Dear Baron Opportunity Fund Shareholder:

Performance

The unprecedented market rebound from the COVID pandemic induced February/March sell-off continued into year end. For the fourth quarter, Baron Opportunity Fund (the "Fund") delivered robust returns, advancing 23.02% (Institutional Shares), outperforming both the Russell 3000 Growth Index, which rose 12.41%, and the S&P 500 Index, which climbed 12.15%.

For the full calendar year 2020, the Fund finished up 89.28%, significantly ahead of both indexes, which increased 38.26% and 18.40%, respectively.

MICHAEL A. LIPPERT

PORTFOLIO MANAGER

Retail Shares: BIOPX
Institutional Shares: BIOIX
R6 Shares: BIOUX

Table I.
Performance
Annualized for periods ended December 31, 2020

	Baron Opportunity Fund Retail Shares[1,2]	Baron Opportunity Fund Institutional Shares[1,2,3]	Russell 3000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	22.95%	23.02%	12.41%	12.15%
One Year	88.75%	89.28%	38.26%	18.40%
Three Years	41.97%	42.34%	22.50%	14.18%
Five Years	30.78%	31.13%	20.67%	15.22%
Ten Years	18.77%	19.09%	16.93%	13.88%
Fifteen Years	15.16%	15.39%	12.41%	9.88%
Since Inception (February 29, 2000)	10.56%	10.73%	6.57%	7.03%

Review & Outlook

I think many market participants may have felt similar to the way I did at year end, as well as over the first couple of weeks of the new year, wrestling with the stark incongruity between the human and economic toll all around us and the stock market's record performance. The S&P 500 Index ended the year at all-time highs and continued its steady rise to start the year. But, on the human side of the ledger, we had suffering, loss, and death from the COVID pandemic; struggles, uncertainty, job losses, and business closures for large swaths of the domestic and global economy; and frightening, stunning, and historic political discord across the nation, culminating with the riots and storming of the U.S. Capitol – a beacon of freedom and democracy – on January 6th (the first time since the British did so in 1814 during the War of 1812). What accounted for this discrepancy? To vastly oversimplify for this letter, as we all know, the market looks forward and discounts future expectations. The market looked through the pandemic, bolstered by reports and data of vaccine development; expectations for economic recovery and strong corporate earnings; projections for a sustained Federal Reserve backstop and persistent historically low interest

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2020 was 1.34% and 1.08%, 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 The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2031, 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/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The **Russell 3000® Index** measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The **Russell 3000® Growth Index** measures the performance of those companies classified as growth among the largest 3,000 U.S. companies and the **S&P 500 Index** of 500 widely held large cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Performance for the Institutional Shares prior to May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

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rates (increasing the present value of future cash flows); and the hope and experience that humanity has eventually defeated every crisis it has ever faced, whether natural disasters, war, political tyrants, or plagues.

2020 was a record year for the Baron Opportunity Fund. First, I want to quickly share how incredibly proud I am of our research team at Baron, who did an amazing job overcoming the personal and professional disruptions of the pandemic, responding with tireless efforts, teamwork, collaboration, flexibility, and commitment. Second, I want to reiterate, as I've underlined in prior letters during this crisis, that our strong returns for the year were driven by the precise tenets of our long-term performance: the quality of the businesses in which we invest and the importance of the long-term secular themes we emphasize. As we accentuate in all our investor communications, we focus our investments on secular growth themes that, in a normal world, drive or capture ongoing, undeniable shifts in industry dynamics and user adoption/behavior. But many of these themes proved simply critical to permit businesses and people to carry on with life and work during this COVID-19-driven health and economic crisis. These include: e-commerce for the necessities of life delivered safely to your door (**Amazon**, **Alibaba**); electronic payment systems to transact safely and securely in a social-distancing world and, more often than not, online (**PayPal**, **Square**, **Adyen**, **Visa**); digital entertainment, media and advertising to enable businesses to reach their customers with targeted content and advertising where they are spending their time and in a manner that complements, not interrupts, the content a user is consuming (**Netflix**, **Pinterest**, **Alphabet**, **Snap**); digital workflows to enable buyers and sellers to safely and easily navigate a real estate transaction, including mortgage financing, in this difficult environment (**Zillow**, **Opendoor**); cloud computing infrastructure and applications to enable enterprise and personal use cases from whatever device wherever your location (**Amazon**, **Microsoft**, **NVIDIA**, **Snowflake**); cybersecurity to keep you safe and secure in this digital world (**CrowdStrike**); and whole genome sequencing to better understand diseases and design targeted therapies, drugs and vaccines (**Illumina**, **Pacific Biosciences**, **Guardant Health**).

What do we expect for 2021? I have learned from Ron, and my own experience over almost 20 years at Baron, that the immediate future is almost impossible to predict. Consensus expectations appear to be that mass vaccination will be successful and that we will emerge into a post-COVID world hopefully by the summer, or by year end at the latest; the economic recovery will be significant, particularly during the second half of the year; the Federal Reserve and accommodative monetary policy will continue to support the economic recovery and produce low interest rates for several years. Many predict, and hope, that our politics and governance will become more stable and potentially more bipartisan with a new administration and a 50/50 Senate, yielding, among other things, more aggressive fiscal stimulus and an acceleration of the vaccine rollout. If these things come to pass, I believe it will be a favorable environment for the market and our Fund.

But as I have emphasized in the past: we don't try to predict the unpredictable; we don't try to call or game the market; and, most critically, we don't need to answer the unanswerable to deliver outstanding investment returns for our shareholders. As we have always done, we continue to focus our research, analysis, and investment decisions on identifying the indisputable, powerful, durable secular growth trends that will drive economic growth going forward, regardless of short-term economic cycles or stock market gyrations, and the individual companies that are leading or riding those trends and possess sustainable competitive advantages, profitable business models, and long-term oriented managers. I know it might sound like a broken record – but, to put it plainly, it is what we do. Our long-term performance is due to our steadfast commitment to this approach. And I trust it is why our shareholders have entrusted us with their capital.

We remain convinced that our investments and themes, many of which thrived and proved vital during this period as highlighted above, will be even stronger when the post-COVID "new normal" world emerges. The pandemic – and consumer and business responses to the crisis it caused – merely accelerated the changes driven by the last few decades of innovation, technology disruption, and digital transformation. The world is not going back. As I have said to many shareholders in one-on-one calls, I believe in the human law of inertia. Change is hard, but once we change, whether because we are forced to do so or choose it voluntarily, and we see that the changes are better, we seldom retreat to the old ways of doing things. Innovation – the overarching theme of the Fund – stood with us during the COVID pandemic, it will likely be the light that leads out of this dark tunnel (indeed, Moderna developed a vaccine prototype within two days of receiving the virus's DNA sequence), and it will drive us further forward into the future, always separating the business winners and losers. As I have written ad nauseum, stretching the famous Wayne Gretzky quote, "we invest to where the world is going, not where it has been."

Below is a partial list of the secular megatrends we focus on. These themes will be the key drivers of revenue, earnings, and cash flow growth – and stock performance – for the companies in which we are invested:

- Cloud computing
- Software-as-a-service ("SaaS")
- Artificial Intelligence ("AI") and big data
- Mobile
- Digital communications
- Digital media/entertainment
- Targeted digital advertising
- E-commerce
- Genomics
- Genetic medicine
- Minimally invasive surgical procedures
- Cybersecurity
- Electric-drive vehicles/autonomous driving
- Electronic payments

By investing in businesses capitalizing on these potent trends, we have been able to build portfolios that have revenue growth rates that are multiples of the general economy, as reflected in broad market indexes. Below we compare the revenue growth rates of our Fund and three indexes for the trailing four quarters for which we have reliable data:

Comparison of Revenue Growth (based on quarter-end holdings)

	Actual Q3 2020	Actual Q2 2020	Actual Q1 2020	Actual Q4 2019
Baron Opportunity Fund	25.2%	18.4%	18.8%	20.5%
S&P 500 Index	-1.0%	-9.3%	-1.5%	5.8%
Russell 3000 Index	-1.3%	-10.3%	-0.9%	5.3%
Russell 3000 Growth Index	9.3%	1.3%	8.8%	8.5%

Source: BAMCO and FactSet.

Table II.
Top contributors to performance for the quarter ended December 31, 2020

	Percent Impact
Tesla, Inc.	2.16%
Pacific Biosciences of California, Inc.	1.91
Snap Inc.	1.35
Opendoor Technologies Inc.	1.32
QuantumScape Corporation	1.17

Tesla, Inc. designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. The stock increased on strong financial results, including profitability that exceeded market forecasts and strong growth across different geographies and vehicle programs. Indeed, in the third quarter, Tesla delivered almost 140,000 total vehicles – with strong unit level economics of 27.7% GAAP automotive gross profit margins – and another quarter of GAAP profitability and strong free cash flow (almost $1.4 billion). Recently, Tesla announced a record of over 180,000 total vehicle deliveries for the fourth quarter, effectively hitting its goal of 500,000 deliveries for the calendar year, a projection given before the COVID pandemic. In addition, we believe newly released full self-driving functionality should yield further improvements in unit economics and open exciting new growth opportunities. Lastly, Tesla joined the S&P 500 Index, a meaningful milestone that significantly expands the potential shareholder base. (Ishay Levin)

Pacific Biosciences of California, Inc. provides long-read DNA sequencing systems to help scientists conduct genetic analysis. Shares performed well during the quarter. We believe there is increasing excitement about the potential for its platform as it lowers sequencing costs and seeks to move beyond its current commercial niche. Recently appointed CEO Christian Henry previously served as CFO and Chief Commercial Officer at Illumina, Inc., and we think he is well qualified to commercially execute on Pacific Biosciences' differentiated long-read platform. (Neal Kaufman)

Snap Inc. is the leading social network among teens and young adults in the U.S. Shares of Snap were up this quarter on excellent financial results, including revenue growth that benefited from a recovery in ad spending and evidence of impressive operating leverage. We continue to view Snap favorably as the company sustains its rapid pace of product innovation and expands its ecosystem through premium partnerships and increased developer accessibility, helped by its unique audience reach, powerful video business, improved ad products, and robust augmented and virtual reality technology. (Ashim Mehra)

Opendoor Technologies Inc. operates a digital platform where buyers can tour homes, make offers, and get financing, while sellers can receive next-day cash offers with flexible close dates. Shares were up in the quarter on continued reacceleration in residential real estate activity. In our view, Opendoor is the iBuying industry leader disrupting an enormous and highly inefficient industry, with 2019 revenue of $4.7 billion representing less than 0.5% share of a $1.3 trillion addressable market. See below under "top net purchases for the quarter" for further discussion of Opendoor. (Ashim Mehra)

QuantumScape Corporation is developing solid-state battery technology for electric vehicles designed to improve key aspects of the battery, including safety, charging times, energy density, and cost. We believe the company's existing material development and manufacturing techniques can help overcome solid state technological and commercialization hurdles. During the quarter, we participated in the merger between QuantumScape and SPAC Kensington Capital. Shares have since appreciated, driven by investor excitement for the growth opportunities the company may capture with its innovative battery technology. (Ishay Levin)

Table III.
Top detractors from performance for the quarter ended December 31, 2020

	Percent Impact
Alibaba Group Holding Limited	–0.50%
Vroom, Inc.	–0.35
Splunk, Inc.	–0.21
Zoom Video Communications, Inc.	–0.19
Vertex Pharmaceuticals Incorporated	–0.13

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares were down on the news that Chinese regulators had launched an investigation into Alibaba for suspected monopolistic behavior. We continue to believe Alibaba's core business remains highly profitable, complemented by rapid growth in the cloud business and inflections in the Cainiao logistics and New Retail segments. (Ashim Mehra)

Vroom, Inc. is an e-commerce platform that buys and sells used vehicles online and through its app, handling inbound and outbound transportation and offering insurance, financing, and warranty products through third-party partnerships. Shares were down in the quarter given customer service challenges, which we expect to be resolved in the near term. In our view, given its differentiated asset-light approach that should drive higher returns on capital than that of its competitors, Vroom could be one of several winners in the $840 billion-plus U.S. used auto market, of which less than 0.1% is online. (Ashim Mehra)

Splunk, Inc. leverages its scalable data analytics solutions to enable customers to manage operations more efficiently across a broad array of use cases, including IT operations, IT and application monitoring, and cybersecurity. The stock fell after Splunk reported a slowdown in bookings driven by delays in closing its largest pipeline deals. Management withdrew its long-term targets as it evaluates deal activity during the company's fiscal fourth quarter. We have cautiously maintained conviction – post a series of management calls and interactions, as well as customer and industry-expert channel checks – as we expect Splunk's differentiated data platform, newer cloud services, and more flexible pricing models to support growth, although we acknowledge it may take longer to achieve in the pandemic-impacted enterprise spending environment. (Ishay Levin)

Zoom Video Communications, Inc. is a cloud-based software company providing a video-first platform for communication. Shares of Zoom declined during the fourth quarter on profit taking following the strong run in the stock because of accelerated pandemic-driven Zoom adoption, revenue growth, and free cash flow generation. We retain conviction as Zoom remains a leading player in disrupting the $100 billion unified communications market with its scalable, globally distributed, cloud-based, video-first offering, while its well-known brand (Zoom is now a verb!) should enable it to grow profitably as it takes market share. (Guy Tartakovsky)

Vertex Pharmaceuticals Incorporated is a pharmaceutical company best known for its commercial products targeting cystic fibrosis. Share weakness in the quarter was due to the negative initial readout of a pipeline asset targeting Alpha-1 antitrypsin disease, an inherited disorder that increases the chance of lung and liver disease. Given Vertex's best-in-class growth profile and cash flow, as well as upcoming drug-development catalysts, we retain long-term conviction in the name. (Josh Riegelhaupt)

Portfolio Structure

The Fund invests in secular growth and innovative businesses across all market capitalizations, with the bulk of the portfolio landing in the large-cap zone and the Fund is categorized as Large Growth by Morningstar. As of the end of the fourth quarter, the largest market-cap holding in the Fund was $1.7 trillion and the smallest was $391 million.

The median market cap of the Fund was $24.0 billion.

The Fund had $1.4 billion of assets under management. The Fund had investments in 76 securities. The Fund's top 10 positions accounted for 33.5% of net assets.

Fund inflows accelerated during 2020 and remained solidly positive in the fourth quarter.

Table IV.
Top 10 holdings as of December 31, 2020

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
Microsoft Corporation	$1,681.6	$94.3	6.7%
Amazon.com, Inc.	1,634.2	77.4	5.5
Alphabet Inc.	1,185.3	53.5	3.8
Tesla, Inc.	668.9	52.6	3.7
ZoomInfo Technologies Inc.	18.8	35.6	2.5
RingCentral, Inc.	34.0	35.1	2.5
Facebook, Inc.	778.0	33.7	2.4
Opendoor Technologies Inc.	12.4	31.7	2.3
Pinterest, Inc.	40.7	29.9	2.1
Guidewire Software, Inc.	10.8	28.8	2.0

Recent Activity

Table V.
Top net purchases for the quarter ended December 31, 2020

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Visa, Inc.	$527.0	$15.2
Opendoor Technologies Inc.	12.4	15.0
Mastercard Incorporated	355.8	12.5
Stitch Fix, Inc.	6.2	12.5
Farfetch Limited	21.7	11.9

Visa, Inc. and **Mastercard Incorporated** are both long-term holdings in the Fund and leaders of the long-term e-payments trend. Each will also benefit from the post-pandemic normalization of the global economy, particularly travel-related cross-border spending. Our position sizes in each diluted down last year given the sizable inflows the Fund experienced and the underperformance of their stocks during the year, and we decided to increase our portfolio weightings in each during the period.

Opendoor Technologies Inc. operates the leading "iBuying" digital platform in the U.S. enabling consumers to buy and sell homes instantly. On Opendoor, home buyers can tour properties virtually, make offers, and receive financing, while sellers can receive express cash offers on their homes with flexible close dates. In our view, Opendoor can be one of several winners in a massive and highly fragmented industry, with the company's 2019 revenue of $4.7 billion representing less than 0.5% share of the $1.3 trillion in addressable U.S. residential real estate sales annually. This view is driven by our conviction that the one-stop shop iBuyer model is a vastly simpler experience for home buyers and sellers and will attract increasing consumer adoption to Opendoor. It is further bolstered by Opendoor's impressive Net Promoter Score of 70.

Looking ahead, we expect tailwinds not only from increasing iBuyer adoption but also from Opendoor's geographical expansion to over 100 markets from 21 currently, as well as its growing suite of ancillary offerings beyond title/escrow, mortgages, and automated closing processes to include home warranty, renovations, insurance, moving services, and more. Over time, we believe Opendoor can reach mid- to high-single-digit contribution margins per home vs. 4% in its most mature markets today driven by increasing attach rates of ancillary services. Today, 90% of Opendoor's current markets are contribution margin positive, and as the company scales further and adds ancillary offerings, we expect improving unit economics to drive EBITDA breakeven by 2023.

Stitch Fix, Inc. is an online personal styling service that uses recommendation algorithms and data science to personalize clothing items based on size, budget and style across all genders and ages. Previously a subscription-type business, Stitch Fix is starting to leverage its proprietary data to enable direct retail from its site. We believe this new offering expands Stitch Fix's total addressable market to the broader $375 billion to $400 billion U.S. apparel market (along with international opportunities). To support its new product roadmap, Stitch Fix brought in President Elizabeth Spaulding (previously 20 years of experience at Bain) and CFO Dan Jedda (previously 15 years at Amazon). We came away from our meetings with management incredibly impressed by the strong bench and apparent firm culture of risk-taking and big ambition. We believe this is just the beginning of Stitch Fix's successful pivot into traditional retail. Its proprietary data makes it one of the only retailers that can execute human-assisted AI by pairing more than 6 billion data points about specific customer preferences with over 5,000 stylists. As it gathers more data around direct buy, Stitch Fix can also optimize inventory to drive better conversion. Over time, management envisions Stitch Fix evolving into a dynamic marketplace with active vendor management, pricing/demand forecasting, and increased private label penetration (which is higher margin, with higher customer satisfaction scores and lower return rates). Looking further out, it can expand into new international markets or new categories, like furniture, decor, beauty, resale, and luxury. Over the next five years, we believe that sales can double from today's level around $2 billion and that the stock offers significant upside potential.

We invested in **Farfetch Limited**, a global luxury fashion e-commerce marketplace that connects luxury brands, consumers, and retailers. Led by visionary founder José Neves, the company uses its over 10-year relationships with brands and boutiques to create an unmatched product selection through an attractive asset-light marketplace model, which allows Farfetch to boast over 7 times the selection of its nearest competitor. Its supply is then further differentiated by exclusive content from New Guards Group (a collection of luxury brands like Off-White and Palm Angels). As a result of its differentiated supply, we believe Farfetch should continue winning market share from other online players, like Net-a-Porter, and traditional luxury retailers, like Saks and Neiman Marcus, that do not have their own brands and can only sell what they physically own. As the only global luxury marketplace, Farfetch is also uniquely positioned to benefit from the acceleration of online luxury spending, which according to Bain, is expected to rise from 12% global penetration pre-COVID to 30% by 2025. Capitalizing on the digitization of luxury, Farfetch recently announced a partnership with Alibaba in China, one of the most important and fastest growing luxury markets in the world. Currently under-indexed to China (20% to 25% of Farfetch sales but over one-third of global luxury spending), this is a big white space opportunity for Farfetch. Following the Alibaba deal, we have even greater conviction that Farfetch has durable competitive advantages and is well positioned for long-term growth with an expanding addressable market as more luxury spending moves online.

Table VI.
Top net sales for the quarter ended December 31, 2020

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Pacific Biosciences of California, Inc.	$ 4.8	$14.5
Tesla, Inc.	668.9	12.1
Snowflake Inc.	79.7	11.1
salesforce.com, inc.	202.0	10.4
Cellnex Telecom, S.A.	23.1	8.7

The sales of **Pacific Biosciences of California, Inc.**, **Tesla, Inc.**, and **Snowflake Inc.** were all trims after orders-of-magnitude type stock returns last year for these three investments – Tesla is now up nearly 15 times our average cost; Pacific Biosciences is up over 5 times; and Snowflake is up almost 2.5 times – for position-sizing purposes. We continue to believe all of these companies have strong fundamentals and open-ended long-term opportunities. Tesla, in particular, remains a top four position in the portfolio.

The sales of **salesforce.com, inc.** and **Cellnex Telecom, S.A.** were both made to raise capital for other names in their respective spaces, namely software and IT infrastructure.

To conclude, I believe wholeheartedly in the strategy of the Fund: growth based on powerful, long-term, innovation-driven secular growth trends. In the highly unpredictable times we live in – both during this crisis and in the "new normal" hopefully around the corner – we believe non-cyclical, sustainable, and resilient growth should be part of investors' portfolios.

Sincerely,

Michael A. Lippert
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: The Adviser believes that there is more potential for capital appreciation in securities of high growth businesses benefiting from innovation through development of pioneering, transformative or technologically advanced products or services, but there also is more risk. Companies propelled by innovation, including technological advances and new business models, may present the risk of rapid change and product obsolescence and their successes may be difficult to predict for the long term. Securities issued by small and medium sized companies may be thinly traded and 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 Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers 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.

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