DEAR BARON INTERNATIONAL GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron International Growth Fund (the "Fund") ended flat (down 0.02% – Institutional Shares) during the fourth quarter of 2021, while its principal benchmark index, the MSCI ACWI ex USA Index, gained 1.82%. The MSCI ACWI ex USA IMI Growth Index rallied 2.13% for the quarter. For the full-year 2021, the Fund gained 9.88%, while the principal benchmark index appreciated 7.82% and the all-cap growth proxy gained 5.97%. The Fund underperformed its principal benchmark index, as well as the all-cap growth proxy, for the final quarter, while outperforming both measures handily for the full year. In the final quarter, several factors, including more aggressive anticipated central bank monetary tightening, the emergence of the Omicron COVID variant, ongoing regulatory tightening in China, and political/geopolitical concerns in Brazil and Russia weighed on international and emerging market ("EM") equities, with a disproportionate impact on our fourth quarter performance. Overall, we were pleased with our relative performance for the full year, which followed strong outperformance in the prior year, and we remain optimistic on a forward-looking basis. The past year was much more volatile than the headline index performance indicated, as several broad swings in market leadership occurred, largely driven by shifting perceptions over the emergence of new COVID variants, supply-chain disruption and related inflation, and the likely forward path of central bank policy. While debates remain over the outlook for various asset classes, sectors, and countries, we believe that on the other side of the current Omicron COVID wave likely resides a period of more stable and consistent global macroeconomic and financial conditions, supporting higher nominal growth, inflation, interest rates, and yield curves than in the recent pre-COVID years. Such a scenario would, in our view, favor international and EM equity performance over a multi-year term. We are confident that we have invested in many well-positioned and well-managed companies on a bottom-up basis that are poised to benefit from long-term attractive investment themes.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BIGFX
Institutional Shares: BINIX
R6 Shares: BIGUX

Table I.
Performance
Annualized for periods ended December 31, 2021

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[4]	(0.08)%	(0.02)%	1.82%	2.13%
One Year	9.64%	9.88%	7.82%	5.97%
Three Years	22.69%	22.98%	13.18%	18.09%
Five Years	15.73%	16.03%	9.61%	13.12%
Ten Years	11.52%	11.80%	7.28%	9.28%
Since Inception (December 31, 2008)	12.21%	12.49%	8.06%	9.84%

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 1.28% and 1.01%, but the net annual expense ratio was 1.20% and 0.95% (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 4Q 2021 historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

1 The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The **MSCI ACWI ex USA Index Net USD** measures the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the United States. The **MSCI ACWI ex USA IMI Growth Index Net USD** measures the equity market performance of large-, mid- and small-cap growth securities across developed and emerging markets, excluding the United States. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. Index performance is not Fund performance; one cannot invest directly into an index.

2 The performance data 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 5/29/2009 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 5/29/2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

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Baron International Growth Fund

For the full-year 2021, we outperformed our principal benchmark index, the MSCI ACWI ex USA Index, while also comfortably outperforming our all-cap international growth proxy. During the year, across the international markets landscape, there was a notable divergence in performance between developed and EM equities due to the emergence of new COVID-19 variants that had a disproportionate economic impact on EM countries with lagging vaccination rates. In addition, China's regulatory and credit tightening along with solvency concerns relating to China Evergrande Group, a large Chinese conglomerate and property developer, also weighed on EM equities. Lastly, escalating concerns regarding inflation and the onset of Fed/global central bank tightening also drove divergence in performance between various markets. Importantly, we note that on a forward-looking basis, and unlike the last episode of "taper tantrum," several international jurisdictions have already absorbed an adjustment in future interest rate and liquidity conditions, while this is just beginning in the U.S. Our positive relative performance was broad based, led by our strong stock selection in Communication Services, driven by our digitization-related investments (**Future plc** and **S4 Capital plc**). Solid stock selection in the Consumer Discretionary sector, primarily driven by our luxury goods holdings (**Watches of Switzerland Group Limited**, **Compagnie Financière Richemont SA**, and **LVMH Moët Hennessy Louis Vuitton SE**) also contributed meaningfully to relative returns. **eDreams ODIGEO SA**, an online travel portal in Europe, and **B&M European Value Retail S.A.**, a leading discount retailer in the U.K. and France, also stood out here as contributors. Modestly offsetting the above was adverse stock selection in Information Technology (IT), mainly driven by a decline in **TeamViewer AG** and **Wix.com Ltd.**, both resulting from a slowdown in business momentum as COVID-19 tailwinds abated, **GDS Holdings Limited** after coming up against Chinese regulatory headwinds, and **StoneCo Ltd.** after the company disclosed unexpected asset-quality issues in its credit business, which triggered loss provisions and a temporary halt in new loans. In addition, adverse stock selection in the Industrials sector also negatively impacted relative results.

From a country perspective, for calendar year 2021, strong stock selection in the U.K. powered a vast majority of relative results. Our U.K. performance was broad based across several principal themes, but was led by holdings in our digitization, cloud, and SaaS software themes. Solid stock selection in Russia, driven by our fintech and energy-related investments, also stood out as a key contributor. For the year, adverse stock selection in Brazil along with higher exposure to declining equities in the country was the largest detractor to relative performance, while our underweight exposure to strong-performing Canada, together with unfavorable stock selection in Germany, Israel, and Switzerland, also negatively impacted relative results.

For the fourth quarter, we underperformed our benchmark in a period of modest equity returns. While disappointed, we are not surprised as we saw a retracement of prior period gains in some of our digitization-related investments that are classified in the Communication Services sector. Adverse stock selection effect in the Financials sector, particularly driven by our India consumer finance/wealth management and fintech themes also stood out as a detractor to relative performance. Partly offsetting the above was positive stock selection in the Materials and Consumer Discretionary sectors, mainly attributable to various investments domiciled in Europe.

Table II.
Top contributors to performance for the quarter ended December 31, 2021

	Percent Impact
Watches of Switzerland Group Limited	0.50%
Endava plc	0.39
Compagnie Financière Richemont SA	0.35
eDreams ODIGEO SA	0.32
Tokyo Electron Limited	0.28

Shares of **Watches of Switzerland Group Limited**, a leading retailer of luxury watches in the U.S. and U.K., increased due to strong execution in its U.S. store rollout and underlying demand strength for leading luxury watch brands. We believe Watches of Switzerland will benefit from its concentration in share-taking brands such as Rolex and from these brands consolidating distribution in higher-quality retailers like Watches of Switzerland. We reduced our position slightly as its valuation has expanded significantly since we invested in early 2021, but we remain investors.

Endava plc provides consulting and outsourced software development for businesses. Shares increased on quarterly results that beat Street estimates, with 55% revenue growth and 89% EPS growth. Full-year financial guidance was raised to reflect strong demand across all verticals and geographies. Management expects organic revenue growth to exceed 30% this year and 20% over the long term with upside from accretive acquisitions. We continue to own the stock because we believe Endava will continue gaining share in a large global market for IT services.

Compagnie Financière Richemont SA, a conglomerate of leading global luxury goods brands, contributed during the quarter on continued global strength in luxury goods demand and particular outperformance of Richemont's flagship jewelry brands, Cartier and Van Cleef & Arpels. We remain investors as the thesis that drove our initial investment in the first half of 2021 is playing out, namely that the flagship jewelry brands would take share and underperformance in other segments, such as watches and YOOX Net-a-Porter Group, have bottomed.

eDreams ODIGEO SA is an online travel agency based in Spain that offers a subscription-based travel savings program for flights and hotels. Shares were up after eDreams reached its target of two million subscribers two years ahead of schedule. This rapid pace of customer acquisition, even in an uncertain travel environment, was well received by investors. Management also provided 2025 targets meaningfully above Street projections. Given the strong customer acquisition and impressive pipeline of new products, we retain conviction in the long-term opportunity.

Shares of semiconductor production equipment manufacturer **Tokyo Electron Limited** increased as the company maintained strong momentum in its revenue and profitability growth. We expect semiconductor production equipment spending will continue to grow robustly as chipmakers expand capacity to meet rising semiconductor demand. We believe the company will remain a critical enabler of technological advancements by major chipmakers.

Table III.
Top detractors from performance for the quarter ended December 31, 2021

	Percent Impact
S4 Capital plc	–0.61%
TeamViewer AG	–0.35
Zai Lab Limited	–0.31
Mister Spex SE	–0.29
Innovid Corp.	–0.28

S4 Capital plc is a global marketing services business founded by Sir Martin Sorrell, the founder and prior CEO of WPP, the largest ad agency in the world. S4 encompasses creative production firm MediaMonks and data-driven media consultancy MightyHive. Shares of S4 were down on a slightly lowered margin outlook into 2022 as S4 opted to reinvest in its technology and marketing teams to support larger client wins. We believe S4 is doing the right thing by penalizing near-term earnings to support long-term growth. We retain conviction in the long-term outlook.

TeamViewer AG, a global software connectivity platform, detracted from performance. The company reported disappointing quarterly earnings and lowered 2021 guidance. Management underestimated many of the headwinds impacting the business coming out of COVID. Due to the string of negative news flow and ongoing uncertainty, we have sold our position.

Zai Lab Limited is a Chinese biotechnology company dedicated to bringing Western medicines to greater China and transitioning to a fully integrated company with internal drug development capabilities. Shares declined in sympathy with the broader biotechnology sub-industry, and also due to concerns regarding China's regulatory tightening and the potential for the government to curb profitability in the Health Care sector.

Mister Spex SE, a digital-first optical retailer based in Germany, detracted as tightened COVID-related restrictions across its markets forced the company to reduce 2021 guidance shortly after its IPO, which the market punished severely given its lack of a public markets track record. We were similarly disappointed by the downgrade but have held our position given the substantial opportunity to roll out stores in Germany and across northern and western Europe in a fragmented industry characterized by one of the higher gross margin profiles in all of retail.

Innovid Corp. is an independent software platform that enables the creation, delivery, and measurement of television ads across connected-television ("CTV"), mobile TVs, and desktop TVs. Shares were down in the quarter as newly public SPACs traded out of favor. Looking past the near-term stock volatility, we believe Innovid has a large and underpenetrated addressable market. As an independent ad server, Innovid is uniquely positioned to benefit from the secular shift to CTV. Our conviction in the long-term opportunity remains unchanged.

Portfolio Structure

Table IV.
Top 10 holdings as of December 31, 2021 – Developed Countries

	Percent of Net Assets
Future plc	3.0%
S4 Capital plc	2.2
BNP Paribas S.A.	2.2
Keyence Corporation	2.1
Nestle S.A.	1.9
Endava plc	1.8
Linde plc	1.8
argenx SE	1.8
Befesa S.A.	1.7
Pernod Ricard SA	1.6

Table V.
Top five holdings as of December 31, 2021 – Emerging Countries

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Ltd.	1.7%
Bajaj Finance Limited	1.6
Tencent Holdings Limited	1.5
TCS Group Holding PLC	1.2
Reliance Industries Limited	1.0

Table VI.
Percentage of securities in Developed Markets as of December 31, 2021

	Percent of Net Assets
United Kingdom	18.2%
Japan	8.7
France	8.0
Switzerland	5.5
Netherlands	5.2
Spain	3.6
Germany	3.2
Israel	2.5
United States	2.4
Canada	2.0
Sweden	1.7
Italy	0.9
Norway	0.9
Hong Kong	0.8
Australia	0.8
Denmark	0.8

Table VII.
Percentage of securities in Emerging Markets as of December 31, 2021

	Percent of Net Assets
China	12.6%
India	6.4
Russia	2.5
Brazil	1.8
Taiwan	1.7
Korea	1.0
Poland	0.7
Mexico	0.6

The table above does not include the Fund's exposure to Uruguay (0.4%) because the country falls outside of MSCI's developed/emerging/frontier framework.

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. At the end of the fourth quarter of 2021, the Fund's median market cap was $15.0 billion. We were invested 62.5% in large- and giant-cap companies, 22.1% in mid-cap companies, and 8.3% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the fourth quarter, we added several new investments toward existing themes while also increasing exposure to several positions that were established earlier in the year. We continue our endeavor to add to our highest conviction ideas.

We were active in adding to our digitization theme, most notably by initiating a position in **Taiwan Semiconductor Manufacturing Company Ltd.**, the global leader in semiconductor foundry services. Over the past decade, Taiwan Semi has continued to increase its foundry market share with stellar technological execution and customer relationships. We believe the company will continue to outgrow the foundry market, given its large exposure to megatrends such as 5G and high-performance computing, and dominance in leading-edge chips. In our view, Taiwan Semi is well positioned to deliver above its 10% to 15% growth target in the next three to five years, while maintaining its technological leadership.

We also initiated a position in **Z Holdings Corporation**, a Japanese holding company with assets in media, e-commerce, social media, and fintech verticals. The company operates the popular search engine Yahoo! Japan; is a partial owner of Line, Japan's largest consumer messaging App; and recently consolidated the digital payments market via a major acquisition by PayPay, now Japan's largest digital payments App. Z Holdings' growth is tied to several attractive structural opportunities including the increasing share of digital advertising, the rising penetration of e-commerce, and a shift to cashless payments; all areas where Japan lags other major developed markets. For example, Japan's internet ad penetration was estimated to be 35% in 2020, compared to 65% in the U.S. and 85% in China. Similarly, the proportion of non-cash payments in total consumption was estimated at 24% in Japan, compared to over 40% in other developed markets. As a leading player in these verticals, we expect Z Holdings to be a key beneficiary of the growth to come as Japan converges to the penetration levels seen in other developed economies. In addition, the company's recent acquisition of Line creates attractive new growth opportunities to cross-sell to and derive valuable data insights from the messaging App's 88 million monthly active users. We believe Z Holdings represents a compelling growth opportunity in Japan.

During the quarter, we also initiated an investment in **Waga Energy SA**, as part of our Sustainability/ESG theme. Waga is a leading European biomethane producer, specialized in upgrading landfill gas into cost-competitive and grid-compliant biomethane. There is a secular growth opportunity for renewable natural gas ("RNG") as the IEA expects a 25-fold increase in consumption by 2040 based on stated government policies. Methane is a leading source of greenhouse gas emissions, and many western countries, led by the EU, have set aggressive targets to get 10% of their natural gas consumption from RNG by 2030 from the current consumption level of under 1%. Waga is targeting a significant opportunity as less than 1% of landfill gas is upgraded and reinjected into the natural gas grid, while the rest is either burned or converted to electricity on site. Waga has a proprietary technology WAGABOX® that can capture biomethane from almost any landfill site. In our view, this is a significant competitive advantage versus conventional technologies that are currently only applicable to 5% of landfill sites. The company has already secured several agreements with large utilities such as Suez and Veolia to access landfill sites, and has signed long-term, fixed-price contracts for the sale of biomethane. We believe that Waga has a credible opportunity to scale up production from 10 sites currently to 100 over the next five years.

Adding to our automation/robotics theme, we initiated a position in **Autostore Holdings Ltd.**, a Norwegian warehouse automation/robotics technology company focused on automated storage and retrieval systems ("AS/RS"). The company pioneered the cubic storage system, one of the leading technologies used to automate warehouse operations. Autostore is the undisputable market leader in cubic warehouse automation storage with a dominant 98% share. The company has high pricing power, while delivering significant savings to customers, and is well positioned to gain share in a large addressable market for warehouse automation ($135 billion AS/RS market yet to be automated). Autostore has an asset-light business model with over 70% gross margins, over 50% EBITDA margins, with greater than 60% free cash flow conversion. Cubic storage systems are projected to grow at 33% CAGR and gain share in the overall warehouse AS/RS segment, which is growing at a 15% CAGR. A substantial majority of Autostore's customers are e-commerce/logistics players, and nearly half of sales are derived from repeat clients.

During the quarter, we also increased exposure to our China value-added theme, by building a position in **Yonyou Network Technology Co., Ltd.** The company is China's largest Enterprise Resource Planning ("ERP") software provider with an approximate 30% market share. The ERP market is significantly underpenetrated in China, representing a long-term structural growth opportunity as enterprises adopt software to improve operating efficiency. In our view, Yonyou will be a key beneficiary of China's digital transformation and software localization. We are confident that the company will continue to gain market share from multi-national ERP providers, while successfully transitioning to a subscription, cloud-based model, leading to increased recurring revenue. Yonyou's high-quality customer base, with significant exposure to large corporate and government organizations, results in higher customer retention and earnings visibility. We expect the company to generate strong double-digit earnings growth over the next several years.

Finally, we added to several of our existing positions during the quarter, most notably **Glencore PLC**, **Clariant AG**, **Han's Laser Technology Industry Group Co., Ltd.**, **Industria de Diseno Textil, S.A.**, **Pernod Ricard SA**, **S4 Capital plc**, **Befesa S.A.**, **J D Wetherspoon plc**, and **eDreams ODIGEO SA**.

During the quarter, we also exited several positions, the largest being **Takeda Pharmaceutical Company Limited**, **Golar LNG Ltd.**, and **Monday.com Ltd.** In our endeavor to increase concentration in holdings where we have highest conviction in quality and return potential, while eliminating lower conviction or smaller holdings over time, we also exited positions in **TeamViewer AG**, **StoneCo Ltd.**, **Square Enix Holdings Co., Ltd.**, and **Arco Platform Limited**.

Outlook

Global equity performance in the final quarter of 2021 largely followed the playbook established early this year: U.S. equities, defined as the S&P 500 Index or NASDAQ Composite Index, continued to grind through notable corrections en route to new all-time highs, EM equities continued towards a series of gradual lower lows, while international indices largely churned sideways into year end. Intra-market equity volatility remained fairly escalated with leadership ebbing and flowing due to mixed signals regarding COVID and the emergence of the Omicron variant, shifting expectations and/or uncertainty regarding the forward path of inflation and future central bank policy, and within EM, a widening risk premium due to political and regulatory uncertainty in China, Russia, and Brazil. While we are disappointed that international and EM equities lagged their U.S.

counterparts, extending a multi-year trend, we maintain the view that we are likely exiting a long cycle of underperformance, while current absolute and relative valuations, and our expectations regarding forward-looking fundamentals, suggest potentially material improvement ahead. We note that international equities ended the year trading at a 32% valuation discount (based on P/E) relative to U.S. equities. This is close to a 20-year low and a steep discount relative to the average discount of 13% over this period, while international equities have traded at parity with U.S. equities in the late stages of an outperformance cycle.

While the emergence of the Omicron variant provoked uncertainty, volatility, and sector rotation in recent months, we believe the rapid spread we are currently witnessing is quite likely to enhance the transition to a mean reversion in market leadership, where international and EM equities become perceived as offering greater upside potential upon global normalization. It is increasingly evident that each successive wave of COVID variant is more contagious, but less severe, particularly for the vaccinated population, and we believe Omicron likely represents the point at which markets begin to anticipate herd immunity and/or the transition of COVID from pandemic to endemic. Should this happen, we would expect investors to rethink “COVID disruption risk,” and to increasingly anticipate full normalization, pent-up demand to be released, supply/supply-chain imbalances to moderate, and most jurisdictions to return to economic growth potential. In this case, the countries and sectors most impacted by COVID disruption/risk would have the greatest recovery potential, in our view, favoring international and emerging economies, earnings, and equities. Finally, we believe normalization would reduce credit risk, and likely provoke a consumer/corporate credit expansion, particularly in the areas most impacted by COVID, driving an acceleration in growth and corporate earnings. We also reiterate our view that debt mutualization and the loosening of fiscal restraints in the Eurozone will likely yield materially higher-growth prospects than witnessed over the past decade and relative current consensus expectations. This, to us, offers additional appeal to international equities on a relative basis.

The final quarter of 2021 further stretched recent trends, and while we have little to add to our conclusions from last quarter, we believe that we are seeing increasing evidence that China’s credit and regulatory tightening is nearing its completion. As such, we believe the EM (and to some extent, international) macroeconomic and liquidity cycle may be poised to diverge from that of the U.S., which appears poised to present a headwind to equity performance. In the first days of January, Chinese authorities unveiled a series of much anticipated regulatory measures relating to data security. While this communiqué triggered a fresh China-related equity sell-off, particularly those listed in the U.S. as ADRs, we do not view the specifics as likely to have any material fundamental impact on growth or earnings of the companies under regulatory review. From our initial interpretation, the impact is more likely to coerce Chinese companies to list in Hong Kong or China, rather than in the U.S., as doing so might result in a more efficient and less stringent review process. While we understand international and U.S. investors’ knee jerk reaction to China’s apparent disdain regarding their leading companies pursuing a principal listing in the U.S., this is nothing new or unexpected, and it is not likely to materially impact long-term institutional investors with ready access to Hong Kong and mainland China equity exchanges. Rather, we suspect this regulatory initiative is more likely to represent a “final shoe to drop” in a long year of tightening, which, if so, would signal a bottoming process for China-related equities in general.

We remain optimistic regarding the longer-term outlook for international and emerging market equities and of course, as always, we remain confident that we have invested in a portfolio of well-positioned and well-managed companies with bright prospects ahead.

Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass
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: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund’s returns. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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