DEAR BARON GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Growth Fund (the "Fund") gained 3.63% (Institutional Shares) during the quarter ended September 30, 2021. This exceeded the Fund's primary benchmark, the Russell 2000 Growth Index (the "Benchmark"), which declined 5.65%. The S&P 500 Index, which measures the performance of publicly traded large-cap U.S. companies, gained 0.58%. We are pleased by the Fund's absolute and relative performance this quarter and on a year-to-date basis and that outperformance was driven by favorable stock selection.

We have always focused on investing in businesses that boast sustainable competitive advantages and are run by exceptional management teams who perpetually reinvest back into their businesses to grow and expand barriers to entry. Barriers to entry help insulate businesses from competitors and enable many to consistently raise prices. We also primarily invest in businesses that have high incremental margins on each additional product sold. To achieve this, such companies tend to sell products or services that use digital inputs, are asset light, employ high levels of automation, and have almost no exposure to commodity prices. We believe such companies benefit from a favorable spread between pricing power and cost increases, and this positions them to prosper in inflationary environments.

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, 2021

	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]	3.56%	3.63%	(5.65)%	0.58%
Nine Months[4]	12.54%	12.76%	2.82%	15.92%
One Year	36.19%	36.55%	33.27%	30.00%
Three Years	19.45%	19.75%	11.70%	15.99%
Five Years	20.85%	21.16%	15.34%	16.90%
Ten Years	17.33%	17.64%	15.74%	16.63%
Since Inception (December 31,1994)	14.11%	14.25%	8.89%	10.82%

Small-capitalization growth stocks, as represented by the Russell 2000 Growth Index, declined approximately 5.7% in the quarter, while larger-capitalization stocks, as represented by the S&P 500 Index, finished broadly unchanged. Both indexes declined in September, and respectively sit 12.5% and 5% below highs realized during the year. We attribute the late-quarter declines to investors' struggle to recalibrate expectations for various macroeconomic or geopolitical risks. This quarter, investors sought to extract a signal from the cacophony of noise that included surging energy prices, rising supply chain pressures, fluctuating assessments of the impact of COVID on the global economy, and mixed messaging from a chorus of Federal Reserve bankers. Add in concerns about potential contagion from China's Evergrande and the seemingly never-ending saga in Washington and it is easy to understand why markets were volatile. This list is neither comprehensive nor unusually long this quarter, but instead represents the perpetual miasma that investors must attempt to penetrate if they trade markets.

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, 2020 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. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. 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.

BARON FUNDS 1987

Baron Growth Fund

We believe that attempts to predict what is unpredictable and invest based on those variables are unlikely to be successful, since such events are often contradictory, almost always transitory, and 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. However, we do believe that inflation is a persistent and enduring feature of everyday life, regardless how it is quantified by macroeconomic metrics such as CPI or PPI or characterized by central bankers.

We have always focused on investing in businesses that boast sustainable competitive advantages, run by management teams that are perpetually investing in their businesses. Constant investment helps expand addressable markets and raises barriers to entry, which helps shield these businesses from competitors and provides pricing power. On the cost side, we have primarily invested in companies that incur high fixed costs to build their core asset and have high incremental margins on each additional product sold. To achieve this, such companies tend to sell products or services that use digital inputs, are asset light, employ high levels of automation, and have almost no exposure to commodity prices.

For example, index provider **MSCI, Inc.** and analytics and marketplace vendor **CoStar Group, Inc.** have incurred significant fixed costs to construct the proprietary data and methodologies on which their products are built. Once their core assets have been created, the companies can develop and sell new products that leverage this data without adding significant additional cost. Customer contracts and growing barriers to entry enable them to raise prices at a rate that exceeds their cost of growth, helping to drive earnings and cash flow higher. Software vendors like **ANSYS, Inc.** and **Guidewire Software, Inc.** use purely digital raw materials to build their products. These digital building blocks generally benefit from deflation thanks to declining hardware costs. While this is partially offset by wage inflation paid to software developers, the aggregate growth in their cost base remains slower than the price increases they pass through. Finally, companies such as **Mettler-Toledo International, Inc.**, **Bright Horizons Family Solutions, Inc.**, and **IDEXX Laboratories, Inc.** offer such compelling products and services, and are so effective at constantly improving their manufacturing processes and driving operational efficiencies that they pass along price increases that comfortably exceed the growth in their costs, creating an incremental tailwind to profit growth.

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, 2021

	% of Net Assets (as of 9/30/2021)	Total Return (%)	Contribution to Return (%)
Financials	**32.5**	**7.20**	**2.29**
FactSet Research Systems, Inc.	5.1	17.89	0.77
MSCI, Inc.	11.0	14.31	1.45
Houlihan Lokey, Inc.	0.5	13.14	0.05
Moelis & Company	0.4	9.77	0.04
Cohen & Steers, Inc.	1.7	2.57	0.04
The Carlyle Group Inc.	1.0	2.26	0.02
Morningstar, Inc.	2.8	0.87	0.02
Primerica, Inc.	2.7	0.63	0.00
Essent Group Ltd.	0.2	–1.71	–0.00
Kinsale Capital Group, Inc.	1.8	–1.80	–0.02
Arch Capital Group Ltd.	3.8	–1.95	–0.06
SS&C Technologies Holdings, Inc.	1.5	–3.46	–0.03
Core Growth	**29.0**	**6.20**	**1.86**
Gartner, Inc.	5.2	25.47	1.07
West Pharmaceutical Services, Inc.	2.4	18.28	0.39
Dechra Pharmaceuticals PLC	0.4	8.10	0.04
Bio-Techne Corporation	4.5	7.70	0.34
Littelfuse, Inc.	0.2	7.46	0.01
CoStar Group, Inc.	5.0	3.91	0.20
Trex Company, Inc.	2.1	–0.29	0.00
Mettler-Toledo International, Inc.	1.3	–0.58	0.00
IDEXX Laboratories, Inc.	4.8	–1.51	–0.01
Marel hf.	0.3	–1.64	–0.00
Bright Horizons Family Solutions, Inc.	2.0	–5.24	–0.11
Neogen Corp.	0.5	–5.67	–0.03
BrightView Holdings, Inc.	0.2	–8.44	–0.02
Krispy Kreme, Inc.	0.1	–18.16	–0.02
Real/Irreplaceable Assets	**25.6**	**2.90**	**0.59**
Manchester United plc	0.6	28.02	0.14
Red Rock Resorts, Inc.	0.9	20.52	0.15
Choice Hotels International, Inc.	4.1	6.50	0.23
Alexandria Real Estate Equities, Inc.	1.6	5.64	0.10
Vail Resorts, Inc.	7.3	5.54	0.31
Boyd Gaming Corporation	0.3	2.88	0.01
Gaming and Leisure Properties, Inc.	2.7	1.31	0.04
American Assets Trust, Inc.	0.1	1.10	0.00
Marriott Vacations Worldwide Corp.	2.1	–0.88	–0.04
OneSpa World Holdings Limited	0.0	–3.23	–0.00
Douglas Emmett, Inc.	1.3	–5.17	–0.07
Penn National Gaming, Inc.	4.6	–5.27	–0.28

Table II. (continued)
Total returns by category for the three months ended September 30, 2021

	% of Net Assets (as of 9/30/2021)	Total Return (%)	Contribution to Return (%)
Russell 2000 Growth Index		–5.65	
Disruptive Growth	**12.8**	**–6.18**	**–0.83**
Farmers Business Network, Inc.	0.3	29.76	0.05
SmartRent, Inc.	0.1	16.66	0.01
Wix.com Ltd.	–	5.85	0.01
Guidewire Software, Inc.	1.3	5.46	0.07
Northvolt AB	0.2	0.92	0.00
Altair Engineering Inc.	0.5	–0.04	0.00
Iridium Communications Inc.	3.4	–0.36	–0.01
ANSYS, Inc.	4.3	–1.90	–0.05
Pegasystems, Inc.	1.4	–8.66	–0.13
Adaptive Biotechnologies Corporation	0.1	–16.34	–0.03
Velo3D, Inc.	0.3	–17.04	–0.06
ACV Auctions Inc.	–	–23.73	–0.03
Schrodinger, Inc.	0.5	–27.69	–0.21
Denali Therapeutics Inc.	0.3	–35.62	–0.21
Desktop Metal, Inc.	–	–38.43	–0.04
Zymergen Inc.	0.1	–67.63	–0.21
Cash	**0.1**	**–**	**–0.02**
Fees	**–**	**-0.28**	**–0.28**
Total	**100.0**	**3.61***	**3.61***

Sources: FactSet PA, BAMCO, and Russell, Inc.
* Represents the blended return of all share classes of the Fund.

As demonstrated above, our investments in **Financials**, **Core Growth**, and **Real/Irreplaceable Assets** are in roughly equal balance, representing between 25% and 33% of the net assets individually and approximately 87% of the Fund's net assets in aggregate. The remaining 13% of net assets is invested in businesses that we consider to be **Disruptive Growth** businesses, which we believe offer greater growth potential, albeit with modestly 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.

Last quarter, we highlighted the compelling secular drivers that we believe underpin our investments in select **Financials** stocks. This quarter we elaborate on our investments in **Core Growth** businesses, which span sectors including Health Care, Industrials, and Information Technology. These businesses all target large addressable markets, are benefiting from favorable secular trends, have high barriers to entry, create recurring revenue streams, are highly profitable, and generate robust free cash flow. All have demonstrated the ability to generate consistent, compounded revenue and earnings growth over time. On average, this group has generated 10% annual revenue growth and 19% annual EPS growth over the past three years, which includes the adverse impact of COVID. We believe that all can sustain or accelerate their revenue earnings growth rates beyond our five-year investment horizon.

We view our investment in **Gartner, Inc.** as representative of the **Core Growth** cohort. Gartner is the world's leading provider of syndicated research serving end users in technology, HR, finance, sales, marketing, and legal departments. We estimate that Gartner's addressable market exceeds $100 billon of annual recurring revenue, which is at least 25 times larger than its current research business. This provides ample runway for sustained mid-teens recurring revenue growth. Gartner has created large and growing barriers to entry through its brand, its intellectual property, and its unique positioning at the intersection of buyers, sellers, and customers. The company enjoys dramatic scale advantages in the number of analysts, number of quota-carrying salespeople, and gross margin dollars, all of which help to extend barriers to entry. Gartner's products deliver meaningful ROIs to customers by offering on-demand access to proprietary expertise for a low annual subscription. This helps its products become deeply embedded in customer workflows, facilitating annual price increases of 3% to 6% and dollar retention rates that exceed 100%. Gartner sells its research on a subscription basis with annual contract terms and upfront cash payments, creating strong revenue visibility and a working capital tailwind. As noted previously, this business model carries high incremental gross margins due to the low marginal cost of goods sold, and an ongoing mix shift towards its Research segment. While this is obscured by aggressive sales headcount additions, persistent productivity increases should drive EBITDA margin expansion over time. Finally, Gartner is extremely cash generative, which management has deployed to make growth-enhancing acquisitions and to aggressively repurchase stock.

We have owned Gartner since 2007, when the company generated $1.0 billion in revenue and $1.15 free cash flow per share. In 2021, Gartner will generate $4.6 billion of revenue and around $11.50 of free cash flow per share. This represents an 11% CAGR in revenue and an 18% CAGR in FCF/share over the past 14 years. We expect to see a similar growth trajectory going forward, with similarly positive stock performance.

This quarter, we funded previous private placement commitments in **Velo3D, Inc.** and **SmartRent, Inc.**, which completed their de-SPAC processes during the quarter. We also participated in the IPO of **Krispy Kreme, Inc.**, which came public in July, and made a modest follow-on investment in privately held **Farmers Business Network, Inc.** Please see the section titled "Recent Purchases" for more information on some of these investments.

We exited modest positions in **ACV Auctions Inc.**, **Zymergen Inc.** common stock, and **Desktop Metal, Inc.** during the quarter. We think that these sales exemplify the merits of maintaining small initial position sizes. We were initially excited by the long-term opportunities represented by these businesses. Our ongoing and iterative due diligence efforts, coupled with adverse changes in these companies' end markets, raised issues regarding their ability to generate the financial results expected. We sold these small positions to reallocate that capital to investments that we believe offer more attractive risk-adjusted returns.

Table III.
Performance Based Characteristics as of September 30, 2021

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 9/30/2021	Millennium Internet Bubble to Present 12/31/1999 to 9/30/2021	Inception 12/31/1994 to 9/30/2021
Alpha (%)	5.05	4.35	5.88	7.40
Beta	0.58	0.80	0.69	0.71

Table IV.
Performance
Millennium Internet Bubble 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 9/30/2021		Millennium Internet Bubble to Present 12/31/1999 to 9/30/2021		Inception 12/31/1994 to 9/30/2021	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Growth Fund (Institutional Shares)	$12,448	2.46%	$76,613	17.32%	$95,372	10.93%	$352,787	14.25%
Russell 2000 Growth Index	$ 6,476	–4.71%	$63,225	15.56%	$40,942	6.70%	$ 97,662	8.89%
S&P 500 Index	$ 7,188	–3.60%	$61,906	15.37%	$44,498	7.10%	$156,240	10.82%

Index performance is not Fund performance; one cannot invest directly into an index.

The Fund has meaningfully outperformed its Benchmark over the long term. This is principally the result of not losing money during the nine years ended December 2008, when most others did…as well as outstanding performance of our growth stock investments. Fund performance has compounded at 14.25% annually since its inception on December 31, 1994, which exceeds that of the Benchmark by 5.36% annually. 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, while 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 17.32%, which exceeded that of its Benchmark by 1.76% annually. This represents robust absolute and relative returns across a variety of market environments, driven primarily by favorable stock selection.

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 $352,787 at September 30, 2021. This is approximately 3.6 times greater than the $97,662 the same hypothetical investment made in a fund designed to track the Benchmark would be worth. Hypothetically, our returns were achieved with approximately 30% less volatility than the Benchmark, as represented by its beta. (Please see Tables III and IV.) We are pleased that our long-term investments in what we believe are competitively advantaged growth companies with 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, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
MSCI, Inc.	2007	$1.8	$50.2	14.31%	1.45%
Gartner, Inc.	2007	2.3	25.4	25.47	1.07
FactSet Research Systems, Inc.	2006	2.5	14.9	17.89	0.77
West Pharmaceutical Services, Inc.	2013	2.3	31.4	18.28	0.39
Bio-Techne Corporation	2009	2.1	19.0	7.70	0.34

MSCI, Inc., a leading provider of investment decision support tools, contributed to performance. The company reported strong second quarter earnings results and management continued to express optimism regarding the economic and market backdrop moving forward. MSCI also enhanced its private markets capabilities with the acquisition of Real Capital Analytics. We retain long-term conviction as the company owns strong, "all weather" franchises and remains positioned to benefit from numerous secular tailwinds in the investment community.

Gartner, Inc., a provider of syndicated research, contributed to performance after reporting financial results that exceeded Street estimates. Growth in the company's research business has reaccelerated to double-digit levels. Research growth is led by the company's GBS segment, which is benefiting from a multi-year investment cycle. We expect improved revenue growth and focus on cost control to drive margin expansion and enhanced cash generation. The company's balance sheet is in excellent shape and can support aggressive share repurchases and bolt-on acquisitions.

FactSet Research Systems, Inc., a leading provider of investment management tools, contributed to performance. FactSet reported strong earnings and provided encouraging guidance as technology and content investments the company has been making over the past few years started to pay off with stronger growth. We retain conviction in FactSet due to the large addressable market, consistent execution on both new product development and financial results, and robust free cash flow generation.

Table VI.
Top detractors from performance for the quarter ended September 30, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Penn National Gaming, Inc.	2008	$2.5	$11.4	–5.27%	–0.28%
Schrodinger, Inc.	2020	1.7	3.9	–27.69	–0.21
Denali Therapeutics Inc.	2017	1.6	6.1	–35.62	–0.21
Zymergen Inc.	2021	3.8	1.3	–67.63	–0.21
Pegasystems, Inc.	2010	1.2	10.4	–8.66	–0.13

Shares of regional casino company **Penn National Gaming, Inc.** declined as investors fretted about lower market share in online sports betting, and more aggressive marketing spend from competitors in their facility-based businesses. We believe Penn's recently announced acquisition of Score Media and Gaming, combined with its Barstool acquisition last year, should help drive customers to its betting App, enhancing its market share. Penn has a strong balance sheet with earnings growth accelerating over time.

Schrodinger, Inc. is a hybrid biotechnology and technology company that uses molecular dynamics and free energy perturbations to model drug/target interactions for both third parties and its own internal efforts. Shares fell following second quarter financial results in which the company did not raise guidance and noted that revenue was weighted toward the fourth quarter. As we focus on company fundamentals and not these types of short-term issues, we remain shareholders.

Denali Therapeutics Inc. is a biotechnology company developing drugs to treat neurological disorders. Shares fell after an interim update reporting mixed results from its Phase 1/2 study of a program in treating Hunter syndrome. We remain optimistic that Denali will be successful with its suite of approaches targeting the brain.

Recent Purchases

This quarter we initiated a position in additive manufacturing vendor **Velo3D, Inc.** Velo produces a full-stack hardware and software solution based on proprietary powder bed fusion additive manufacturing technology. Its technology enables support-free production of highly complex, mission-critical metal parts.

Additive manufacturing has always promised cost-efficient design freedom, inventory reduction, part consolidation, and less waste compared to traditional manufacturing methods. Adoption has been gated by the need that parts be specifically "designed for additive" and frequently required support structures to prevent warpage, significantly reducing the purported benefits. Velo's unique technology eliminates the need for these support structures, enabling customers to unlock the true value proposition of additive manufacturing by avoiding inefficient redesign and wasteful additional processing steps associated with supports. Velo's products give customers in space, aviation, defense, energy and industrial markets the freedom to design and produce metal parts with complex internal features and geometries that had previously been considered impossible to produce with additive manufacturing. Customers such as SpaceX, Honeywell, and Lam Research all use Velo's technology today, and many plan to expand the technology to additional applications.

We believe Velo is uniquely positioned to create a new market for additive manufacturing that legacy systems could not support. The high-value metal parts market today is approximately $100 billion, with additive manufacturing only holding a 2% share. We expect the market to grow to be $180 billion by 2030, of which $20 billion will be exclusively served by support-free printing capabilities. We expect Velo to accelerate product development, sales, and marketing efforts to enhance its technology leadership and penetrate additional use cases, customers, and geographies. Velo will also release its larger and faster SapphireXC printer in late 2021, which already has a strong bookings and pre-order backlog to support near-term growth targets. Customers have the option to purchase the hardware outright or to subscribe to a hardware-as-a-service model, which provides Velo with a recurring revenue stream based on its existing footprint. Finally, we believe that CEO and founder Benny Buller has built an exceptional management team.

We also participated in the IPO of **Krispy Kreme, Inc.**, one of the most beloved and well-known sweet treat brands in the world. Krispy Kreme operates in the large, stable, and steadily growing $650 billion global indulgence market. Indulgence foods have proven to be recession resilient, and data indicates that nearly 97% of consumers enjoy indulgences at least occasionally. We believe that Krispy Kreme's iconic, globally recognized brand with rich history positions it well to meet this growing consumer demand.

The company operates an omni-channel model, selling doughnuts across its iconic Hot Light Theater Shops, Fresh Shops (smaller shops and kiosks), and Delivered Fresh Daily ("DFD"), where Krispy Kreme branded doughnut cabinets are placed within high traffic grocery and convenience locations. To reach consumers, they operate a Hub & Spoke model, with Hot Light Theater Shops and Doughnut Factories (hubs) providing fresh doughnuts to Fresh Shops and DFD doors (spokes). Going forward, we expect the company to grow both "Hubs" and "Spokes" to further expand its reach and ensure products are available wherever consumers choose to shop.

New management has expanded the company's reach by launching additional products and through strategic acquisitions. Krispy Kreme launched its Branded Sweet Treats line in 2020. Products include nine different packaged, shelf-stable offerings, including a variety of Doughnut Bites and Mini Crullers that are available at a range of grocery, mass merchandise, and convenience retailers. The company also has a 74.7% interest in Insomnia Cookies, a fast-growing, digital first cookie concept that can deliver warm treats locally within 30 minutes, or next-day to more than 95% of addresses in the U.S.

We see Krispy Kreme as fitting squarely within the **Core Growth** category highlighted above. We believe that growth from the core doughnut business, combined with Branded Sweet Treats and Insomnia cookies will enable the company to grow revenue in the high single to low double-digit range over the long term. Additional efficiencies from scaling the hub-and-spoke model in the U.S. and leverage on recent investments in Branded Sweet Treats should lead to low to mid double-digit EBITDA growth. Finally, we expect earnings to grow even faster than EBITDA as the company generates cash flow and pays down debt.

Finally, we acquired shares of **SmartRent, Inc.**, a leader in technology for residential rentals. SmartRent provides a suite of renter products including keyless entry, self-guided tours, smart parking, video intercom, package delivery, community wifi, leak detection, and temperature control management. SmartRent's products enhance the convenience and experience for renters, while enabling property managers to increase rents by $25 to $100 per month and reduce leasing costs. SmartRent has an open-source, hardware agnostic platform allowing for ease of integration with existing hardware and property management software combined with a large and growing installer network that creates a strong moat in the retrofit market.

The company has already deployed 200,000 units to over 450,000 total users and has experienced zero churn to date. Through strategic partnerships with 15 of the top 20 institutional apartment owners, the company has a pipeline of 600,000 committed units to deploy, which represents a subset of the 3.5 million unit opportunity within its existing customer base. SmartRent charges a low recurring base monthly fee of $8/month to apartment owners. We estimate that cross-selling current products to current customers could yield a $2 billion recurring revenue stream, with additional growth generated from new customer acquisitions and new product launches. In addition, we believe there is upside potential longer term through emerging initiatives that could open several exciting adjacent growth verticals such as international and student/senior housing. Lastly, with approximately $500 million of cash, we expect M&A opportunities to layer on additional services to augment growth both to the product offering as well as monthly pricing.

Portfolio Structure and Investment Strategy

We seek to invest in businesses with attractive fundamental characteristics underpinned by sustainable competitive advantages. We search for businesses that serve large addressable markets benefiting from favorable secular tailwinds. We favor business models that have high levels of recurring revenue, generate attractive incremental margins, are cash generative, and are not dependent on third-party financing. We exclusively invest with management teams that we consider exceptional and are investing in their businesses to generate long-term profitable growth.

We hold investments for the long term. As of September 30, 2021, the weighted average holding period of the portfolio was 13.7 years. This is dramatically longer than most other small-cap growth funds, which, according to Morningstar, turn over about 82% of their portfolios annually. The portfolio's 10 largest positions have a weighted average holding period of 16.5 years, ranging from a 12.7 year investment in **Bio-Techne Corporation** and **ANSYS, Inc.**, to a 24.9 year investment in **Choice Hotels International, Inc.** Twenty-one investments, representing 74.5% of the portfolio's net assets, have been held for more than 10 years. Thirteen investments, representing 19.4% of the portfolio's net assets, have been held between 5 and 10 years. A further 17 investments, representing 6.0% of the portfolio's net assets, have been owned for less than 5 years.

We believe that Table VII and Table VIII demonstrate the merits of our long-term holding philosophy, as our longest tenured investments have continued to generate robust absolute and relative returns.

Table VII.
Top performing stocks owned more than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
IDEXX Laboratories, Inc.	2005	4,221.0%
Choice Hotels International, Inc.	1996	2,545.1
MSCI, Inc.	2007	2,536.5
CoStar Group, Inc.	2004	2,049.4
Vail Resorts, Inc.	1996	1,935.3
Mettler-Toledo International, Inc.	2008	1,809.3

The cohort of investments that we have held for more than five years earned an annualized rate of return of 20.4% based on weighted average assets since we first purchased them, which exceeded the performance of the Fund's Benchmark by 9.0% per year annualized. Seven of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year, including four that have achieved annualized returns that exceeded the Benchmark by more than 15% per year and two that have exceeded the benchmark by more than 20% annually. The subset of this cohort that we have held for more than 10 years has compounded at a similar 19.8% and exceeded the benchmark by 8.9% annualized.

Table VIII.
Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Kinsale Capital Group, Inc.	2016	506.8%
Schrodinger, Inc.	2018	415.5
Altair Engineering Inc.	2017	276.5

The cohort of investments that we have held for less than five years has returned 35.6% annually based on weighted average assets since our initial purchase and exceeded the Benchmark by 19.7% annualized. Nine 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 20% per year.

PORTFOLIO HOLDINGS

As of September 30, 2021, Baron Growth Fund had 51 investments. The top 10 holdings represented 55.9% 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 increased by an average of 19.0 times since our initial investment and have exceeded the Benchmark by an average of 8.2% annually. 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.

We only purchase small-cap companies. Since we hold investments for the long term, we have a significant percentage of assets invested in securities that have appreciated beyond their market capitalizations at the time of purchase. Baron Growth Fund's median market cap is $6.7 billion and its weighted average market cap is $20.7 billion. This compares to Morningstar's U.S. market cap breakpoints for small- and mid-cap funds of $7.0 billion and $37.5 billion, respectively, as of September 30, 2021. Baron Growth Fund's top 10 holdings represent 55.9% of the Fund's assets under management. These investments have increased in value significantly since we purchased their shares. They have also significantly outperformed their Benchmark principally because their businesses have grown faster than companies in their Benchmark index…. which we expect to continue.

Table IX.
Top 10 holdings as of September 30, 2021

	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	$50.2	$1,009.8	11.0%
Vail Resorts, Inc.	1997	0.2	13.5	668.1	7.3
Gartner, Inc.	2007	2.3	25.4	478.6	5.2
FactSet Research Systems, Inc.	2006	2.5	14.9	473.7	5.1
CoStar Group, Inc.	2004	0.7	34.0	463.9	5.0
IDEXX Laboratories, Inc.	2005	1.9	52.9	441.5	4.8
Penn National Gaming, Inc.	2008	2.5	11.4	424.6	4.6
Bio-Techne Corporation	2009	2.1	19.0	409.5	4.5
ANSYS, Inc.	2009	2.3	29.7	391.5	4.3
Choice Hotels International, Inc.	1996	0.4	7.0	379.1	4.1

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 its 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.

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