DEAR BARON HEALTH CARE FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended March 31, 2022, Baron Health Care Fund (the "Fund") declined 9.93% (Institutional Shares), compared with the 4.56% decline for the Russell 3000 Health Care Index (the "Benchmark") and the 4.60% decline for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 19.20% on an annualized basis compared with the 15.01% gain for the Benchmark and the 16.76% gain for the S&P 500 Index.

Table I.
Performance†
For periods ended March 31, 2022

	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]	(10.03)%	(9.93)%	(4.56)%	(4.60)%
One Year	3.33%	3.62%	10.83%	15.65%
Three Years	21.68%	21.98%	14.92%	18.92%
Since Inception (April 30, 2018)	18.89%	19.20%	15.01%	16.76%

NEAL KAUFMAN

PORTFOLIO MANAGER

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

The Fund underperformed the Benchmark by 537 basis points due to stock selection and, to a lesser extent, differences in sub-industry weights.

Investments in health care distributors, health care services, and health care facilities along with cash exposure in a down market contributed to relative results. Within health care distributors, higher exposure to this strong performing sub-industry and outperformance of pharmaceutical distributor and technology solutions provider **McKesson Corporation** added value. McKesson was the top contributor as investors rotated into value stocks that were trading at low multiples of earnings. We continue to believe that McKesson's stock is inexpensive in light of the company's strong competitive position in growing end markets and earnings growth potential. Favorable stock selection in health care services and health care facilities was driven by gains from **LHC Group, Inc.** and **Tenet Healthcare Corporation**, respectively. Shares of LHC were up more than 22% after a unit of **UnitedHealth Group Incorporated** agreed to acquire the company, while Tenet's stock was up single digits as investors began to value the stock more highly on a sum-of-the parts basis.

Investments in life sciences tools & services, pharmaceuticals, and biotechnology detracted the most from relative performance. Weakness in life sciences tools & services was partly due to the underperformance of clinical research organization **ICON Plc** and genetic testing provider **Natera, Inc.** Despite reporting in-line quarterly results and issuing strong 2022 guidance, ICON's shares pulled back due to fears about early-stage biotechnology funding and the rotation out of strong 2021 performers. We continue to have conviction in ICON. We sold Natera because the profit inflection we had anticipated is likely to take longer to materialize, resulting in heavier cash burn rates than we originally expected. Higher exposure to this lagging sub-industry and underperformance of life sciences tools developer **Bio-Techne Corporation**, weighing instruments provider **Mettler-Toledo International, Inc.**, and liquid biopsy testing leader **Guardant Health, Inc.**, also hampered performance. Adverse stock selection in pharmaceuticals came from animal health specialists **Dechra Pharmaceuticals PLC** and **Zoetis Inc.**, whose shares declined as investors rotated out of standout performers from the prior year and into value

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, 2021 was 1.17% and 0.89%, 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.

† The Fund's 1-year historical performance was impacted by gains from IPOs. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same.

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 FUNDS® 1987

names. The Fund's lower exposure to strong performing large-cap pharmaceutical companies such as Johnson & Johnson and **Merck & Co., Inc.** detracted another 55-plus basis points from relative performance. The Fund's biotechnology holdings underperformed after declining 14%, with **Arrowhead Pharmaceuticals, Inc.**, **Mirati Therapeutics, Inc.**, and **argenx SE** leading the group lower during the period.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to the 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 March 31, 2022

	Percent Impact
McKesson Corporation	0.61%
AstraZeneca PLC	0.58
AbbVie Inc.	0.38
UnitedHealth Group Incorporated	0.31
Eli Lilly and Company	0.25

McKesson Corporation is a leading distributor of pharmaceuticals and medical supplies and also provides prescription technology solutions that connect pharmacies, providers, payers, and customers. Shares increased as investors rotated into value stocks like McKesson that are trading at low multiples of earnings. We continue to believe the stock is inexpensive in light of the company's strong competitive position in growing end markets and earnings growth potential.

AstraZeneca PLC is a pharmaceutical company developing products across a range of indications including oncology, cardiovascular, and respiratory. AstraZeneca is widely recognized as having the best top-line and bottom-line growth profiles in the pharmaceutical space without a discernable patent cliff this decade. Given consistent new product outperformance (Calquence and Enhertu are recent examples), we expect continued share appreciation as AstraZeneca's financials compound.

AbbVie Inc. is a large pharmaceutical company best known for its product Humira, which has been the largest selling drug for over a decade. There has been investor concern around the Humira patent cliff starting in 2023, but AbbVie has done a nice job diversifying its pipeline with its acquisition of Allergan and development of other drugs. Investors have begun to rotate into AbbVie, given a single-digit earnings multiple in an environment of greater uncertainty. We retain conviction in AbbVie given its durable cash flow streams.

UnitedHealth Group Incorporated is a leading diversified health and well-being company whose divisions include insurance arm United Healthcare and Optum, which offers care delivery and other services. Shares increased on a fourth quarter beat and a reaffirmation of what is likely conservative guidance for 2022. We believe UnitedHealth leads the health care industry in innovation and execution, as evidenced by its strong value proposition leading to Medicare Advantage share gains, strong cost controls, and its leadership position in the shift to value-based care.

Eli Lilly and Company is a global pharmaceutical company with a diverse offering primarily focused on therapeutics. Performance was strong mostly due to consistent financial growth powered by its core diabetes (and future obesity) franchise, as well as the constant drumbeat surrounding the Alzheimer's therapeutic market, of which Eli Lilly has one of the three potential winning blockbuster candidates in Donanemab. We retain conviction in Eli Lilly given the company's strong long-term growth outlook.

Table III.
Top detractors from performance for the quarter ended March 31, 2022

	Percent Impact
ICON Plc	–1.18%
Natera, Inc.	–1.06
Dechra Pharmaceuticals PLC	–0.85
Zoetis Inc.	–0.67
Bio-Techne Corporation	–0.63

ICON Plc is the second largest global contract research organization (CRO) of outsourced drug development services. Despite in-line quarterly results and strong 2022 guidance, shares fell due to a rotation out of higher-valued 2021 outperformers. Concern over lower biotechnology funding levels also weighed on CRO stocks. We retain conviction, as we believe ICON's merger with PRA Health Sciences will drive attractive cost and revenue synergies, as greater scale, expanded capabilities, and a broader geographic footprint facilitate new client wins and expanded relationships.

Natera, Inc. is a leader in non-invasive prenatal testing whose proprietary technology has also been applied to cancer recurrence detection. Shares declined during the period we owned the stock. We sold our shares, as the profit inflection we had anticipated is likely to take longer than we had originally expected to materialize, resulting in heavier cash burn rates than we had estimated.

Shares of animal pharmaceutical company **Dechra Pharmaceuticals PLC** declined as part of larger rotation out of high-multiple, strong 2021 performers into more value names. We retain conviction. Recent financial results and guidance beat Street expectations, with particular strength in North America. Dechra's balance sheet remains underlevered despite several attractive one-off product acquisitions that will expand its portfolio of specialty drugs; we expect larger transactions are possible in the near term.

Shares of **Zoetis Inc.**, the global leader in the discovery, development, and manufacturing of companion and farm animal health medicine and vaccines, fell along with shares of other high-multiple 2021 standout performers. We retain conviction as Zoetis recently reported a top and bottom line beat with more than 21% growth driven by dermatology, parasiticides, and recently launched monoclonal osteoarthritic treatments. The company's 2022 guidance was in line with Street expectations, calling for 9% to 11% operational revenue growth and modest margin expansion despite heavy investment in core growth drivers.

Bio-Techne Corporation is a leading provider of life sciences tools, such as high-quality purified proteins and protein analysis tools, which are sold to biomedical researchers and clinical research laboratories. Shares fell in concert with a broad rotation out of high-growth and life sciences tools stocks that had performed well in 2021. We continue to believe Bio-Techne can generate strong revenue growth driven by its research reagents, cell and gene therapy tools, and protein platform business.

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 the 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 stocks as companies we expect to generate mid-teens or better revenue growth and which may not be profitable today, but which 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. During the quarter, we increased the percentage of the portfolio invested in earnings compounders and decreased the Fund's biotechnology and high-growth company exposure.

As of March 31, 2022, the Fund's active share was 65.0%. The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of March 31, 2022, the Fund held 50 issuers. This compares with 644 positions in the Benchmark. International stocks represented 20.9% of the Fund's net assets. The Fund's 10 largest holdings represented 41.3% of net assets. Compared with the Benchmark, the Fund was overweight in life sciences tools & services, health care distributors, and health care technology, and underweight in biotechnology, pharmaceuticals, and health care equipment. The market cap range of the investments in the Fund was $165 million to $480 billion with a weighted average market cap of $124 billion. This compared with the Benchmark's weighted average market cap of $181 billion.

We continue to invest in multiple secular growth themes in Health Care, such as genomics/genetic testing/genetic medicine, technology-enabled drug development/discovery, minimally invasive surgery, diabetes devices and therapeutics, anti-obesity medications, "picks and shovels" life sciences tools providers, value-based health care, Medicare Advantage, home health care, and animal health, among others. 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 March 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
UnitedHealth Group Incorporated	2018	$227.2	$479.8	$18.3	8.6%
Thermo Fisher Scientific Inc.	2019	117.4	231.1	11.2	5.2
Bio-Techne Corporation	2018	5.7	17.0	11.1	5.2
Eli Lilly and Company	2021	187.4	272.7	9.2	4.3
AstraZeneca PLC	2021	188.4	205.6	8.4	3.9
Dechra Pharmaceuticals PLC	2018	3.9	5.8	7.1	3.3
McKesson Corporation	2021	34.2	45.9	6.0	2.8
argenx SE	2018	2.8	17.0	6.0	2.8
Edwards Lifesciences Corp.	2018	26.8	73.1	5.6	2.6
ICON Plc	2018	8.0	19.8	5.5	2.6

Table V.
Fund investments in GICS sub-industries as of March 31, 2022

	Percent of Net Assets
Life Sciences Tools & Services	19.6%
Pharmaceuticals	18.8
Health Care Equipment	17.3
Managed Health Care	12.4
Biotechnology	9.3
Health Care Supplies	3.4
Health Care Technology	3.3
Health Care Distributors	2.8
Specialized REITs	2.4
Health Care Facilities	1.8
Health Care Services	1.2
Specialty Stores	0.6
Cash and Cash Equivalents	7.1
Total	100.0%

Recent Activity

During the first quarter, we established 7 new positions and exited 16 positions. In this time of high inflation and rising interest rates, we are particularly focused on ensuring the companies in which we invest have pricing power, strong balance sheets, and strong cash flows. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended March 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
The Cooper Companies, Inc.	$ 20.6	$4.6
Anthem, Inc.	118.5	4.3
AbbVie Inc.	286.3	4.2
Novo Nordisk A/S	256.5	3.0
Roche Holding AG	324.5	2.5

We established a position in **The Cooper Companies, Inc.**, a medical device company that is a global leader in its two verticals, contact lenses and women's health/fertility products and services. On the contact lens side, Cooper is enjoying above-market growth driven by the company's wide range of specialty lens offerings and the multi-year trend of users trading up to daily silicone hydrogel lenses where Cooper is under-indexed. The contact lens market is an oligopoly with high barriers to entry and long product cycles. Especially exciting is Cooper's portfolio of myopia management products, including MiSight, the first FDA approved contact lens indicated to slow the progression of near-sightedness in children between the ages of 8 and 12 at the initiation of treatment. We believe MiSight addresses a potentially large and growing market. Cooper is in the process of launching MiSight globally and we believe it has the potential to become the standard of care. On the women's health side, Cooper Surgical has positioned itself, primarily through niche acquisitions, to be a one-stop-shop for obstetricians/gynecologists, and has built a strong and expanding franchise in the rapidly growing global fertility market. We believe Cooper is a high-quality, well-managed company that is well positioned to achieve solid high single-digit organic revenue growth, expanding margins, and strong free cash flows.

We initiated a position in **Anthem, Inc.** (which recently announced plans to change its name to Elevance Health), one of the largest health benefits companies in the U.S. in terms of medical membership, serving more than 45 million medical members through its affiliated health plans. Anthem serves its members through the Blue Cross and Blue Shield brand name. Similar to many managed care peers, Anthem generates its revenue from the U.S. (which avoids risks related to foreign country exposure) and has pricing power (which enables it to more than offset inflation). More specific to Anthem, the company has multiple growth drivers, including its Medicare Advantage business, its in-house pharmacy benefit management business, and its Diversified Business Group, which includes behavioral health, advanced analytics, and complex and chronic care services. Over the long term, management targets 12% to 15% annual EPS growth. We think Anthem is a high-quality growth company trading at a reasonable valuation.

We initiated a position in **AbbVie Inc.**, a leading global biopharmaceutical company. AbbVie's key product Humira, a drug used in multiple immunology indications, represented roughly 37% of total sales in 2021. Humira loses patent protection and sales will begin to erode in 2023. Management expects 2023 to be the company's trough earnings year and moving forward we note AbbVie has limited binary event risk. Beyond 2023, immunology drugs Skyrisi and Rinvoq are expected to reach $15 billion in sales in 2025 with combined peak sales in later years expected to exceed Humira's peak revenues. AbbVie also has a durable growth business in aesthetics with its Botox franchise. As a result, management expects a return to strong top-line growth in 2025 with a high single-digit CAGR from 2025 through the remainder of the decade. We think the stock's valuation will expand as the Humira patent cliff fades and the company returns to growth.

We initiated a position in **Novo Nordisk A/S**, a leading global biopharmaceutical company headquartered in Denmark that specializes in treatments for diabetes, obesity, and other chronic diseases. Novo Nordisk and Eli Lilly, another holding in the Fund, are leaders in the GLP-1 (glucagon-like peptide 1 agonists) class of diabetes treatments, a $15 billion market that is growing rapidly but still has just 3% penetration of diabetes prescriptions globally. Diabetes drugs in the GLP-1 class include Trulicity (Eli Lilly), Ozempic (Novo Nordisk), and Rybelsus (Novo Nordisk). These drugs stimulate insulin secretion and inhibit glucagon secretion, which helps lower blood sugar levels. GLP-1s also slow stomach emptying and increase how full you feel after eating, which reduces appetite and can lead to weight loss. We believe Novo Nordisk's diabetes franchise will continue to generate solid growth driven by Ozempic and Rybelsus. We are particularly excited about the growth prospects for Novo Nordisk's anti-obesity franchise, which is just getting started with the launch of Wegovy. In a 68-week clinical study of adults living with obesity or excess weight with a medical problem, adults taking Wegovy lost on average 35 pounds or roughly 15% body weight. There are over 650 million people living with obesity globally and only 2% are treated with an anti-obesity medication. Even with more conservative assumptions about the addressable patient population, we think Novo Nordisk's obesity franchise can exceed $10 billion in sales over time. Novo Nordisk launched Wegovy in June 2021 but faced supply constraints due to overwhelming demand and manufacturing constraints at a contract manufacturer. Management has indicated supply issues will ease in the second half of 2022. Novo Nordisk's pipeline includes new diabetes and anti-obesity medications that improve upon its existing portfolio. We think Novo Nordisk can generate double-digit revenue and earnings growth for many years.

We initiated a position in **Roche Holding AG**, a leading global biopharmaceutical company. We believe Roche has best-in-class R&D capabilities based on its track record of successfully discovering and developing novel, game changing products in diseases like oncology, neuroscience, hematology, and ophthalmology. Roche also has a world class diagnostics business that helps improve the probability of success of its internal R&D efforts. In recent years, growth has been impacted by the loss of exclusivity on several key products (Herceptin, Rituxan, and Avastin) and the launch of competing biosimilars. This created a dynamic where Roche's strong new product launches (Ocrevus, Hemlibra, Evrysdi, and Vabysmo) are fighting to drive growth against a backdrop of legacy product erosion. However, Roche has multiple novel late-stage compounds in the pipeline that are expected to have important data readouts in 2022, including tiragolumab for certain oncology indications (in particular lung cancer) and gantenerumab for Alzheimer's disease, among many others. We think Roche's robust new product pipeline has the potential to drive an acceleration in revenue and earnings growth.

Table VII.
Top net sales for the quarter ended March 31, 2022

	Amount Sold (millions)
Natera, Inc.	$8.2
ICON Plc	5.4
Ascendis Pharma A/S	2.3
Mirati Therapeutics, Inc.	1.9
Establishment Labs Holdings Inc.	1.8

Our largest sales in the quarter included **Natera, Inc.**, which we sold because the profit inflection that we had anticipated is likely to take longer to materialize, resulting in heavier cash burn rates than we expected. We reduced our position in **ICON Plc** to manage risk after strong performance the prior year. We continue to have a high level of conviction in the ICON investment thesis. We sold **Ascendis Pharma A/S** and **Mirati Therapeutics, Inc.** and reduced **Establishment Labs Holdings Inc.** to harvest tax losses after the stocks fell.

Outlook

Although COVID variants continue to circulate, medical procedure volumes have been recovering. Some companies face near-term earnings headwinds due to inflation, supply-chain challenges, and foreign currency exposure, but we expect these headwinds to subside in the coming months. The capital markets environment for early-stage biotechnology companies has become more challenging than in the recent past, but biotechnology companies with promising later stage pipelines continue to raise capital. For example, argenx SE recently raised $800 million in an upsized equity offering to fund its expanding pipeline. We expect M&A activity in the biotechnology sector to pick up given the significant amount of cash sitting on large-cap biopharmaceutical company balance sheets and the need for these companies to replenish their pipelines. The outlook for scientific research funding from the government remains positive due to continued bipartisan support, which bodes well for life sciences tools companies in the Fund. On the health care reform front, the drug pricing provisions of the Build Back Better law may resurface over the coming months in some form, but there are high hurdles to passage, and even if some version of the law passes, we think the reforms will be manageable. On the positive side, the federal agency that administers the Medicare program recently finalized rates for Medicare Advantage companies for fiscal 2023, and the rate increase is the highest in the last decade, which bodes well for the managed care companies in the Fund.

Overall, despite some near-term headwinds, our long-term outlook for Health Care remains bullish. After the recent growth stock sell-off, valuations are more reasonable. Innovation in the sector and the themes we have been investing in are very much intact. We believe the Fund includes competitively advantaged growth companies with pricing power, strong management, and excellent balance sheets.

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
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.

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

Active Share a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management.

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).