DEAR BARON INTERNATIONAL GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron International Growth Fund (the "Fund") gained 14.85% (Institutional Shares) during the final quarter of 2022, while its principal benchmark index, the MSCI ACWI ex USA Index, returned 14.28%. The MSCI ACWI ex USA IMI Growth Index gained 12.73% for the quarter. In a year when growth stocks suffered under rising interest rates and deteriorating liquidity conditions, the Fund declined 27.29%, the MSCI ACWI ex USA Index retreated 16.00%, and the MSCI ACWI ex USA IMI Growth Index lost 23.49%. The Fund slightly outperformed its principal benchmark index while more notably outperforming the all-cap growth proxy during a strong fourth quarter for international equities. In our previous letter, we surmised that we were likely passing through peak hawkishness; and as suggested, the fourth quarter featured a moderation in sentiment regarding inflation expectations and anticipated central bank aggression, which was a primary catalyst for the global rally. Volatility remained elevated, as international and emerging equity markets, particularly those most sensitive to China, experienced a wave of selling early in the quarter over the country's unpopular adherence to the zero-COVID policy as well as unexpected changes to the Politburo standing committee, which abruptly reversed as the government's new leadership rolled out significant easing and stimulus measures and began to dismantle its zero-COVID measures. In our view, this vector change leaves China as the global jurisdiction with the highest likelihood of earnings expansion and outperformance relative to expectations as we enter 2023, while China's reopening would also marginally offset deteriorating global growth. We believe that evolving macroeconomic conditions, relative valuations, and relative earnings prospects suggest that international and emerging market (EM) equities are likely positioned for a multi-year phase of outperformance. As always, 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 and 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, 2022

	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]	14.81%	14.85%	14.28%	12.73%
One Year	(27.47)%	(27.29)%	(16.00)%	(23.49)%
Three Years	1.25%	1.49%	0.07%	(0.26)%
Five Years	1.92%	2.17%	0.88%	1.39%
Ten Years	6.24%	6.50%	3.80%	4.77%
Since Inception (December 31, 2008)	8.77%	9.04%	6.13%	7.04%

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 1.23% and 0.96%, 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, 2033, 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 3- and 5-year 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 Index** is designed to measure the equity market performance of large and mid cap securities across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. The **MSCI ACWI ex USA IMI Growth Index** is designed to measure the performance of large, mid and small cap growth securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets (DM) countries (excluding the United States) and 24 Emerging Markets (EM) countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign 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 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.

BARON FUNDS 1987

Baron International Growth Fund

For 2022, we underperformed our principal benchmark, the MSCI ACWI ex USA Index, though we more moderately trailed our all-cap international growth proxy in a very difficult period for growth stock performance worldwide. During the year, international equities were marked with increased volatility, primarily driven by economic and geopolitical uncertainties arising from Russia's invasion of Ukraine, and stubbornly high global inflation readings, which forced central bankers to tighten aggressively. In addition, challenges pertaining to China's zero-COVID policy also weighed on EM equities. From a sector or theme perspective, adverse stock selection effect in the Communication Services sector, driven by our digitization-related investments (**Future plc**, **S4 Capital plc**, **Z Holdings Corporation**, and **Spotify Technology S.A.**), was a key detractor for the year. In addition, poor stock selection effect in the Industrials sector, due to holdings in our sustainability/ESG (**Ceres Power Holdings plc**, **China Conch Environment Protection Holdings Limited**, **Befesa S.A.**, **Aker Carbon Capture AS**, **Korea Shipbuilding & Offshore Engineering Co., Ltd.**, and **Techtronic Industries Co. Ltd.**), Japan staffing (**Recruit Holdings Co., Ltd.** and **SMS Co., Ltd.**), and China value-added (**Zhejiang Dingli Machinery Co., Ltd.** and **Han's Laser Technology Industry Group Co., Ltd.**) themes also weighed on relative results. Finally, weak stock selection in the Financials sector, relating to positions in our fintech (**TCS Group Holding PLC** and **Sberbank of Russia PJSC**) and EU mutualization (**UniCredit S.p.A.**, **Credit Suisse Group AG**, and **BNP Paribas S.A.**) themes adversely impacted relative performance. Partially offsetting the above, our cash position in a weak market environment was a positive contributor to relative performance during the year.

From a country perspective, for calendar year 2022, poor stock selection effect in the U.K., Japan, China, and Spain drove the majority of relative underperformance. In our view, the weakness in China was primarily attributable to near-term earnings disruption triggered by the country's zero-COVID policy, which we believe will reverse in the year ahead. Partially offsetting the above was positive stock selection effect in the Netherlands, Korea, and Switzerland, along with our cash position in a down market and favorable allocation effect in the U.S. and Taiwan.

For the fourth quarter, we modestly outperformed our principal MSCI ACWI ex USA Index, while also comfortably outperforming our all-cap international growth proxy. Favorable stock selection effect in the Information Technology sector was the key contributor to relative results. Partly offsetting the above was adverse stock selection and allocation effect in the Communication Services sector, once again led by some of our digitization-related investments. In addition, our cash position in a period of strong absolute market returns was also a detractor. From a country perspective, solid stock selection in the U.K. and Switzerland together with our active exposure to the U.S. contributed the most to relative results during the quarter. We are encouraged by our recent performance and expect to recoup prior period losses for many of our investments, particularly within our digitization, sustainability/ESG, and China value-added themes. There is no guarantee that these objectives will be met.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Arch Capital Group Ltd.	0.97%
Meyer Burger Technology AG	0.87
AMG Advanced Metallurgical Group N.V.	0.64
AstraZeneca PLC	0.61
BNP Paribas S.A.	0.52

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

Meyer Burger Technology AG is a Swiss-based supplier of solar modules. Shares increased on strong order momentum and the recently passed Inflation Reduction Act that provides incentives for manufacturing solar modules in the U.S. Meyer Burger's next generation heterojunction solar modules are more efficient, command premium prices, and generate higher margins. We believe Meyer Burger is a long-term beneficiary of greater localization of energy supply chains and reduced reliance on China. The company is ramping up capacity at both its German and U.S. facilities.

AMG Advanced Metallurgical Group N.V. is a European specialty metals and minerals company. An increase in vanadium prices in advance of China's reopening and property stimulus drove up the share price. We remain investors as demand is being driven by environmental regulations to reduce hazardous waste. We also like AMG's growth opportunity in lithium, an essential metal used in electric vehicle batteries and energy storage. AMG is currently planning its own lithium hydroxide refining plant in Europe, which we think should lead to a better margin profile for this business.

AstraZeneca PLC is a global pharmaceutical company focused on oncology, respiratory, cardiovascular, and metabolism drugs. Shares increased given incremental positive news flow surrounding the oncology franchise at medical meetings and some mean reversion after lagging in the prior quarter. We retain conviction in AstraZeneca given its best-in-class growth profile among its pharmaceutical peers combined with its strong pipeline and commercial launch characteristics. We highlight Enhertu and Dato-Dxd as two new exciting near-term drug opportunities.

BNP Paribas S.A. is a France-based universal bank. During the quarter, BNP's shares appreciated in line with the broader index of European banks as rising inflation prompted the European Central Bank to start raising short-term interest rates, boosting the outlook for banks' net interest income. Third quarter results included beats in revenues, costs, and provisions, prompting an increase in near-term earnings expectations. We see a favorable outlook given BNP's diversified revenue base, cost control, and capital optionality from the sale of its U.S. operations.

Table III.

Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
DLocal Limited	-0.20%
Bajaj Finance Limited	-0.19
Baidu, Inc.	-0.19
China Conch Environment Protection Holdings Limited	-0.15
Hapvida Participacoes e Investimentos S.A.	-0.11

DLocal Limited is a Uruguay-based company that facilitates cross-border payments in EM. Shares declined after a prominent short seller published a report alleging the company was engaged in fraudulent activity. After conducting our own research and speaking extensively with management, we concluded the report's allegations were baseless and its conclusions contained factual errors. The company has since issued a formal rebuttal and announced a share buyback program. We retain conviction in DLocal's ability to deliver strong earnings growth.

Bajaj Finance Limited, a leading non-bank financial company in India, detracted from performance largely as a result of anticipated weakness in near-term earnings growth owing to a broad slowdown in consumer discretionary spending. We retain conviction in Bajaj due to its best-in-class management team, robust long-term growth outlook, and conservative risk management frameworks. We think the company is well positioned to benefit from growing demand for consumer financial services such as mortgages, personal and credit card loans, among other related products.

Shares of **Baidu, Inc.**, a leading Chinese artificial intelligence company, fell in the fourth quarter due to geopolitical uncertainties and COVID-related lockdowns. We retain conviction that Baidu will deliver strong earnings growth over the next several years, driven by the secular growth in digital advertising, market share gains in cloud computing, continued progress in autonomous vehicle development, and improving operational efficiency.

China Conch Environment Protection Holdings Limited is an emerging leader in hazardous/solid waste treatment through cement co-processing projects in China that recently spun off from China Conch Venture Holdings. Shares were down for the period held due to a decline in margins and investor concerns about weaker demand. We sold China Conch Environment as part of our effort to concentrate our holdings where we have highest conviction around their quality and return potential.

Hapvida Participacoes e Investimentos S.A. is Brazil's largest vertically integrated HMO. Disappointing performance can be attributed to earnings weakness due to COVID-related headwinds and anemic growth in new member lives. We retain conviction. The company is benefiting from rising penetration of health care services in the country, and we believe it will gain market share by offering cost-effective plans nationwide. We expect earnings to sustain mid-teens growth over the next three to five years.

Portfolio Structure

Table IV.

Top 10 holdings as of December 31, 2022 – Developed Countries

	Percent of Net Assets
Arch Capital Group Ltd.	2.9%
AstraZeneca PLC	2.8
argenx SE	2.5
Linde plc	2.4
Meyer Burger Technology AG	2.2
Keyence Corporation	1.8
BNP Paribas S.A.	1.7
Pernod Ricard SA	1.7
Constellation Software, Inc.	1.7
Industria de Diseno Textil, S.A.	1.7

Table V.

Top five holdings as of December 31, 2022 – Emerging Countries

	Percent of Net Assets
Reliance Industries Limited	1.6%
Taiwan Semiconductor Manufacturing Company Limited	1.6
Bajaj Finance Limited	1.5
Suzano S.A.	1.4
Korea Shipbuilding & Offshore Engineering Co., Ltd.	1.4

Table VI.

Percentage of securities in Developed Markets as of December 31, 2022

	Percent of Net Assets
United Kingdom	14.2%
Japan	9.4
France	8.6
Netherlands	6.5
Switzerland	5.8
United States	4.5
Spain	3.5
Germany	2.9
Canada	2.9
Italy	2.5
Hong Kong	1.5
Denmark	1.5
Sweden	1.2
Israel	1.1
Ireland	1.0
Norway	0.9
Australia	0.6

Table VII.
Percentage of securities in Emerging Markets as of December 31, 2022

	Percent of Net Assets
China	10.4%
India	6.9
Brazil	3.2
Korea	2.7
Poland	2.3
Taiwan	1.6
Peru	0.9
Mexico	0.7

The table above does not include the Fund's exposure to Uruguay (0.1%) and Russia (less than 0.1%) because these countries fall 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 2022, the Fund's median market cap was $13.2 billion. We were invested 63.7% in large- and giant-cap companies, 20.5% in mid-cap companies, and 13.0% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

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

We initiated a position in **Japan Airport Terminal Co., Ltd**. (JAT), which constructs, manages, and maintains passenger terminals and airport facilities at the Haneda airport in Japan. The company operates parking lots, souvenir shops, and duty-free stores in both Haneda and Narita airports. JAT also manages in-flight meal services. In our view, the company is well positioned to benefit from a sharp recovery in international tourism following a significant yen depreciation as well as the removal of COVID-related border restrictions in Japan towards the end of the year. Prior to the pandemic, international passengers accounted for roughly 80% of gross profit with foreign visitors to Japan having tripled this past decade. In addition to higher fees related to passenger volumes, we expect a solid rebound in duty-free merchandise sales, which provide a higher-value proposition to customers due to a severely weakened yen. The recent relaxation of China's zero-COVID policy should further support an earnings recovery as Chinese tourists accounted for nearly a third of international traffic prior to the pandemic.

During the quarter, we added to our EU mutualization theme, most notably by initiating a position in **Bank of Ireland Group plc**, one of the largest banks in the Republic of Ireland and Northern Ireland. The company offers a full range of banking services to corporate and retail clients including loans, insurance, credit and debit card processing, and investment consulting. In our view, Bank of Ireland will sustain a strong improvement in profitability driven by higher net interest income growth and stable asset quality. The bank is among the most positively geared to rising policy rates in Europe given a liquid balance sheet and a benign competitive environment for deposits following the recent consolidation in the Irish banking industry. Therefore, we believe Bank of Ireland will see a significant uplift in its net interest margin and return on equity, which should drive a re-rating in its valuation multiple and stock price.

As part of our China value-added theme, we initiated an investment in **Jiangsu Hengli Hydraulic Co., Ltd**. The company is China's largest manufacturer of hydraulic components such as cylinders, pumps, and valves. These are mission critical components of construction machinery with high barriers to entry. We were impressed with Hengli's success in displacing foreign competition in China to become the dominant supplier of hydraulic cylinders for excavators commanding more than a 50% market share. The company has successfully competed with international brands both domestically and abroad due to its high-quality products at lower costs, while historically generating a more than 30% return on invested capital. Recently, Hengli has expanded into hydraulic pumps and valves as well as non-excavator construction machinery segments that represent large addressable markets. We expect Hengli to replicate its success in gaining market share from foreign competition in these new verticals and maintain double-digit earnings growth for several years.

During the quarter, we also increased exposure to our EM consumer theme by initiating a position in **Galaxy Entertainment Group Limited**, one of six licensed owner/operators of integrated gaming resorts in Macau. In our view, the Macau gaming industry will be a key beneficiary of the reopening of China's consumer economy in 2023 after three years of lockdowns and restrictions on leisure travel. Beyond 2023, the industry should continue to experience structural demand growth as the Chinese middle class grows and infrastructure links between Macau and the mainland improve. In our view, Galaxy has the highest quality assets and balance sheet, and the largest growth pipeline among the six Macau operators. In addition, recent announcements on concession renewals for all six operators without any punitive changes to financial terms removed a key overhang on the industry.

Adding to our sustainability/ESG theme, we initiated an investment in **Norsk Hydro ASA**, a global producer of aluminum and other related products. The company is vertically integrated with operations across all major aspects of the aluminum value chain, from bauxite and alumina mining to smelting and production. Norsk Hydro is strategically positioned as an upstream producer of aluminum with a very low carbon footprint due to its captive hydro-electricity generation. This, in our view, is a growing competitive advantage as we expect prices of carbon emissions to rise over time as global economies strive to achieve their carbon net-zero targets. We are optimistic over longer-term aluminum prices and expect a multi-year supply deficit driven by capacity constraints due to decarbonization commitments in China and elsewhere. In addition, we expect structural demand growth from electric and lighter weight vehicles.

Finally, we added to several of our existing positions during the quarter, most notably **China Tourism Group Duty Free Corporation Limited**, **Shenzhen Mindray Bio-Medical Electronics Co., Ltd.**, **Epiroc AB**, **Meyer Burger Technology AG**, **AMG Advanced Metallurgical Group N.V.**, **Midea Group Co., Ltd.**, **JD.com, Inc.**, and **Taiwan Semiconductor Manufacturing Company Limited**.

In our endeavor to concentrate our holdings where we have highest conviction in quality and return potential, we also exited several positions during the quarter, including **Hua Hong Semiconductor Limited**, **Spotify Technology S.A.**, **WuXi Biologics Cayman Inc.**, **Han's Laser Technology Industry Group Co., Ltd.**, **China Conch Environment Protection Holdings Limited**, **China Conch Venture Holdings Ltd.**, **XP Inc.**, and **Naspers Limited**.

OUTLOOK

In our third quarter letter, we suggested that Fed hawkishness was likely reaching a zone of practical constraint, as, in our view, investors believed that the Fed's impatience with backward-looking and elevated inflation readings would manifest as a policy error and/or trigger financial instability. We suggested that a peak in the U.S. dollar, real interest rates, and sovereign bond yields would likely signal the passing of peak hawkishness and result in moderating in equity risk premia and a trough in earnings multiples. We believe the fourth quarter of 2022 has likely confirmed the prediction above, and as we stated in our last letter, these conditions suggest to us that we are entering a sustainable period of international and EM equity outperformance. While a global earnings contraction remains a possibility, we believe the combination of macroeconomic conditions, relative valuation, and relative earnings prospects warrant that forward-looking investors should begin to rebalance portfolios. In our view, now is the time to take a contrarian view of ex-U.S. investments.

While the fourth quarter concluded with solid global equity returns, the quarter was nonetheless characterized by high volatility, particularly in international and EM. Early in the quarter, disappointment with China's adherence to its zero-COVID policy, as well as unexpected changes to the Politburo standing committee, triggered a second capitulation in equities, only to be fully reversed when authorities abruptly unveiled aggressive easing and stimulus measures and signaled the dismantling of zero-COVID. We believe this market capitulation quite likely represents a very important bottom in China and related equities. Because many international jurisdictions are more sensitive to global rather than local conditions, a bottom in China's economic and credit cycle, particularly when coupled with a peak in the U.S. dollar, suggests to us a vector change in relative earnings potential for international equities. From the end of October to year end, international equities, defined as the MSCI ACWI ex USA Index, outperformed the S&P 500 Index by more than 11%, and this outperformance has continued into the new year. In the near term, we believe China, the third largest weight in our primary index, is the global jurisdiction with the greatest likelihood of earnings recovery and outperformance, triggered by the previously mentioned post-COVID economic reopening and coincident large-scale easing and stimulus measures. We believe international equities have a higher correlation to China's economic activity than U.S. equities, which are predominantly geared to domestic activity and consumption. Although the U.S. economy is likely moving through peak hawkishness and a coincident peak in the U.S. dollar, we expect an extended period of slowing economic growth and earnings vulnerability, while awaiting the next Fed easing cycle. In other words, while the global economy is likely passing through a trough in earnings *multiples,* we are now entering a period of elevated uncertainty for U.S. and global ex-China earnings power, and the unresolved question will shift to whether the Fed will wait too long to pivot to an easing bias. As we have witnessed since the recent near-parabolic peak in the dollar, a transition to a weaker dollar tends to favor returns on international assets.

Notwithstanding the recent outperformance noted above, we enter 2023 with U.S. equities trading at a near record high relative to international equities and face an elevated risk of earnings disappointment, while international equities are trading near a 25-year low relative to U.S. equities and, in our view, stand poised for an improving relative economic and earnings outlook. Over the intermediate and longer term, while a mean reversion in relative valuation is enough to suggest material outperformance, it is a marked improvement in earnings expectations that will trigger sustained and unexpected outperformance. As we have outlined in previous communications, we believe the principal catalysts for improving international and EM earnings expectations will be the global capital investment cycle, which is required to fund deglobalization, supply-chain diversification, sustainability, energy, commodity, and agricultural security; India's productivity initiatives reaching escape velocity and driving a virtuous investment cycle; and China's pivot to value-added economic activity. As noted above, we believe we are at or near a final top in the extended U.S. dollar bull market and expect that a subsequent period of stronger international currencies and stable or moderating bond yields will prove stimulative to consumption and investment in these jurisdictions. In short, we reiterate that we believe now is a time to take a contrarian view of the international equity asset class.

Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass
Portfolio Manager

Baron International Growth Fund

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: 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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