DEAR BARON HEALTH CARE FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended September 30, 2021, Baron Health Care Fund (the "Fund") advanced 1.18% (Institutional Shares), compared with the 0.17% gain for the Russell 3000 Health Care Index (the "Benchmark") and the 0.58% gain for the S&P 500 Index. Year-to-date, the Fund increased 13.40% compared with the 10.66% increase for the Benchmark and the 15.92% gain for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 25.35% on an annualized basis compared with the 16.62% gain for the Benchmark and the 17.44% gain for the S&P 500 Index.

Table I.
Performance
For periods ended September 30, 2021

	Baron Health Care Fund Retail Shares[1,2]	Baron Health Care Fund Institutional Shares[1,2]	Russell 3000 Health Care Index[1]	S&P 500 Index[1]
Three Months[3]	1.09%	1.18%	0.17%	0.58%
Nine Months[3]	13.17%	13.40%	10.66%	15.92%
One Year	32.42%	32.78%	21.81%	30.00%
Three Years	22.78%	23.11%	12.91%	15.99%
Since Inception (April 30, 2018)	25.03%	25.35%	16.62%	17.44%

In the third quarter, the Fund outperformed the Benchmark by 101 basis points due to stock selection and, to a lesser extent, differences in sub-industry exposures.

Investments in life sciences tools & services, pharmaceuticals, and specialized REITs and minimal exposure to lagging health care services stocks added the most value. Within life sciences tools & services, meaningfully higher exposure to this strong performing sub-industry and outperformance of contract clinical research services provider **ICON Plc** bolstered relative results. ICON was the top contributor after the company delivered a top-line beat and management raised 2021 guidance to incorporate the contribution of the recently acquired PRA Health Sciences, Inc. Strength in the sub-industry also came from integrated drug containment and delivery solutions provider **Stevanato Group S.p.A** and life sciences tools developer **Bio-Techne Corporation**. Stevanato's shares, which were initially down following the company's mid-July IPO, subsequently rallied after attracting attention from investors who believed the business was trading at a discount. Bio-Techne's stock rose in response to strong quarterly financial results and an upbeat investor day. Strength in pharmaceuticals was driven by veterinary pharmaceutical specialist **Dechra Pharmaceuticals PLC**, whose financial results came in ahead of Street expectations due to market share gains, healthy companion animal trends, successful product launches/acquisitions, and ongoing geographic expansion. The Fund's unique exposure to the specialized REITs sub-industry through its investment in **Alexandria Real Estate Equities, Inc.** added value. Shares of life science office REIT Alexandria were up after reporting strong quarterly results. Management also provided a bright outlook for the remainder of the year as fundamentals remain excellent across the company's real estate footprint.

NEAL KAUFMAN
PORTFOLIO MANAGER

Retail Shares: BHCFX
Institutional Shares: BHCHX
R6 Shares: BHCUX

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2020 was 1.73% and 1.45%, respectively, but the net annual expense ratio was 1.10% and 0.85% (net of the Adviser's fee waivers), respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2032, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 The **Russell 3000® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. The **S&P 500 Index** measures the performance 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 redemptions of Fund shares.

3 Not annualized.

Baron Health Care Fund

Underperformance of investments in commodity chemicals and managed health care and lower exposure to strong performing health care equipment stocks weighed the most on relative results. Weakness in commodity chemicals came from **Zymergen Inc.**, a company dedicated to fermenting bacteria to make materials. The company's shares fell sharply after management withdrew previous financial targets due to the delayed commercial launch of the company's lead product, Hyaline. We exited the position given material impacts to the business. The Fund's managed health care holdings underperformed after falling 7.9% as a group, with **Humana Inc.** and **HealthEquity, Inc.** driving the decline. Humana's shares were hurt by limited near-term earnings visibility and uncertainty about Medicare Advantage rate cuts. HealthEquity's stock was under pressure before being sold due to lower interest rates and ongoing headwinds to the commuter benefits business as many employees continue to work from home.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to other Baron Funds, we remain focused on finding businesses that we believe have open-ended secular growth opportunities, durable competitive advantages, and strong management teams. We conduct independent research and take a long-term perspective. We are particularly focused on businesses that solve problems in health care, whether by reducing costs, enhancing efficiency, and/or improving patient outcomes.

We continue to think the Health Care sector will offer attractive investment opportunities over the next decade and beyond. Health Care is one of the largest and most complex sectors in the U.S. economy, accounting for approximately 18% of GDP and encompassing a diverse array of sub-industries. Health Care is also a dynamic industry undergoing changes driven by legislation, regulation, and advances in science and technology. We think navigating these changes requires investment experience and sector expertise, which makes the Health Care sector particularly well suited for active management.

Table II.
Top contributors to performance for the quarter ended September 30, 2021

	Percent Impact
ICON Plc	1.27%
Acceleron Pharma Inc.	1.10
Moderna, Inc.	0.91
BioNTech SE	0.46
Stevanato Group S.p.A	0.44

ICON Plc is the second largest global Contract Research Organization ("CRO") after its July merger with PRA Health Sciences. Shares of ICON, which provides outsourced drug development services to pharmaceutical and biotechnology companies, rose as investors warmed to the merger and initial concerns regarding potential disruptions receded. We remain investors. The merger brings together complementary strengths of two well-managed CROs, customer reception has been positive, and cost and sales synergies appear achievable.

Acceleron Pharma Inc. is a biotechnology company with the rare profile of having two blockbuster assets in the pipeline: cardiovascular drug sotatercept and anemia drug luspatercept. Shares increased on news that Acceleron was the target of a potential acquisition by Merck. We think of Acceleron as a first class company and continue to be shareholders.

Moderna, Inc. is a leader in the emerging field of mRNA-based vaccines and therapeutics. Shares performed well for the quarter. Moderna has been one of the most successful companies in the race to develop and provide a COVID-19 vaccine and is focusing on introducing a COVID-19 booster combined with the flu shot. With the COVID-19 vaccine success under its belt, we think Moderna has potential to disrupt the entire biopharmaceutical industry, from infectious disease vaccines to oncology and rare disease treatment.

BioNTech SE is a leader in the emerging field of mRNA drugs, with additional programs in engineered cell therapies, antibodies, and immunomodulators. Shares performed well for the quarter. The COVID-19 vaccine rollout continues with the addition of a booster shot, and we believe the pandemic has been a strong proof point of the speed and efficacy of the mRNA platform. Beyond vaccines, we think BioNTech has potential to disrupt the biopharmaceutical space with a pipeline spanning oncology, infectious diseases, and rare diseases.

Stevanato Group S.p.A is a leading global provider of drug containment, drug delivery, and diagnostic solutions to the pharmaceutical, biotechnology, and life sciences industries. After initially falling in its first few post-IPO trading sessions, the stock rose as investors quickly came to realize the company is a high-quality business with a steady growth outlook that was trading at a discount. We think the business can grow by high single-digits to low double-digits on the top-line with EBITDA margin expansion to the high 20% range over time.

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

	Percent Impact
Zai Lab Limited	–0.70%
Zymergen Inc.	–0.66
Eargo, Inc.	–0.55
Arrowhead Pharmaceuticals, Inc.	–0.47
Denali Therapeutics Inc.	–0.45

Zai Lab Limited is a leading biotechnology company helping to modernize the Chinese health care industry. Zai's initial focus centered around in-licensing western medicines for commercialization in China; this has expanded into internal pipeline efforts. Shares fell alongside the broader Chinese equity markets given concerns around regulations the government has enacted in education, technology, and real estate. While we are paying attention to these developments, so far, we think health care will not be subject to any draconian rulings.

Zymergen Inc. is a company dedicated to biofacturing, or harnessing bacteria to manufacture materials. Zymergen was a detractor following an unexpected update announcing both a major delay in the launch of lead product Hyaline and the removal of CEO Josh Hoffman, who was replaced by company chairman and former Illumina CEO Jay Flatley. We exited our position given material impacts to the business.

Eargo, Inc. offers a hearing aid that is virtually invisible, affordable, and delivered through a telecare-based direct-to-consumer model. Shares fell sharply for the period held after the company disclosed it was undergoing a claims audit by an insurance company that then escalated into an investigation by the Department of Justice. We exited our position because we believe this development fundamentally changed our investment thesis.

Arrowhead Pharmaceuticals, Inc. is a biotechnology company developing RNAi (i=interference) drugs. Shares dropped after a July announcement that the company was pausing its early stage clinical trial for a treatment for cystic fibrosis. A few weeks after the July announcement, the company presented positive data for a treatment targeting a protein in kidney cancer. We retain conviction in Arrowhead and the long-term prospects of RNAi as a drug category.

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 convicted in Denali for its suite of approaches toward targeting the brain.

PORTFOLIO STRUCTURE

We build the portfolio from the bottom up, one stock at a time, using the Baron investment approach. We do not try to mimic an index, and we expect the Fund to look very different from its Benchmark. We loosely group the portfolio into three categories of stocks: earnings compounders, high-growth companies, and biotechnology companies. We define earnings compounders as companies that we believe can compound earnings at double-digit rates over the long term. We define high-growth businesses as those that may not be profitable today, that we expect can generate mid-teens or better revenue growth, and that we believe can be highly profitable in the future. We expect the portfolio to have a mix of earnings compounders, high-growth, and biotechnology companies. We typically aim to have roughly 50% of the portfolio in earnings compounders with the balance divided between biotechnology and high-growth companies but our allocations among these three categories can change depending upon our view of the opportunity set and the market environment.

As of September 30, 2021, the Fund's active share was 74.1%. The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of September 30, 2021, the Fund held 51 positions. This compares with 638 positions in its Benchmark. International stocks represented 20.7% of the Fund's net assets. The Fund's 10 largest holdings represented 41.1% of net assets. Compared with its Benchmark, the Fund was overweight life sciences tools & services and health care technology, and underweight pharmaceuticals, health care equipment, and health care services, among other sub-industries. The market cap range of investments in the Fund was $257 million to $368 billion, with a weighted average market cap of $64.6 billion. This compared with the Benchmark's weighted average market cap of $143.8 billion.

We continue to invest in many of the themes we have written about in prior quarterly letters, such as genomics/proteomics, genetic medicine, technology-enabled drug development/discovery, minimally invasive surgery, diabetes management, "picks and shovels" life sciences tools providers, and animal health, among others. During the quarter, we added to **GoodRx Holdings, Inc.** and **Figs Inc.**, both of which have strong direct-to-consumer health care brands.

To be clear, this list is not exhaustive: we own stocks in the portfolio that do not fit neatly into these themes and there are other themes not mentioned here that are in the portfolio. We evaluate each stock on its own merits.

Table IV.
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
Natera, Inc.	2021	$ 10.2	$ 10.5	$12.8	6.0%
ICON Plc	2018	8.0	20.9	11.6	5.5
UnitedHealth Group Incorporated	2018	227.4	368.4	11.4	5.4
Acceleron Pharma Inc.	2018	1.6	10.5	9.3	4.4
Thermo Fisher Scientific Inc.	2019	117.6	224.8	9.2	4.3
Bio-Techne Corporation	2018	5.7	19.0	9.0	4.2
argenx SE	2018	2.8	15.5	7.4	3.5
Dechra Pharmaceuticals PLC	2018	3.9	7.1	5.6	2.7
Eli Lilly and Company	2021	187.4	221.0	5.4	2.6
Zoetis Inc.	2019	55.9	92.0	5.2	2.5

Table V.
Fund investments in GICS sub-industries as of September 30, 2021

	Percent of Net Assets
Life Sciences Tools & Services	29.2%
Health Care Equipment	17.7
Biotechnology	17.2
Pharmaceuticals	7.7
Managed Health Care	6.9
Health Care Technology	5.1
Health Care Supplies	3.7
Specialized REITs	1.7
Cash and Cash Equivalents	10.8
Total	100.0%

RECENT ACTIVITY

Table VI.
Top net purchases for the quarter ended September 30, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Natera, Inc.	$ 10.5	$13.2
GoodRx Holdings, Inc.	16.2	5.2
Mirati Therapeutics, Inc.	9.1	4.0
Stevanato Group S.p.A	7.5	3.1
Thermo Fisher Scientific Inc.	224.8	2.7

During the third quarter, we established seven new positions and exited seven positions. Below we discuss some of our top net purchases and sales.

We initiated a position in **Natera, Inc.**, a diagnostics company with a cell-free DNA platform that enables it to detect tiny amounts of DNA in a blood sample. Natera first applied its technology platform to women's health, where the company markets a blood test that can detect fetal DNA in the blood of pregnant women, enabling early detection of chromosomal abnormalities with a non-invasive test. Through the strength of its technology platform, clinical data, and customer service, Natera has established itself as a market leader in non-invasive prenatal testing. Natera is seeing tailwinds in its women's health business from recently expanded insurance coverage for average risk pregnancies. Natera is now applying its technology platform to other markets, including the oncology market and the organ transplant market. In the oncology market, Natera offers a personalized blood-based DNA test called Signatera, which detects and quantifies how much residual cancer DNA remains in the body after surgery. Signatera helps physicians determine whether chemotherapy is necessary after surgery and monitor for cancer recurrence before the cancer is detectable with standard imaging. We think Signatera will change the standard of care and is in the early innings of adoption in a market we estimate to be over $15 billion. We think Natera has a long runway for growth with expanding margins and profitability.

We initiated a position in **GoodRx Holdings, Inc.**, a leading consumer-focused digital health care platform. The company's core offering is a free App that provides consumers with access to discounts on prescription medications. This increases medication adherence since GoodRx's discounted prices enable consumers to afford to fill their prescriptions, resulting in better health care outcomes and lower costs to the health care system. GoodRx generates revenue each time the consumer uses the GoodRx discount card for a new or refilled prescription. As GoodRx attracts more consumers to its platform, the company increases its scale, which enables it to negotiate lower prices, which attracts more consumers. GoodRx has a growing subscription business where consumers pay monthly subscription fees to access even lower drug prices. The subscription business increases GoodRx's revenue visibility and customer lifetime value. GoodRx has a strong brand with exceptionally high Net Promoter Scores among consumers and health care providers. With 20 million monthly visitors, GoodRx has a valuable platform that it is monetizing by adding new products and services. Recent examples include its telehealth offering, pharmaceutical manufacturer solutions business, and proprietary health care content, which should help solidify GoodRx's positioning as the go-to health care platform for consumers. GoodRx is profitable and growing rapidly with strong margins and cash flows.

We initiated a position in **Mirati Therapeutics, Inc.**, a clinical-stage biotechnology company developing novel therapeutics targeting the genetic and immunologic drivers of cancer. The company's lead drug, known as Adagrasib, targets a protein called KRAS that is a central node in driving tumor growth. We think Adagrasib has a best-in-class profile in a multi-billion-dollar drug category. Currently, Amgen has a competing drug on the market, but clinical data on Adagrasib presented at the recent European Society of Medical Oncology meeting gives us confidence that Mirati's drug has better attributes including residence time on target, efficacy response rates, longer duration of treatment, combinability opportunities, and blood brain barrier penetration.

We initiated a position **Stevanato Group S.p.A**, a company based in Italy with a 70-year history. Stevanato is a leading provider of drug container products, such as vials and syringes, among other products and services. The company serves many of the world's largest pharmaceutical and biotechnology companies. The company's products are included as part of the regulatory filings for the drugs they contain, which results in high switching costs and provides recurring revenue for the life of the drug. We believe Stevanato has a stable growth business that should benefit from product mix shifts towards higher-value, higher-priced, higher-margin products such as EZ Fill (ready-to-fill products provided to customers after they have been washed, sterilized, and depryogenated), Alba (a material that reduces silicon oil particle leaks and delamination), and Nexa, a material that provides high mechanical resistance. We think the business can grow by high single-digit to low double-digit rates on the top line with EBITDA margin expanding to the high 20% range over time.

We added to our position in **Thermo Fisher Scientific Inc.**, a leading provider of life sciences tools & services. Thermo Fisher is a well-managed business with secular tailwinds in attractive life sciences end markets. At the company's annual investor day, management provided long-term financial targets consisting of 7% to 9% core organic revenue growth and mid-teens annual earnings and free cash flow growth. We continue to like Thermo Fisher as a long-term earnings compounder.

Table VII.
Top net sales for the quarter ended September 30, 2021

	Amount Sold (millions)
Humana Inc.	$2.6
Moderna, Inc.	2.1
Teleflex Incorporated	1.8
HealthEquity, Inc.	1.8
Cigna Corporation	1.6

We reduced our position in **Humana Inc.** due to the lack of near-term earnings visibility and potential for Medicare Advantage rate cuts. We trimmed our position in **Moderna, Inc.** due to valuation. We reduced our position in **Teleflex Incorporated** due to the proposed reduction in Medicare payments for UroLift procedures in physicians' offices, which would result in a headwind to growth. We exited our positions in **HealthEquity, Inc.** and **Cigna Corporation** due to concerns about business headwinds.

Outlook

Stock market volatility has increased due to macroeconomic factors: oil prices, supply chain issues, inflation, interest rates, the COVID-19 pandemic, and the debt ceiling. Although we take these issues into consideration, we do not invest by trying to predict the outcome or direction of macroeconomic events. We have been holding more cash in the Fund than usual due to stretched valuations, but recent volatility is presenting us with opportunities to deploy cash into some great businesses.

As it relates more specifically to health care, politicians continue to discuss potential health care policy changes, including a proposal for Medicare to negotiate drug prices with biopharmaceutical companies. If enacted, this proposal could negatively impact biopharmaceutical R&D spending. We think moderates will prevail and this proposal will not go through, but we are closely monitoring the situation. Despite this uncertainty, we continue to believe now is an exciting time to be a long-term investor in Health Care because of major advances in science, medicine, and technology.

As always, I would like to thank my colleague Josh Riegelhaupt, Assistant Portfolio Manager of Baron Health Care Fund, for his invaluable contributions to the Fund.

Thank you for investing in Baron Health Care Fund. I remain an investor in the Fund, alongside you.

Sincerely,

Neal Kaufman

Neal Kaufman
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains 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: In addition to general market conditions, the value of the Fund will be affected by investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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