DEAR BARON OPPORTUNITY FUND SHAREHOLDER:

PERFORMANCE

The market rally continued and Baron Opportunity Fund (the "Fund") delivered robust returns, advancing 17.92% (Institutional Shares), outperforming both the Russell 3000 Growth Index, which rose 12.86%, and the S&P 500 Index, which climbed 8.93%. Year-to-date, the Fund is up 53.87%, significantly ahead of both indexes, which have increased 23.00% and 5.57%, respectively.

As of this writing (October 13), while no guarantee of future returns, the Fund has continued to perform well and is up 64.37% year-to-date.

MICHAEL A. LIPPERT

PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended September 30, 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]	17.86%	17.92%	12.86%	8.93%
Nine Months[4]	53.52%	53.87%	23.00%	5.57%
One Year	75.25%	75.82%	36.12%	15.15%
Three Years	35.15%	35.52%	20.73%	12.28%
Five Years	27.36%	27.69%	19.51%	14.15%
Ten Years	17.80%	18.12%	16.91%	13.74%
Fifteen Years	14.03%	14.26%	11.74%	9.19%
Since Inception (February 29, 2000)	9.59%	9.75%	6.04%	6.53%

REVIEW & OUTLOOK

When writing a piece like a quarterly letter, an author – me, in this case – always aspires to write something new. But on further thought, I came to the realization that solid performance grounded in a sustainable, repeatable, and long-term investment philosophy and approach – while less exciting, maybe, for this particular letter – is a pretty good thing and further demonstrates we are executing the right strategy. Our third quarter returns 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 underline in all of our investor communications, we focus our investments in 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 have proven 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

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, 2019 was 1.34% and 1.09%, 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-month, 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 indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. 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.

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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(**Amazon**, **Alibaba**); digital media and advertising, to enable businesses to reach their customers with targeted content where they are spending their time and in a manner that complements, not interrupts, the content a user is consuming (**Pinterest, Facebook**); digital workflows to enable buyers and sellers to safely and easily navigate a real estate transaction, including mortgage financing, in this difficult environment (**Zillow**); cloud computing infrastructure and applications, to enable enterprise and personal use cases from whatever device wherever your location (**Amazon, Microsoft, NVIDIA, Snowflake**); and cybersecurity, to keep you safe and secure in this digital world (**CrowdStrike**). We remain convinced that our investments and themes, many of which have thrived and proved vital during this period, will be stronger when the "new normal" world emerges.

The Fund's robust third quarter was also buoyed by the powerful U.S. equity market rebound that persisted through much of the period. The stock market rally continued to be bolstered by the Federal Reserve's liquidity tailwind, massive fiscal stimulus, vaccine optimism, upbeat economic data, and the growing influence of the largest technology firms on the major market indexes. Despite the ongoing Coronavirus pandemic, the S&P 500 Index achieved a new record high in early September, completing the fastest bear market recovery in history. Many technology-related firms reached new all-time highs, driven by accelerating work from home, cloud computing, and digital transformation trends.

Even with the market's stunning recovery, as I acknowledged last quarter, there is still a great deal of uncertainty about the COVID-19 pandemic, including what colder weather and flu season will bring, and the timing of any vaccines and/or advanced treatments; the next stage of the U.S. and global economic recovery; the 2020 Presidential and Congressional elections; what the Federal Reserve and/or Congress will do next, including whether the White House and the leadership of both houses will agree on another stimulus package; and the market's future direction. However, I will reiterate what I've expressed in the past: we don't have 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. As I started this letter, the Fund's recent and longer-term performance is due to our steadfast commitment to this approach.

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, people-based 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 Q2 2020	Actual Q1 2020	Actual Q4 2019	Actual Q3 2019
Baron Opportunity Fund	18.9%	19.0%	20.6%	20.4%
S&P 500 Index	–9.4%	–1.5%	5.9%	4.7%
Russell 3000 Index	–10.4%	–0.9%	5.6%	4.9%
Russell 3000 Growth Index	1.4%	8.9%	9.4%	9.9%

The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

Table II.
Top contributors to performance for the quarter ended September 30, 2020

	Percent Impact
Tesla, Inc.	5.51%
Snowflake Inc.	1.23
Amazon.com, Inc.	1.14
Alibaba Group Holding Limited	0.78
Zillow Group, Inc.	0.75

Tesla, Inc. designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. The company reported robust second quarter results, solidly ahead of market expectations, despite the impact of the COVID-19 pandemic and associated macro-economic challenges. Indeed, in the second quarter, Tesla delivered almost 91,000 total vehicles – with strong unit level economics of 25.4% GAAP automotive gross profit margins – and another quarter of GAAP profitability and solid free cash flow (above $400 million). Moreover, Tesla recently announced a record of nearly 140,000 total vehicle deliveries for the third quarter. Despite global COVID-19 disruptions, our long-term expectations remain high due to Tesla's differentiated products and healthy unit economics. Tesla has announced capacity expansions in Shanghai, China; Berlin, Germany; and Austin, Texas to support its short-term path to 1 million vehicles and its long-term goal of 20 million. Just a couple of weeks ago, Tesla held its Battery Day event, and presented a grand vision around its battery innovation and expanding its competitive advantages, including massively increasing internal battery production capacity (100 gigawatt-hours by 2022 and 3,000 by 2030), improving battery range (about 50%), and significantly lowering battery costs (cost per kilowatt-hour to decline by over 50%). We remain confident that Tesla will leverage its brand, technology leadership, and the electric vehicle secular trend to achieve sustainable long-term growth. (Ishay Levin)

Snowflake Inc. provides a data-warehouse platform for large-scale data analytics and storage. The company is leveraging its cloud-native architecture to offer low-cost storage, scalability, and ease of use that are lacking in many competitive solutions. We participated in the company's September IPO and the stock has performed well in the after-market. We believe Snowflake has a significant growth runway within its large addressable market given its differentiated technology, platform approach, and highly experienced management team. Snowflake's CEO Frank Slootman and CFO Michael Scarpelli have successfully partnered at several public technology companies, including ServiceNow, a long-term Fund investment. (Ishay Levin)

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares were up on strong second quarter revenue metrics – with paid unit growth accelerating to 57%, a startling figure for a company of this scale – as Amazon benefited from recent investments in logistics and distribution to meet increased COVID-19-related demand. Amazon has the unique ability to deliver all the necessities of life safely to your doorstep, including groceries. Amazon also reported a stunning beat in operating profit, with $5.8 billion of operating income, almost six times Wall Street's expected figure. While e-commerce penetration is rising rapidly and Amazon continues to grow its addressable market by entering new verticals, we continue to view Amazon Web Services as the more material driver of the company given its leadership in the vast and growing cloud infrastructure market and potential to compete in application software in the years to come. (Ashim Mehra)

Alibaba Group Holdings Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of soon-to-be publicly traded Ant Financial, which operates Alipay, China's largest third-party online payment provider. Shares of Alibaba were up on sustained core commerce recovery benefiting from improved purchase frequency and spending per order. We believe Alibaba's core business remains highly profitable, complemented by rapid growth in the cloud business and inflection in the Cainiao logistics and New Retail segments. (Ashim Mehra)

Zillow Group, Inc. operates leading U.S. real estate sites, a mortgage marketplace, and the Zillow Offers home-buying business. Shares were up on strong second quarter results driven by record top-of-funnel metrics and a favorable newly public comp for the Offers business. In our view, Zillow is well positioned to penetrate the large online real estate advertising opportunity with substantial upside from Offers, which could grow the company's addressable market in houses to be bought and sold, leads provided to Premier Agents, and Zillow Home Loans. (Ashim Mehra)

Table III.
Top detractors from performance for the quarter ended September 30, 2020

	Percent Impact
Schrodinger, Inc.	–0.51%
ZoomInfo Technologies Inc.	–0.38
Applied Therapeutics, Inc.	–0.16
Illumina, Inc.	–0.13
Guidewire Software, Inc.	–0.11

Schrodinger, Inc. is a hybrid software, physics, and biotechnology company that has developed a unique software suite that enables drug developers to explore the endless range of possible drug/target interactions applying the rules governing single-atom interactions. Typical drug discovery can take four to six years to identify a candidate molecule for a clinical trial; the Schrodinger platform can cut this in half. Schrodinger has married this recurring-revenue software business to its drug development efforts, both internally and with partners. Given that Schrodinger was the best-performing IPO in the entire biotechnology space in the first half of 2020, we were not surprised to see some mean reversion in the third quarter. We remain investors for both the established software business and the biotechnology development arm. (Josh Riegelhaupt)

ZoomInfo Technologies Inc. operates a cloud-based business-to-business intelligence platform that provides sales and marketing teams with comprehensive data and analytics on 14 million companies and 120 million professionals, enabling sales professionals to identify and target prospects, shorten sales cycles, and increase win rates. Shares were strong after the company's IPO in early June but pulled back during the third quarter. This is not atypical for successful IPOs. In fact, ZoomInfo shares have staged a strong rally over the last month. We believe ZoomInfo has a meaningful runway for growth supported by secular trends favoring data-driven marketing and the company's best-in-class go-to-market strategy, where the company utilizes its own platform. (Ashim Mehra)

Applied Therapeutics, Inc. is a biotechnology company developing a class of drugs called aldose reductase inhibitors for the treatment of an orphan disorder called Galactosemia. Shares fell in the third quarter as the market debated the clinical meaningfulness of the company's Phase 2 test results reported in April. We sold our shares during the quarter. (Josh Riegelhaupt)

Illumina, Inc. is the leading manufacturer of DNA sequencing systems for genetic analysis. Shares fell as lower utilization of the company's systems in light of the COVID-19 pandemic led to disappointing second quarter financial results. Illumina also announced the acquisition of Grail, which is developing a blood test for early stage cancer detection. Investors responded negatively to the acquisition because of substantial near-term earnings dilution and concerns about competition with Illumina's customers. Although we cannot refute all of those concerns at this juncture, we have followed Grail for many years and believe Illumina's investment has substantial long-term potential. (Neal Kaufman)

Shares of P&C insurance software vendor **Guidewire Software, Inc.** detracted from performance. The company's transition to a cloud-first approach has caused short-term financial headwinds and slowed the cadence of new license sales, as new customers weigh Guidewire's cloud offering vs. its legacy on-premise suite and as existing customers contemplate their cloud migration paths. We retain conviction. We believe new products and cloud delivery will triple Guidewire's total addressable market. Over time, we think Guidewire will become the key software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion market and generating operating margins above 40%. (Neal Rosenberg)

Portfolio Structure

The Fund invests in secular growth and innovative businesses across all market capitalizations. As of the end of the third quarter, the largest market cap holding in the Fund was $1.6 trillion and the smallest was $1.1 billion.

The median market cap of the Fund was $23.7 billion.

The Fund had $1.1 billion of assets under management. The Fund had investments in 72 securities. The Fund's top 10 positions accounted for 36.5% of net assets.

As I mentioned last quarter, Fund inflows have accelerated since the beginning of the year and, as of this writing, continue to be solidly positive.

Table IV.
Top 10 holdings as of September 30, 2020

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$1,591.7	$81.8	7.6%
Amazon.com, Inc.	1,577.2	74.9	6.9
Tesla, Inc.	399.8	39.9	3.7
Alphabet Inc.	998.3	39.5	3.7
Facebook, Inc.	746.1	32.3	3.0
ZoomInfo Technologies Inc.	17.5	27.9	2.6
Alibaba Group Holding Limited	795.4	27.6	2.6
RingCentral, Inc.	24.4	24.4	2.3
Snowflake Inc.	70.5	23.6	2.2
argenx SE	12.4	21.1	1.9

Recent Activity

Table V.
Top net purchases for the quarter ended September 30, 2020

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Alphabet Inc.	$998.3	$13.7
Pinterest, Inc.	24.9	12.3
Snowflake Inc.	70.5	11.3
Purple Innovation, Inc.	1.3	11.1
Cellnex Telecom, S.A.	29.7	9.2

Considering solid Fund inflows, we added to long-term holding **Alphabet Inc.** to maintain its weighting in the portfolio. Alphabet is the parent company of Google, the world's largest search and online advertising company. We increased our position in Alphabet this quarter as a protracted COVID-19-related recovery in travel and brand advertising presented an attractive buying opportunity. We are encouraged by improving trends in both search and YouTube, driven by durable tailwinds to e-commerce and local advertising, as well as the continued shift of video advertising dollars away from linear television as consumers increasingly cut the cable TV cord. We believe Google is becoming slightly more disciplined in capital allocation than it has been historically. Lastly, Google Cloud, which this quarter achieved a $12 billion revenue run rate under the leadership of Thomas Kurian, is having increasing success competing with larger vendors, due to its strengths in security, open-source, and data analytics.

Pinterest, Inc. is a visual-search platform where people discover and save ideas. Users come to Pinterest seeking inspiration for do-it-yourself projects, home improvements, party décor, and many other activities for which they might want to purchase novel products. These users often have high commercial intent and, as a result, are highly monetizable as they browse for visual inspiration. Given that consumers are just looking for image-based answers and don't care as much whether a relevant image is an ad or not, Pinterest is one of the only social media platforms where, over time, ads can look like the content itself and not degrade from the user experience. We believe Pinterest's monetization is inflecting as advertiser and merchant additions are dramatically accelerating, which in turn should lead to pricing gains for their ad inventory. Pinterest started to roll out sales coverage to major markets in Europe last year. More recently, the company partnered with Shopify to allow Shopify's one million merchants to upload their product catalogs into the Pinterest ecosystem. We believe that this should yield an exciting unlock of supply, which enables a better shopping experience, drives more sales to these merchants, and soon thereafter, drives monetization improvements for Pinterest. Finally, the company has recently rolled out its latest advertising technology advancements, enabling advertisers to better target their ads on the platform and receive clearer insights into their return on ad spend. Over the next several quarters and years, we believe that Pinterest will monetize its users with much greater efficiency, leading to sustainably higher revenue growth.

During the quarter, we initiated a position in **Snowflake Inc.** as part of the company's highly anticipated and successful IPO. Snowflake offers a data-warehouse platform for large-scale data analytics and storage. Snowflake built its cloud-native architecture from the ground up and leverages it to offer solutions with low cost, scalability, ease of use, and shorter query times (receiving answers to the questions asked of the data) that are lacking in many competing solutions. We expect the company to benefit from the strong secular trends of cloud adoption and growing demand for data insights. Given its critical product advantages, Snowflake is well positioned to disrupt an existing large market opportunity. In addition, we believe that with its lower cost, improved performance and growing product line, the transition of the data warehouse to the cloud can broaden use cases, expanding the overall market opportunity. Lastly, Frank Slootman, CEO, and Michael Scarpelli, CFO, are a highly experienced management team, with a proven track record, and we are confident they will not only drive a broader vision for the company but significantly improve sales execution, leveraging their decades of experience selling into the large enterprise segment.

Purple Innovation, Inc. was founded by the Pearce brothers, rocket scientist Tony and comfort technology engineer Terry. The Pearce brothers first created a product called Floam, the world's lightest-weight cushioning fluid that was used in medical beds, footwear, braces, and other applications. By 2013, they had one-upped Floam by patenting a durable hyper-elastic polymer which eventually would be molded into the mattress cushioning that forms the core of the mattresses that Purple sells today. Purple has been led by what we call a "founder-like CEO" in Joe Megibow, who joined the company from Expedia in 2018. Under Joe's leadership, we believe the company is rapidly expanding its manufacturing capacity in order to meet current demand. We also believe there are untapped growth opportunities, such as selling into international markets and expanding the technology into more customized seat cushions (such as commercial airline seat cushions). We believe the company can get to $1 billion in revenue over the next three years with mid-teen profit margins, and that the shares offer significant upside.

Cellnex Telecom, S.A. is Europe's largest independent tower company with approximately 60,000 sites across Europe and market leading positions in countries such as Spain, France, Italy, Switzerland, Portugal, the U.K., and the Netherlands. We participated in Cellnex's €4 billion capital raise back in August that was issued on the backdrop of an €11 billion potential near-term deal pipeline. Cellnex has a large addressable market opportunity with only approximately 30% of towers owned by independent operators (not the carriers) in Europe vs. 90% in the U.S. We believe the shift of tower portfolios from carrier-owned to independent ownership will be a key growth engine for Cellnex and an important source of capital for telecom carriers to fund necessary 5G investments and network upgrades. In addition to external growth, the company has strong underlying organic growth prospects due to the upcoming 5G investment cycle and further necessary network densification requirements underpinned by robust growth in mobile data usage.

Table VI.
Top net sales for the quarter ended September 30, 2020

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Tesla, Inc.	$399.8	$54.3
Twilio Inc.	33.5	9.3
Datadog, Inc.	28.0	8.3
Trainline Plc	2.4	7.7
Brookfield Asset Management, Inc.	49.1	6.2

Nothing has changed regarding our conviction in **Tesla, Inc.** but the stock price. Given Tesla's almost 800% return over the last year – and it's over 400% return year-to-date – we deemed it appropriate and prudent to reduce our portfolio weighting in Tesla's stock. As you can see from Table IV, we retain long-term conviction in Tesla, and it remained a top three position in the Fund as of the end of the third quarter.

Small positions in **Twilio Inc.** and **Datadog, Inc.** – both terrific companies but fully valued, in our view – were sold to fund investments in other software companies, including the Snowflake IPO.

Trainline Plc is an innovative young company, but significantly impacted by the COVID-19 pandemic. We decided to move to the sidelines and revisit the investment at a future point.

We opted to sell **Brookfield Asset Management, Inc.** to secure a tax loss and fund other investments.

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 uncertain world we live in – both during this crisis and in the "new normal" when it ends – we believe non-cyclical, sustainable, and resilient growth should be part of investors' portfolios.

Sincerely,

Michael A. Lippert
Portfolio Manager

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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.

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