INSIDE THE BARON FUNDS

INVESTOR

Baron Focused Growth Fund®

A Focused, Highly Differentiated Investment Approach

Baron Focused Growth Fund is a focused portfolio of the highest conviction small- and mid-cap ideas of Baron Capital's Founder and CEO Ron Baron. The Fund is intended to maximize the advantages we have gained from four decades of refining and applying our proprietary, research-intensive, bottom-up process that seeks to invest in the most promising growth businesses for the long term.

This approach may seem old fashioned in a time seemingly dominated by algorithms and high-speed trading, but we make no excuses. In fact, now more than ever, we believe this investment approach is still the best way to create alpha. While other investors chase the latest unicorn or trade based on short-term macro trends – which we contend are virtually impossible to predict – we remain true to our repeatable, time-tested process.

For Baron Focused Growth Fund, portfolio managers Ron Baron and David Baron invest in businesses we believe could double in value within five to seven years. To accomplish this ambitious goal, we manage a focused portfolio of about 20 to 30 appropriately capitalized, competitively advantaged, well-run growth businesses at attractive prices, with the top 10 positions representing a significant percentage of net assets. We initiate positions in small- and mid-cap companies, and we hold these positions as long as our investment premise remains intact.

We look at the period since the February 2020 onset of the pandemic as a testament to our differentiated, long-term approach. We endured a global pandemic followed by a sharp spike in inflation and interest rates, continued global supply chain issues, volatile food and energy prices, and geopolitical turmoil, and the Fund is still trading well north of its pre-pandemic high. The patient, selective, long-term investor was rewarded for staying calm during the storm. As set forth in the table below, our approach has resulted in significant outperformance of its primary benchmark and peers across all standard time periods.

David Baron
Portfolio Manager

Ron Baron
CEO and Portfolio Manager

Baron Focused Growth Fund Performance as of 6/30/2023 (annualized)*

	1-Year	3-Year	5-Year	10-Year	Since Inception**
Baron Focused Growth Fund	19.95%	26.04%	22.80%	16.81%	13.45%
Russell 2500 Growth Index	18.58%	6.56%	7.00%	10.38%	8.00%
S&P 500 Index	19.59%	14.60%	12.31%	12.86%	9.26%

* Institutional shares. For retail and R6 shares, visit www.BaronFunds.com.

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The Fund's long-term risk/return metrics are impressive. For the 5-year period, its upside capture is 135.40% while its downside capture is 93.49%. Its 15.89% alpha against its 1.09 beta for the same period is also impressive.

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 may reimburse certain 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 gross/net annual expense ratio for the Institutional Shares as of December 31, 2022 was 1.06%.

The Fund has received a 5-star Overall Morningstar Rating™, as well as across all standard time periods, and is ranked in the 1st percentile for its 3-, 5-, and 10-year performance.

A Time-Tested, Repeatable Investment Approach

We believe the Fund's strong performance is the result of our consistent, repeatable, and time-tested investment approach, differentiated by the following characteristics:

- High-conviction portfolio with a limited number of names
- Long-term perspective with low turnover
- Multi-faceted risk management

High-conviction portfolio with a limited number of names

We use a bottom-up investment approach to identify what we believe are competitively differentiated businesses that can grow independently of their sector economy and macroeconomy. To build and manage our portfolio, we use our extensive research capacity and industry expertise – currently comprised of 43 investment professionals – to source these opportunities. Because Baron Focused Growth Fund invests only in our highest-conviction ideas, it typically holds just 20 to 30 names; as of June 30, 2023, the Fund held 29 stocks. The top 10 holdings comprised 59.2% of the portfolio. We have always maintained high active share; our current active share is 98.5%.

Our high-conviction, long-term approach, combined with our deep bench of research analysts, means we can do the due diligence to developed and maintain the in-depth knowledge, including regularly engaging management companies and visiting key facilities, to gain the confidence we need to invest and stay invested. This is Baron Focused Growth Fund's competitive advantage.

Long-term perspective with low turnover

Warren Buffett, who has a talent for words almost as impressive as his talent for investing, once said, "Our favorite holding period is forever." We agree.

Consistent with Baron Capital's longstanding investment philosophy, Baron Focused Growth Fund is managed with a long-term perspective. We believe this time-arbitrage approach gives us an edge by allowing us to take advantage of the shortsightedness of the market. Most managers are focused on the short term, basing trading decisions on factors that may have little or nothing to do with business fundamentals such as a quarterly earnings beat or miss or overall market volatility.

We leverage our extensive research capabilities to conduct a deep dive on the fundamentals of every company in which we are considering an investment. Our research allows us to develop an informed and thorough understanding of the longer-term secular advantages of these companies. Ultimately, we are more interested in the duration of a company's growth opportunity rather than being overly focused on its timing. We like to invest early, before a company is on the market's radar, because we believe it is impossible to pinpoint exactly when the market will take notice and start trading the stock up to properly reflect its growth opportunity. We believe this strategy is a key part of the engine that drives alpha for us.

The Fund is typified by its relatively low turnover, with a three-year average turnover of 26.64%. Our low turnover is an outgrowth of our investment process rather than a goal in and of itself. If we find and invest in the right companies, we believe that it makes little sense to replace these companies with new and relatively untested ones. We would rather remain invested throughout the duration of the growth trajectory of our highest conviction companies. We also believe this is a more tax efficient approach to managing a portfolio. We also find our reputation as long-term holders of stock opens doors to management teams who are eager to have and keep us as investors. Our primary goal is capital appreciation, and we strongly believe we should stay involved as our companies grow and flourish as long as our investment thesis holds true.

Multi-faceted risk management

We seek to offset the volatility that can result from a focused portfolio in two key ways:

- Extensive due diligence on our holdings while we are invested
- Diversifying our holdings across non-correlated categories

Extensive due diligence We believe the best risk management starts with knowing the companies in which we invest. The extensive research we conduct for months and sometimes years prior to initiating a position in a company is just the beginning. Throughout the life of all our investments, we continue to conduct due diligence and interact with management to keep apprised of the company's growth story as it develops. We visit with and speak to our companies' management teams multiple times per year. Our sustained level of interaction helps sharpen our model inputs and assumptions. As portfolio managers of the Fund, Ron and David are involved in research on each name and are supported by Baron Capital analysts with industry-specific expertise.

Morningstar calculates the Morningstar Mid-Cap Growth Category Average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

As of 6/30/2023 the Morningstar Mid-Cap Growth Category consisted of 560, 519, 486, and 379 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Focused Growth Fund in the 32nd percentile for the 1-year period and the 1st percentile for each of the 3-, 5-, and 10-year periods.

For the period ended 6/30/2023, Baron Focused Growth Fund received a 5-Star Overall Morningstar Rating™, 5-Star 3-Year Rating, 5-Star 5-Year Rating, and 5-Star 10-Year Rating. Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures of 519, 519, 486, and 379 funds in the category, respectively. This Morningstar Rating is for the Institutional share class only; other classes may have different performance characteristics.

Baron Focused Growth Fund
Top 10 Holdings as of June 30, 2023

Holding	Sector	% of Net Assets
Tesla, Inc.	Consumer Discretionary	14.8%
Space Exploration Technologies Corp.	Industrials	8.7%
Arch Capital Group Ltd.	Financials	6.2%
Hyatt Hotels Corporation	Consumer Discretionary	5.3%
CoStar Group, Inc.	Real Estate	4.7%
Vail Resorts, Inc.	Consumer Discretionary	4.4%
FactSet Research Systems Inc.	Financials	4.2%
MSCI Inc.	Financials	3.7%
Iridium Communications Inc.	Communication Services	3.6%
Guidewire Software, Inc.	Information Technology	3.5%
Total		**59.2%**

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

From a quality standpoint, the Fund's investments have stronger sales growth and higher EBITDA, operating, and free cash flow margins with stronger returns on invested capital than the index average. We believe these metrics are important to limit risk in this focused portfolio.

Our stock-specific approach to both opportunity and risk is borne out by our results, as virtually all our outperformance is driven by stock selection. In researching companies, we look for:

- Long-term, secular growth opportunity
- Durable competitive advantage
- Attractive business model
- Exceptional management
- Attractive valuation

- *Long-term, secular growth opportunity* We seek companies that we believe are well positioned to benefit from secular growth opportunities with large, addressable markets. We find these opportunities across a range of sectors and sub-industries.

- *Durable competitive advantage* A durable competitive advantage is another key attribute of our holdings. We look for businesses that are establishing their competitive advantage, as a fully realized competitive advantage is more likely to be reflected in the stock price.

- *Attractive business model* We prefer companies with pricing power tied to the utility of their product or service rather than a monopolistic hold on the market. For example, companies with subscription-based business models are often able to leverage the continual improvement and expansion of their services to increase prices on a regular basis. Long-term contracts with high retention rates – another characteristic of many of our subscription-based businesses – provide stability, durability, and transparency, as does recurring or reoccurring revenue.

  We like companies with high or expanding margins that are reinvesting their profits in future growth. Many of our holdings are asset light, low capital-intensive businesses because once they have built their core assets – proprietary data, platform, etc. – as they scale, margins can expand significantly. We also like strong and visible free cash flow because we consider it a more accurate measure of a company's financial situation than earnings per share. Finally, we look for a capital structure appropriate to the industry in which the company operates. We are comfortable with leverage if it is an established business with recurring and predictable free cash flow and sensible debt levels. We believe such balance-sheet optimization is a way to maximize shareholder returns.

- *Exceptional management* Baron Capital's long-held motto, "we invest in people," reflects our belief that experienced, visionary management is at the heart of a company's success. To find these talented people, Ron and David tap their decades of experience as investment professionals, over the course of which they have met with and interviewed thousands of executives about their companies. Among other attributes, we look for executives' personal financial stake in the company's success.

- *Attractive valuation* We project the long-term intrinsic value of every stock we own through quantitative and qualitative analysis. Our projection is based on key revenue growth drivers, free cash flow, profitability, cost structure, and capital structure as well as more qualitative factors, such as the total addressable market, durability of the competitive advantage, and strength of the management team. We will initiate a position only if we believe the stock can double in size in a five-to-seven-year period. We will stay invested as long as the stock's valuation is supported by our projection of intrinsic value.

Diversifying our holdings across categories The second way we seek to mitigate risk is by diversifying the portfolio across four categories, each of which tends to behave differently in different economic environments. These four categories are:

- Disruptive Growth
- Core Growth
- Real/Irreplaceable Assets
- Financials

Tesla, Inc., the electric vehicle manufacturer and the Fund's top holding, is the most well-known name among our Disruptive Growth holdings, which are typically very fast-growing companies. It has enjoyed phenomenal growth in recent years, but we think it is just getting started. We expect Tesla to continue to grow its automotive business rapidly through international production capacity and product expansion. We believe that Tesla's vertical integration, technology innovation, brand, profitability, and growing supplier support offer unique and durable growth opportunities that are hard to replicate. In addition, Tesla's energy and software expertise is broadening the industrial opportunity to large and profitable revenue avenues that were locked in the legacy vehicle architecture such as autonomous, insurance, and other AI use cases.

The Fund's second largest holding is another disruptive growth company, **Space Exploration Technologies Corp.** (SpaceX), that designs, manufactures, and launches rockets, satellites, and spacecrafts. Products include a reusable orbital launch offering and a broadband service leveraging its satellite constellation, Starlink. We believe SpaceX will continue to drive down the cost of space launches and capture market share with its unique, reliable, and improving reusable launch capabilities. As costs decline, we also expect demand for access to space to increase. By leveraging its launch cost leadership, vertical integration, and innovative design approach, we think SpaceX will have an advantage in building and operating its rapidly expanding satellite-based broadband services, creating an even more attractive growth profile for the company.

To help dampen volatility, we seek to balance investments in Disruptive Growth businesses with other, more stable holdings. Core Growth businesses, steady growers that regularly return excess free cash flow to shareholders, include names like **CoStar Group, Inc.** The company continues to add services in the commercial and residential areas of real estate to expand its addressable market and improve retention and cash flow. Real/Irreplaceable Assets businesses have tangible properties that are less subject to competition. Companies like global hotel owner **Hyatt Hotels Corporation** and ski resort owner/operator **Vail Resorts, Inc.** possess meaningful brand equity and barriers to entry that translate to pricing power. Financials businesses generate strong recurring earnings through subscriptions and premiums that produce highly predictable earnings and cash flow. Examples include specialty insurer **Arch Capital Group Ltd.** and market data vendor **FactSet Research Systems, Inc.**

Conclusion

Throughout its long history, the Fund has remained steadfast in its commitment to long-term investments in competitively advantaged businesses with large growth opportunities that are taking share and are managed by people we believe to be exceptional executives. We believe this approach is a smart strategy especially in a focused fund.

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

Performance reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

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.

Risks: The Fund is non-diversified which means, in addition to increased volatility of the Fund's returns, it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the most recent quarter-end, 15% of the Fund's net assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with investing in small and medium-sized companies include that the securities may be thinly traded and more difficult to sell during market downturns.

The discussions of the market trends and companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio managers' 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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The Morningstar Ratings™ are for the Institutional share class only; other classes may have different performance characteristics. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

The **Morningstar Rating™** for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10- year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

The **Russell 2500® Growth Index** measures the performance of small to medium-sized U.S. companies that are classified as growth. The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The Fund includes reinvestment of dividends, net of withholding taxes, while the **Russell 2500® Growth Index** and the **S&P 500 Index** include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

Beta measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition.

Active Share is 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.

Upside Capture explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

Downside Capture measures how well a fund performs in time periods where the benchmark's returns are less than zero.

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).

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