.6 | 12.42 | 0.71 |

**Arch Capital Group Ltd.** is a specialty insurance company based in Bermuda. Shares increased due to favorable pricing trends in the P&C insurance market. During the quarter, the company reported earnings that beat consensus despite significant losses from Hurricane Ian. The stock also benefited from inclusion in the S&P 500 Index, which prompted buying from passive funds. We continue to own the stock due to Arch's strong management team and our expectation of strong growth in earnings and book value.

Shares of **Gartner, Inc.**, a provider of syndicated research, contributed to results. Business conditions remain 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 higher free-cash-flow. The company's balance sheet is in excellent shape and can support aggressive repurchases and bolt-on acquisitions.

Shares of **MSCI, Inc.**, a leading provider of investment decision support tools, contributed to performance. Despite the negative impact of broader market weakness on asset-based fee revenue, MSCI reported resilient third quarter earnings results, and the underlying business largely continued to perform well. 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 December 31, 2022**

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap or Market Cap When Sold (billions) | Total Return | Percent Impact |
|---|---|---|---|---|---|
| Douglas Emmett, Inc. | 2009 | $1.0 | $ 2.8 | −11.46% | −0.10% |
| West Pharmaceutical Services, Inc. | 2013 | 2.3 | 17.4 | −4.30 | −0.09 |
| Figs Inc. | 2022 | 1.7 | 1.1 | −18.42 | −0.05 |
| Northvolt AB | 2020 | – | – | −15.23 | −0.04 |
| Trex Company, Inc. | 2014 | 1.2 | 4.6 | −3.69 | −0.02 |

**Douglas Emmett, Inc.** is a REIT that owns an irreplaceable portfolio of office and apartment buildings concentrated in California and Hawaii. Disappointing share performance was driven by third quarter financial results and a management outlook that was weaker than analysts expected. Office leasing activity has slowed, which is pressuring the company's occupancy, rents, and cash flow.

**West Pharmaceutical Services, Inc.** is the leading provider of components and systems for the packaging and delivery of injectable drugs. The stock fell on lowered full-year guidance and third quarter sales and earnings that missed consensus estimates. The company cited capacity constraints related to transitioning from manufacturing products for COVID vaccines to other products experiencing strong demand. Management expects these issues to resolve in early 2023, and we continue to believe West has a long runway for durable growth.

**Figs Inc.** is a leading direct-to-consumer health care uniform brand. Shares declined following disappointing guidance for the remainder of the year. While Figs remains the favorite brand for many health care professionals, the company expects growth to be slower in the near term than it had previously forecast as its customers have modestly reduced purchases given the challenging macroeconomic environment. Figs' strong brand, superior product and merchandising, and direct-to-consumer business model offer strong potential longer term.

## Portfolio Structure and Investment Strategy

We seek to invest in businesses with durable fundamental characteristics and attractive long-term growth prospects. These attributes include high barriers to entry, sustainable competitive advantages, large and growing addressable markets, and enduring 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 consistently reinvest into their businesses. This is to raise barriers to entry and pursue long-term profitable growth. We work with our growing team of research analysts and portfolio managers, who are senior analysts, to verify, refine, or refute our assessment of these businesses and our expectations for durable growth across business cycles.

We hold investments for the long term. As of December 31, 2022, the weighted average holding period of the Fund was 15.3 years. This is dramatically longer than most other small-cap growth funds, which, according to Morningstar, turn over about 76% of their portfolios annually (based on an average for the last five years). The portfolio's 10 largest positions have a weighted average holding period of 16.7 years, ranging from a 6.1-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 21 investments, representing 76.2% of the Fund's total investments, for more than 10 years. We have held 21 investments, representing 23.8% of the Fund's total investments, for less than 10 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 10 years**

| | Year of First Purchase | Cumulative Total Return Since First Date of Purchase | Annualized Return Since First Date of Purchase |
|---|---|---|---|
| IDEXX Laboratories, Inc. | 2005 | 2,734.5% | 20.6% |
| Choice Hotels International, Inc. | 1996 | 2,280.4 | 13.4 |
| Arch Capital Group Ltd. | 2002 | 2,096.0 | 16.1 |
| MSCI, Inc. | 2007 | 1,939.2 | 22.1 |
| Mettler-Toledo International, Inc. | 2008 | 1,903.7 | 23.7 |
| CoStar Group, Inc. | 2004 | 1,830.1 | 17.7 |
| Gartner, Inc. | 2007 | 1,418.2 | 19.4 |
| Vail Resorts, Inc. | 1997 | 1,406.7 | 11.1 |
| Morningstar, Inc. | 2005 | 1,089.1 | 15.1 |
| Cohen & Steers, Inc. | 2004 | 1,053.6 | 14.2 |

The cohort of investments that we have held for more than 10 years earned a weighted average annualized rate of return of 16.5% since we first purchased them. This exceeded the performance of the Fund's Benchmark by 8.4% annualized. Four of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year.

**Table VIII.**
**Top performing stocks owned less than 10 years**

| | Year of First Purchase | Cumulative Total Return Since First Date of Purchase | Annualized Return Since First Date of Purchase |
|---|---|---|---|
| Kinsale Capital Group, Inc. | 2016 | 884.1% | 45.7% |
| West Pharmaceutical Services, Inc. | 2013 | 638.3 | 23.3 |
| Iridium Communications Inc. | 2014 | 609.9 | 25.4 |
| Trex Company, Inc. | 2014 | 376.1 | 19.5 |

The cohort of investments that we have held for less than 10 years has returned 21.4% annually on a weighted average basis since our initial purchase, exceeding the Benchmark by 14.8% annualized. Eight of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year, including five that have achieved annualized returns that exceeded the Benchmark by more than 15% per year.

## Portfolio Holdings

As of December 31, 2022, Baron Growth Fund had 42 investments. The top 10 holdings represented 64.1% of the Fund's total investments, many of which have been held for more than 10 years. 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 19.0% annually based on weighted average assets since our initial investment, exceeding the Benchmark by an average of 12.1% 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 $5.6 billion, and its weighted average market cap is $17.3 billion. This compares to Morningstar's U.S. market cap breakpoints for small- and mid-cap funds of $6.3 billion and $36.6 billion, respectively, as of December 31, 2022.

**Table IX.**
**Top 10 holdings as of December 31, 2022**

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap (billions) | Quarter End Investment Value (millions) | Percent of Total Investments |
|---|---|---|---|---|---|
| MSCI, Inc. | 2007 | $1.8 | $37.2 | $716.4 | 10.3% |
| Arch Capital Group Ltd. | 2002 | 0.4 | 23.2 | 571.6 | 8.3 |
| Gartner, Inc. | 2007 | 2.3 | 26.6 | 512.6 | 7.4 |
| FactSet Research Systems, Inc. | 2006 | 2.5 | 15.3 | 481.5 | 6.9 |
| Vail Resorts, Inc. | 1997 | 0.2 | 9.6 | 476.7 | 6.9 |
| Iridium Communications Inc. | 2014 | 0.6 | 6.5 | 405.5 | 5.9 |
| CoStar Group, Inc. | 2004 | 0.7 | 31.4 | 403.0 | 5.8 |
| Choice Hotels International, Inc. | 1996 | 0.4 | 6.0 | 334.0 | 4.8 |
| Gaming and Leisure Properties, Inc. | 2013 | 4.2 | 13.4 | 280.5 | 4.0 |
| Kinsale Capital Group, Inc. | 2016 | 0.6 | 6.0 | 261.5 | 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.

**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. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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).