BARON FUNDS®

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INVESTOR

Baron Global Advantage Fund

A Distinct Approach to Global Investing

The most transformative secular growth trends in the world today are global. Internet and mobile disruption, health care innovation, robotics and AI, energy efficiency, paperless payments – these and other secular shifts are all happening on a global scale. Many leading businesses are global, selling and sourcing their products and services across the world.

The U.S.'s share of the global pie is also shrinking. In 1960, U.S. GDP represented 40% of global GDP. By 2020, this percentage has shrunk to about 18%. Many disruptive changes originate in the U.S. and the repercussions undoubtedly reverberate globally. However, over the last decade, the drivers of global growth have come from overseas.

A global approach gives Baron Global Advantage Fund the flexibility to capture opportunities in the market wherever they might arise! In today's economy, opportunity is borderless. No country or region has a monopoly on good ideas or good entrepreneurs. We can invest in e-commerce and cloud services leader **Amazon.com, Inc.** in the U.S., leading financial corporation **Bajaj Finance Limited.** in India, and **argenx SE**, a Dutch small-cap biotechnology pioneer. Because we are not restricted by geographic boundaries, we need not forego investments in these or any other stocks. Many of the businesses we invest in are also global, positioning themselves to take maximum advantage of global secular growth trends and the globalization of the world's economy.

This freedom to invest regardless of borders allows us to think more broadly and more horizontally. We believe horizontal expertise – the ability to compare business models across sectors, sub-industries, regions, and market caps – is key to effective capital allocation. Orit Gadiesh, chairman of Bain & Co., coined the term "expert-generalist" to describe this approach – someone who has studied widely and deeply in many fields and applies insights from them to investing.

Baron Global Advantage Fund

Baron Global Advantage Fund is managed by Alex Umansky, who brings over 29 years of research and investment management experience to what we believe is a truly distinct approach to investing in global equities. The Fund is differentiated by its high conviction – 44 stocks as of September 30, 2022, high active share of 94.8%, low three-year turnover of 15.99%, and long-term view of risk, return, and volatility.

Alex Umansky
Portfolio Manager

As seen below, even despite recent underperformance, this approach has produced solid long-term results during the 10-plus years since the Fund's launch. For the 5-year period, the Fund's alpha is 4.59% while its beta is 1.16.

Baron Global Advantage Fund Performance
as of 9/30/22 (annualized)*

	1-Year	3-Year	5-Year	10-Year	Since Inception**
Baron Global Advantage Fund	(48.65)%	2.62%	8.19%	11.06%	10.45%
MSCI ACWI Index	(20.66)%	3.75%	4.44%	7.28%	7.19%
MSCI ACWI Growth Index	(27.48)%	5.35%	6.63%	8.87%	8.64%
Morningstar Global Large-Stock Growth Category Average	(31.08)%	3.01%	4.88%	8.07%	7.65%

* Institutional Shares. For Retail and R6 Shares, visit www.BaronFunds.com.
**4/30/2012

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Institutional Share Class as of fiscal year ended 12/31/2021 was 0.90%.

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-, 5-, and 10-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.

We are happy to report that in March 2022 the Fund was named the best fund in its category by Lipper analytics for risk-adjusted returns over the last five years.* This is the Fund's fourth consecutive year as a top fund in its category.

Disruptive Change

With more than 64,000 publicly traded companies in the world, global equities present a formidable market in which to invest. How do we find the stocks that we think represent the most promising investment opportunities among the thousands of possibilities?

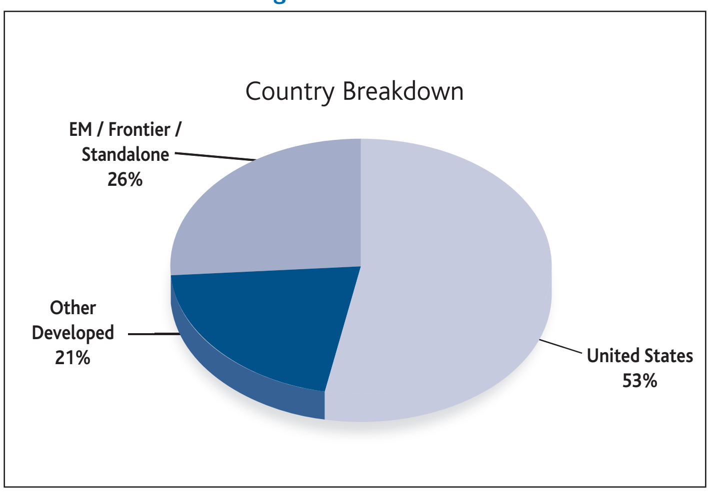
We focus on disruptive change. We believe the only constant in the world's economy is change. Understanding whether a change is real, durable, and material, and identifying which companies will be disrupted and dislocated and which will grow stronger and bigger is key to finding the best investment opportunities, especially in the global space. Examples of disruptive change include:

- Digitization
- Big data
- Cloud computing
- Machine learning
- Artificial intelligence
- Autonomous driving
- Virtual reality
- Blockchain

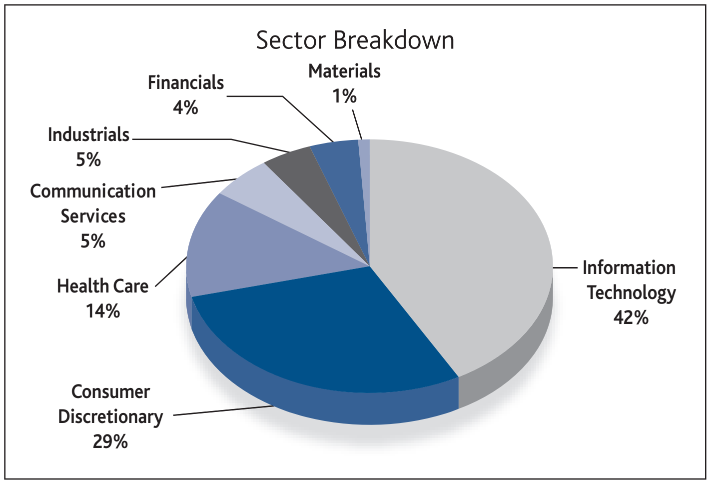
The Fund invests in Big Ideas – unique, competitively advantaged companies that are agents or beneficiaries of disruptive change on a global scale. These are companies that are in it for the long term, investing in game changers such as digitization, artificial intelligence, and machine learning that reach across multiple industries and are set to transform the world as we know it. They have visionary leaders that inspire and encourage a culture of constant innovation and improvement. They are unique.

We do not manage to the benchmark. Our country and sector exposures are purely a reflection of where we are finding Big Ideas. As seen in the graphic to the right, approximately 60% of our assets by weight are in U.S. equities, as many of the leading beneficiaries of disruptive change are U.S.-based companies. We are also big believers in the growth opportunities in emerging markets, where our exposure is significantly higher than the benchmark. As seen in the second graphic below, on a sector basis, our highest exposure is to Information Technology, which is again a reflection of the companies that are benefiting the most from disruptive change.

We Find Big Ideas Across the Globe…



…and Across Sectors



A Differentiated Investment Approach

To identify the companies that we believe are the agents and/or beneficiaries of disruption, we take a multi-pronged approach, looking for unique companies we believe have open-ended growth potential, excellent management, and durable competitive advantages, at an attractive valuation.

Growth potential First, we must be convinced that the company can become materially larger, reaching what we call its endgame. To do so, we first determine the size of the market opportunity. Then we look at the company's current market share and estimate the market share it will need to capture to meet our objective or endgame. We project cash flows based on different growth rates over different periods of time and calculate the projected EBIT. Then we bring our calculations back to present value. The process is akin to the one used to ascertain discounted cash flow, except the reverse.

In evaluating growth potential, we favor companies with:

- Secular, organic growth
- Free cash flow and higher or rising returns on invested capital
- Low capital intensity
- Positive optionality (hidden assets, unexpected/mispriced monetization opportunities)

- ***Secular, organic growth*** We prefer companies that grow organically over the long term. Organic growth is repeatable and we think more durable, whereas growth by acquisition is neither. In addition, acquisitions can carry higher risk, as many are bought at a premium and/or may have packaged themselves for sale by overearning while underinvesting in growth.
- ***Free cash flow and higher or rising returns on invested capital (ROIC)*** We run screens for free cash flow yield and ROIC as a source of investment ideas. We prefer free cash flow as a valuation measure because unlike earnings, it cannot be manipulated. We also emphasize ROIC, as it demonstrates whether growth can be profitable and is the metric most correlated to future stock performance. Growth for the sake of growth is not maintainable.

* Please refer to p.5 for Lipper disclosures

- ***Asset-light, low capital-intensity businesses*** We like asset-light, low capital-intensity businesses because as they scale, margins can expand significantly. Companies such as Amazon and Alibaba, which have built online platforms connecting third party vendors with customers, illustrate this concept. After the platform is built, the cost involved in adding new businesses or customers is de minimus, meaning that the incremental margins on these additions are exceptionally high.

- ***Positive optionality*** We have found that the market tends to undervalue or even ignore businesses, products, or services a company may have that are peripheral to its core business. For example, most of the analysts covering **Tesla, Inc.** focus on its electric vehicles, with little or no attention paid to the rest of Tesla's portfolio, encompassing batteries, solar and other energy solutions, software offerings such as full self-driving, and even insurance. We are invested in Tesla based on our expectation that it will continue to rapidly expand its automotive business given its first mover advantage, technology innovation, vertical integration, brand, and growing supplier support. But we also believe that the optionality offered by its other endeavors are substantial, and we do not have to pay much to own them.

  Amazon.com, Inc. serves as a good illustration of how we calculate growth potential. As of the time of this writing, the company is valued at $1.08 trillion. It seems astonishing that Amazon can grow much larger at this stage, yet we project the company will double or triple in size because e-commerce is only 14% penetrated in the U.S. In other words, 86% of all retail business in the U.S. is conducted through physical locations. Amazon's share of e-commerce is currently roughly 43.5%, far ahead of any of its e-commerce competitors. Yet it still has just 6% of its total addressable market, implying a massive runway for growth. Another one of its many businesses, Amazon Cloud, is the leading cloud vendor with about 33% market share. Yet the cloud represents 67% of business workloads, with the remaining one-third divided between on-premises legacy and private/hybrid cloud computing. By our calculation, Amazon has a leadership position in eight trillion-dollar markets. With these numbers in mind, we can foresee an endgame that is two to three times Amazon's present value.

Company specific criteria In addition to the size of the potential market, we develop a company thesis for each of our investments. In particular, we seek companies with the following attributes:

Uniqueness
Durable competitive advantage
Platform business
Exceptional management
Recurring revenue
Pricing power

- ***Uniqueness*** The uniqueness of a company is determined by its culture, which is shaped by the values and vision of its leaders. Jeff Bezos' mantra is "every day is day 1." We think this vision is the force behind Amazon's more than 20-year story of innovation and relentless focus on the future that, in turn, has produced – and we believe will continue to produce – outstanding results for investors.

- ***Durable competitive advantage*** To build a durable competitive advantage in today's knowledge-based economy, we believe that a company must continually improve – the Japanese term is kaizen – and innovate. If a company stands still while its competitors move ahead, it will inevitably fall behind, lose its edge, and die. We think this is especially true given increasing digitization, or the shift to computer-processed information. In the digital era, innovation happens at a much more rapid pace than in the past as companies can iterate much faster, assessing the success of a product or service and challenging its capabilities to deliver something better. Digitization has moved well beyond traditional IT companies and is penetrating and transforming many other industries, including health care, banking, commerce, and consumer goods and services.

- ***Platform business*** About half of Baron Global Advantage Fund is invested in companies that have built a platform that others can use to easily connect their businesses, market and sell their products and services, and co-create value. The other half are on their way to becoming platform companies, in our view. Users, sellers, providers, and others typically seek to work with these businesses, leading to better monetization opportunities over time. We think that, as a group, platform companies offer the most significant growth opportunities in the global market today as they benefit from economies of scale, the network effect, and formidable barriers to entry. We think our focus on identifying and investing in future platform companies gives us a competitive edge, as we are getting in on the ground floor where we see massive potential growth opportunities.

- ***Exceptional management*** Management can make or break a company. A great product or service will only rarely, if ever, save a mismanaged company. In addition, we believe a firm's unique culture – the shared values, attitudes, standards, and beliefs – is shaped by management. For these reasons, our assessment of the strength of a company's leadership is at the core of our research process. We look for a track record of successful capital allocation with proven ability to reinvest excess cash flows at high rates of return.

- ***Recurring revenue and diverse customer base*** From both a business and investor perspective, the recurring revenue model has many benefits, including predictable and measurable revenue, higher levels of customer retention, steady and repeatable cash flow, reduced risk, and greater opportunities for growth. We also prefer a diverse customer base as it helps reduce risk as well since the loss of one or two customers will not break the bank. Our concentrated portfolio necessitates that each of our holdings is diversified.

- ***Pricing power*** We prefer companies that have pricing power tied to the utility of their product or service rather than a monopolistic grip on that product or service. For instance, we like software as a service businesses, which use a subscription revenue model and typically become deeply embedded in customer workflows. This dynamic allows the vendor to raise prices in exchange for incremental improvements. As Warren Buffett puts it, "If you've got the power to raise prices without losing business to a competitor, you've got a very good business." We agree.

Long-term holding **Illumina, Inc.,** the leading provider of next-generation DNA sequencing instruments and consumables, is an

Baron Global Advantage Fund
Top 10 Holdings as of September 30, 2022*

Holding	Sector	% of Net Assets
Endava plc	Information Technology	6.0%
Amazon.com, Inc.	Consumer Discretionary	5.2%
CrowdStrike, Inc.	Information Technology	4.9%
MercadoLibre, Inc.	Consumer Discretionary	4.6%
argenx SE	Health Care	4.5%
Bajaj Finance Limited	Financials	4.3%
Snowflake Inc.	Information Technology	4.2%
Think & Learn Private Limited	Consumer Discretionary	4.2%
ZoomInfo Technologies Inc.	Communication Services	4.0%
EPAM Systems, Inc.	Information Technology	3.5%
Total		**45.4%**

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

excellent example of what we are looking for in a company. DNA sequencing – the reading and analysis of the three billion chemical "letters" in a human genome – is a transformative technology, with potentially far-reaching impact in the prevention and treatment of disease. Illumina, which was founded in 1998, was at the forefront of the genome sequencing revolution, and its machines now generate 90% of all DNA sequence data. Its razor/razor blade business model means that a high percentage of its revenue is recurring, generating steady cash flow even when sales of its systems lag. Illumina's user base also continues to expand. It is becoming increasingly common, for instance, to sequence a patient's cancer tumor to determine custom therapies and targeted drugs. Genome sequencing is also starting to become a foundational part of patients' health records. We believe this exceedingly well-run company will continue to benefit from increasing adoption of DNA sequencing.

Valuation We estimate the intrinsic value by forecasting the key financial metrics – revenue, margins, capex, depreciation, amortization, etc. – of every company we invest in and will only make the investment if we can buy it at 20% discount to that value. We also sell when the price moves up to over 20% above intrinsic value estimates.

We often find hidden value by looking for underappreciated companies due to market inefficiencies. Many of the platform companies in the Fund fall into this category. Market inefficiencies include:

Lack of easily understood comparables
Overemphasis on short-term results
Use of conventional valuation metrics

- ***Lack of "comparables" / mischaracterization of a company's business*** For lack of a better fit, in its early years, Amazon was labeled the online Walmart. Without an online presence at that time, Walmart's market penetration was high and its growth virtually flat. It also had thin profit margins. Applying that Walmart comparative analysis, investors assumed that Amazon's profitability would resemble Walmart's at maturity.

  But Amazon has never been just a retailer. Even in its early days it was more of a logistics business, which suggested a better margin structure at maturity than market participants ascribed. Amazon has built an online/digital service platform enabled by massively scalable IT and an unparalleled logistics infrastructure. It has leveraged this platform to become the largest online retailer, largest cloud service provider, a leading streaming service provider and digital content seller, and a major provider of fulfillment (and advertising) services to third-party retailers. It is unique.

- ***Overemphasis on short-term results*** Short-term fluctuations in the market are rarely based on the fundamental strengths or weaknesses of a company. The market will move one way or another in reaction to any manner of macro event that has nothing to do with the intrinsic long-term value of a particular stock. Recency bias is another source of mispricing. Investors tend to overweight the most recent events – the latest earnings report or company news – in their expectations for the future.

- ***Use of conventional valuation metrics*** A company's price to earnings ratio is typically an easy compare – a high P/E ratio means the company is expensive, and a low P/E ratio means it's inexpensive. We also think it's the worst valuation metric there is. First, earnings can be manipulated. Second, by definition, growth companies are penalizing short-term profits to invest in long-term growth. Because of these shortcomings, we think of the widespread use of P/E ratios as yet another source of mispricing. Instead, as discussed above, we focus on free cash flow yield and return on invested capital.

A Differentiated View of Risk

After two years dominated by the COVID-19 pandemic, supply chain disruptions, alarming inflation, and rising rates, not to mention Russia's sudden and disturbing invasion of Ukraine, risk is understandably top of mind for many investors. However, we do not look at risk in the same way as most investors.

We define risk as the possibility of a permanent loss of capital. At the securities level we seek to manage risk by investing in what we believe are well-managed, high-quality companies with low to no leverage, organic growth, a durable competitive advantage, recurring revenue, and high ROIC and free cash flow yield. On a portfolio level, we seek to manage risk by investing in companies with multiple end markets that are not necessarily correlated.

In addition, although we are not all that sensitive to short-term macro events, we do take into consideration macroeconomic and geopolitical concerns such as government regulations, currencies, interest rates, inflation, and the like if we believe they will have a material impact on our investment thesis. There are many regions across the globe in which we are not invested and likely will not invest anytime soon, because conditions are hostile to the types of investments we look for.

Every day we live and invest in an uncertain world. Events, such as Federal Reserve interest rate changes, inflation, wars, pandemics, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day, and seem to drive them up or down the next. We often find it difficult to know why the market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create.

However, over time, as the table below demonstrates, our strategy has worked. On a monthly basis, the Fund beats its primary benchmark 62% of the time. This is essentially a coin flip. As the time frame increases, the percentage of time the Fund is ahead of its benchmark increases as well. When measured on a five-year rolling basis, the Fund outperforms both of its benchmarks 100% of the time.

Baron Global Advantage Fund's Outperformance Based on Rolling Returns*

Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years
Fund Outperformance vs. MSCI ACWI Index	62%	64%	73%	89%	100%
Fund Outperformance vs. MSCI ACWI Growth Index	58%	61%	70%	83%	100%

*Since inception of April 30, 2012, as of 9/30/2022

Calculation is based on monthly returns

These results are not an accident. They are a direct outcome of our long-term approach to risk and return. We own fewer than a third of the names of an average global fund, because we believe there are a limited number of truly compelling investment ideas at any given time. We acknowledge that the Fund may not be the best fit for the short-term investor who is concerned about volatility because of the increased probability of exiting at the wrong time. However, we believe the Fund is an excellent choice for the investor who is willing to overlook short-term noise in the interest of maximizing potential alpha over the long term.

You 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.

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. Specific risks associated with investing in small and medium-sized companies include that the securities may be thinly traded and they may be more difficult to sell during market downturns. 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.

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.

Portfolio holdings as a percentage of total investments as of September 30, 2022 for securities mentioned are as follows: **Amazon.com, Inc.** – 5.2%; **Bajaj Finance Limited** - 4.3%; **argenx SE** – 4.5%; **Tesla, Inc.** – 3.3%; **Illumina, Inc.** – 2.0%.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. For more information, see lipperfundawards.com. Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper.

Industry sector or sub-industry group levels are provided from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"). All GICS data is provided "as is" with no warranties. The Adviser may have reclassified/classified certain securities in or out of a sub-industry. Such reclassifications are not supported by S&P or MSCI.

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.

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

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

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).