Dear Baron Opportunity Fund Shareholder:

Performance

Baron Opportunity Fund (the "Fund") had a solid quarter, advancing 10.14% (Institutional Shares), but trailed the Russell 3000 Growth Index, which rose 11.38%, mostly due to market trading during the last few days of the quarter. The Fund outperformed the S&P 500 Index, which increased 8.55%.

Table I.
Performance
Annualized for periods ended June 30, 2021

	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]	10.06%	10.14%	11.38%	8.55%
Six Months[4]	10.97%	11.11%	12.71%	15.25%
One Year	60.80%	61.18%	42.99%	40.79%
Three Years	38.26%	38.62%	24.47%	18.67%
Five Years	34.84%	35.19%	23.31%	17.65%
Ten Years	19.07%	19.39%	17.54%	14.84%
Fifteen Years	15.89%	16.14%	13.33%	10.73%
Since Inception (February 29, 2000)	10.84%	11.01%	7.01%	7.57%

MICHAEL A. LIPPERT

PORTFOLIO MANAGER

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

Review & Outlook

The Fund had a solid quarter, advancing just over double digits for the period. The Fund was buoyed by a strong U.S. equity market overall, as the market continued to move higher in response to robust economic data, continued fiscal and monetary support, and an outstanding corporate earnings season. Despite concerns about intensifying inflationary pressures and the prospect of policy tapering and future rate increases, the Russell 3000 Index posted three consecutive monthly gains.

We continued to run our play – our consistent philosophy, strategy, and process, which have empowered the Fund to outperform the broader market indexes by over 40% over the trailing 12 months. While we stay aware of the political, geopolitical, economic, regulatory, and legal developments that often yield market volatility over the short term, we focus our attention, research, analysis, and portfolio management on identifying the powerful and durable secular growth trends that will drive economic growth regardless of short-term economic cycles or stock market gyrations, and the individual companies that are leading or capitalizing on those trends. As I've repeated over the last few letters, it "is what we do" and the bedrock of our long-term performance. On one side it may be boring for letter readers more interested in real-time market analysis, but on the other side, the one we occupy, it speaks to the consistency, repeatability, and durability of the Baron investment approach.

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 there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

1 The **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. 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 and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

2 The performance data 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.

BARON FUNDS 1987

Baron Opportunity Fund

While the Fund had a solid quarter, it underperformed its primary index (Russell 3000 Growth Index) slightly during the period, largely due to market trading activity over the last few days of the quarter. The Fund's slight underperformance was primarily due to weakness in the Communication Services sector, driven by a sharp pullback in **Tripadvisor**'s shares on concerns about pressure on global travel from the rise in COVID cases resulting from new variants, particularly Delta, and competition for its new Plus offering, described more fully below; the Fund's underweight in **Facebook**, which rose sharply the last week of the period as the antitrust lawsuit against the company was dismissed; and weakness in digital real estate stocks, including **Zillow**, which pulled back on market concerns about the potential impact of rising interest rates on the housing market (see **Opendoor** discussion below, which addresses the same issues). On the other hand, the Fund experienced strong performance across the Health Care space (see discussions of **Arrowhead** and **ShockWave** under contributors below), as well as the Information Technology ("IT") sector, where digital transformation trends continued to be robust.

We did make some tactical moves during the period. In the biotechnology space, we consolidated the portfolio around our three favorite investments of **Arrowhead**, **Acceleron**, and **argenx**. Across the software group, we trimmed **Microsoft**, which remains our largest position, to fund investments in stocks that faced pandemic-related headwinds and should see accelerated revenue growth moving forward or traded down to highly attractive long-term valuations on the software pullback earlier this year. These include cloud unified communications leader **RingCentral** (discussed more fully below); team workflow and collaboration cloud pioneer, **Atlassian** (also below); digital tax calculation and compliance leader, **Avalara**; enterprise workflow automation platform titan, **ServiceNow** (discussed in depth in our last letter); cloud payroll and workforce management software provider, **Ceridian**; business-to-business marketing data, analytics, workflow, and engagement innovator, **ZoomInfo**; and the leading cloud software provider to the property and casualty insurance industry, **Guidewire**.

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 Q1 2021	Actual Q4 2020	Actual Q3 2020	Actual Q2 2020
Baron Opportunity Fund	38.5%	30.6%	24.7%	18.5%
S&P 500 Index	12.6%	2.8%	–1.2%	–9.3%
Russell 3000 Index	12.3%	2.6%	–1.6%	–10.5%
Russell 3000 Growth Index	16.5%	9.1%	4.0%	–6.3%

Source: BAMCO and FactSet.

Table II.
Top contributors to performance for the quarter ended June 30, 2021

	Percent Impact
Microsoft Corporation	1.32%
Alphabet Inc.	1.20
NVIDIA Corporation	0.93
Arrowhead Pharmaceuticals, Inc.	0.62
ShockWave Medical, Inc.	0.60

Shares of **Microsoft Corporation**, a cloud-software leader and provider of software productivity tools and infrastructure, rose during the quarter following a strong earnings report highlighting solid demand for its broad product stack and continued momentum migrating its business to the cloud. Microsoft was a top contributor in the period because it trades at reasonable free cash flow and earnings valuations, has cloud and digital transformation tailwinds at its back, reported a solid March quarter, and beat Street expectations by a wide margin. Microsoft's results continued to be strong across the board, with Azure cloud computing revenues up 46% in constant-currency ("cc") terms and commercial cloud bookings growth of 38% cc, the best in years. Microsoft also reported robust profitability growth, with operating income expanding 31% and GAAP earnings up 45%. We believe the company is well positioned for continued solid growth and profitability through market share gains as more companies look to transform and digitize their businesses as they move operations to the cloud. (Brian Neigut)

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company and a top cloud computing player. Shares of Alphabet were up in the quarter given continued recovery in ad spending, strong cloud revenue growth, and improved cost controls. Alphabet's total revenue grew 32%, beating the Street's estimate of 25%, with search revenues up 30%, YouTube revenue up 49%, and total cloud revenue up 46% (with Google Cloud Platform growing much faster). Moreover, Google's operating margins expanded over 1,000 basis points from 19% to just under 30%. We retain high conviction in Alphabet's merits as it continues to benefit from growth in mobile and online video advertising, which accrues to its core assets of search, YouTube, and the Google ad network. We are further encouraged by Alphabet's investments in cloud computing, artificial intelligence (AI), autonomous driving (Waymo), and life sciences (Verily, Calico). (Ashim Mehra)

NVIDIA Corporation is a fabless semiconductor company and a leader in gaming cards and accelerated computing chips. Shares of NVIDIA rose in the second quarter on financial results and guidance significantly above Street expectations, as it benefited from the upgrade cycle in its gaming franchise along with continued AI-related strength driving its data center segment. NVIDIA's total revenues of $5.66 billion beat Street expectations by $266 million, growing 84% (including the benefit of acquisitions, 65% organic), with its gaming business growing over 100% and its data center business expanding nearly 80%. We remain confident in NVIDIA's leading position in gaming, data centers, and autonomous machines. (Guy Tartakovsky)

Arrowhead Pharmaceuticals, Inc. develops RNA interference (RNAi) therapies. Shares increased on positive clinical updates for its lead programs in Alpha-1 Antitrypsin disease. Investors have also started to focus on data catalysts for the RNAi platform. We retain conviction in Arrowhead as a core holding in the RNAi field as we believe RNAi is the best positioned new therapeutic modality to capture treatment of patients at volume given quarterly, biennial, or annual dosing and clean safety profiles. (Josh Riegelhaupt)

ShockWave Medical, Inc. provides intravascular lithotripsy for the minimally invasive treatment of arterial plaque. Shares performed well for the quarter after the company announced FDA approval of its product for use in coronary artery disease, which we see as a significant growth driver as it launches in the U.S. ShockWave's financial results and guidance were also outstanding, with first quarter revenue growth of 110% and full-year revenue guidance over 200% at the high end. We think ShockWave has a differentiated technology serving a significant unmet need in arterial disease and meaningful long-term growth potential. (Caleb Huang)

Table III.
Top detractors from performance for the quarter ended June 30, 2021

	Percent Impact
Tripadvisor, Inc.	–0.90%
Opendoor Technologies Inc.	–0.29
BridgeBio Pharma, Inc.	–0.21
ACV Auctions Inc.	–0.21
Guardant Health, Inc.	–0.21

Tripadvisor, Inc. is an online travel company where users can browse reviews and plan trips. Shares fell on concerns that new COVID-19 variants would delay the recovery of the travel industry. In addition, investors appeared concerned that Tripadvisor's new Tripadvisor Plus subscription offering, which launched in June, would face competitive pressures. We do not believe traditional loyalty programs will be materially competitive with the upfront savings offered by Tripadvisor Plus. We also think Tripadvisor is well positioned to benefit from pent-up consumer demand for travel. (Ashim Mehra)

Opendoor Technologies Inc. operates a digital platform for home purchases and sales on which buyers can tour homes, make offers, and secure financing, and sellers can receive next-day cash offers with flexible close dates. Shares were down in the quarter given rising mortgage rates and the potential knock-on effects to the housing environment. Despite investor concerns, the housing market remains robust. As the iBuying industry leader disrupting an enormous and highly inefficient industry, we believe Opendoor will grow regardless of the housing market environment. (Ashim Mehra)

BridgeBio Pharma, Inc. is a biotechnology company developing drugs that address a host of genetic disorders. Shares fell in the quarter given concerns around increasing competition. While we expect positive results from BridgeBio's Phase 3 trial for its lead program for TTR amyloidosis, a disease in which toxic proteins build up in the heart and nerves, encouraging updates from Alnylam's competing drug, Vitrusiran, and more recently, Intellia's gene editing platform, pressured the stock. We exited our position. (Josh Riegelhaupt)

Shares of **ACV Auctions Inc.**, the leading digital marketplace for wholesale automotive transactions, declined after a successful IPO in late March despite reporting robust results. Given its strong post-IPO performance, ACV permitted a partial early release of the lock-up for existing investors, which put pressure on the stock. We exited our small position. (David Sobel)

Guardant Health, Inc. offers liquid biopsy tests for advanced stage cancer and recurrence monitoring and is developing a test for early cancer detection. Shares fell during the quarter as high-growth companies with high valuations sold off. We maintain conviction for the long term as we believe Guardant is a unique growth company that has the potential to transform cancer care. (Caleb Huang)

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. The Fund is categorized as Large Growth by Morningstar. As of the end of the second quarter, the largest market cap holding in the Fund was $2.0 trillion and the smallest was $1.4 billion. The median market cap of the Fund was $24.0 billion.

The Fund had $1.62 billion of assets under management. The Fund had investments in 68 securities. The Fund's top 10 positions accounted for 36.8% of net assets.

Fund inflows, which accelerated during 2020, remained solidly positive for the first half of the year.

Table IV.
Top 10 holdings as of June 30, 2021

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$2,040.3	$133.8	8.2%
Alphabet Inc.	1,658.8	99.1	6.1
Amazon.com, Inc.	1,735.0	83.5	5.1
Tesla, Inc.	654.8	46.2	2.8
RingCentral, Inc.	26.4	42.2	2.6
NVIDIA Corporation	498.5	41.3	2.5
ZoomInfo Technologies Inc.	20.4	40.6	2.5
Arrowhead Pharmaceuticals, Inc.	8.6	40.4	2.5
Tripadvisor, Inc.	5.5	38.3	2.4
Visa, Inc.	515.7	34.9	2.1

Recent Activity

Table V.
Top net purchases for the quarter ended June 30, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Endeavor Group Holdings, Inc.	$12.4	$15.6
Indie Semiconductor, Inc.	1.4	14.0
RingCentral, Inc.	26.4	13.1
Atlassian Corporation Plc	64.5	11.9
SoFi Technologies, Inc.	15.2	9.9

We participated in the IPO of **Endeavor Group Holdings, Inc.**, a media and entertainment conglomerate built and led by CEO Ari Emmanuel, with assets spanning talent representation (Endeavor, William Morris), events production and distribution (IMG, Fashion Week, the Miami Open), marketing and licensing, and owned sports/media properties, most notably the UFC. In our analysis, some 50% of Endeavor's operating cash flow (EBITDA) and 60% to 70% of value comes from the UFC, which is the dominant platform in what we believe is a sport increasingly entering the mainstream, both in the U.S. and abroad. We believe the opportunities to grow UFC revenue over the medium term through sponsorship, event revenue, and especially broadcast rights contracts, are substantial both in new territories and at renewal of existing agreements given the sport's growth trajectory. We also like the asset's structure relative to other sports, with greater control and superior economics to the league itself versus underlying teams. Beyond the UFC, Ari and team have built the combined William Morris Endeavor & IMG into a platform rather than simply an agency, with broader capabilities to help both talent and corporate brands monetize across ever proliferating forms of media consumption, which we think makes the business stickier and likely to gain share. Finally, we expect future opportunistic acquisitions to be accretive, particularly in owned sports and properties, where Endeavor can bring its capabilities and platform to bear to accelerate the targets' growth and extract cost synergies.

Indie Semiconductor, Inc. is a fabless designer, developer, and marketer of automotive semiconductors for advanced driver assistance systems, including LiDAR and connected car, user experience, and electrification applications. We participated in its recent SPAC transaction and have purchased additional shares in the aftermarket. We believe the automotive semiconductor space is an attractive industry vertical as new vehicle designs are long-lived and design wins provide strong revenue visibility. Additionally, semiconductor content in cars is expected to grow substantially in the coming decade, driven by enhanced safety and user experience features, as well as electrification. While a relatively small company today, Indie already has multiple contracts with various automobile manufacturers and Tier 1 automotive suppliers that ramp in the coming years, with a total $2 billion strategic backlog of contracted business and a $2.5 billion pipeline of opportunities for which the R&D has largely been funded. With the cash received from the SPAC transaction, we are confident that Indie will accelerate its R&D efforts and continue to win new designs across an increasing number of applications, leading to strong growth over the coming decade. Indie's key advantage is its cross-domain expertise spanning analog, processing, and power semiconductor applications, enabling it to offer higher levels of integration and design simplicity at a lower cost to customers. These advantages are reflected in 90% of their design wins being sole sourced. Moreover, Indie's experienced management team has previously built a semiconductor company from the ground up, achieving a successful exit, giving us high confidence in their ability to execute their strategic plan at Indie as well.

RingCentral, Inc. has been a three-year portfolio holding and remains a leader in the cloud unified communications-as-a-service (UCaaS) space, which includes voice, video, messaging, and call center services. But after posting its third quarter in a row of accelerating revenue growth in the first quarter, RingCentral's shares began to sell off on fears around heightened competition with both Microsoft Teams, of which RingCentral is a partner, and with Zoom Communications, a former partner who has launched its own voice communications offering. Shares sold off further during the period with the rotation out of secular growth names into cyclicals. We used the pullback in the shares to add significantly to our position given RingCentral's best-in-class UCaaS technology, including five 9's contractual service commitments (fully operational 99.999% of the time) for voice, which is orders of magnitude above its competitors; presence in roughly 40 countries; data governance and security requirements; number portability with all the relevant domestic and international carriers; and positioning as the Gartner Magic Quadrant UCaaS Leader. The UCaaS market is still quite early in its adoption curve, with only about 3% penetration of the roughly 400 million existing business landline seats in operation today. We believe RingCentral is in a solid position to capture meaningful share of this market, with its exclusive partnerships with legacy landline players like Avaya, Atos, and Alcatel, which effectively gives it a "hunting license" for about half of those 400 million legacy seats, leveraging joint go-to-market efforts with each partner. We remain confident that RingCentral is well positioned to achieve at least 30% top-line growth for years to come, along with steadily improving operating margins and free cash flow generation.

Atlassian Corporation Plc is a software leader that makes tools that are used by thousands of teams worldwide, thus its ticker TEAM. Atlassian's tools "help teams collaborate, build, and create together" (quote from Atlassian's website), with an emphasis on designing, developing, and maintaining software, including JIRA for team planning and project management, Confluence for team content creation and sharing, HipChat for team messaging and communications, Bitbucket for team software code sharing and management, and JIRA Service Desk for team services and support use cases. Atlassian is the recognized market leader for information technology team planning and project management software, and has extended its product offering into tangential areas, such as those listed above. The company is in the midst of transitioning its business model to the cloud, which will help it drive faster product innovation, more seamlessly integrate its product families, and raise the effective price realization for its suite of products. Atlassian is run by its two visionary founders, has strong competitive advantages, and we think it should be able to grow revenue over 25% for many years with best-in-class free cash flow margins.

We participated in SPAC offering of **SoFi Technologies, Inc.**, a branchless digital bank that provides a range of financial services products for the "high earners not well served" demographic. SoFi was initially focused on student loan refinancing, but it has vastly expanded its product portfolio, adding other types of loans and a range of banking products, such as a bank account, debit and credit cards, and brokerage (including crypto). We believe that SoFi now has the broadest product suite of any "neobank" in the U.S., and we view the lending segment, SoFi's historical strength, as a differentiated product line that few neobank competitors currently offer. With most neobanks focusing on the larger group of unbanked or underbanked Americans, SoFi's focus on a higher-income demographic, coupled with its wide range of products, positions it to be one of the leading digital banks of the future. The breadth of its product portfolio means that, unlike its neobank competitors, SoFi can offer potential customers a product at many points in their lifecycle such as student loan refinancing for new graduates, or brokerage when those graduates accumulate savings. This enables SoFi to sign up and retain customers for a long period of time. Aside from member growth, SoFi plans to grow through cross-selling products into its customer base, which drives both customer engagement and stickiness. In addition to the consumer finance offerings, SoFi owns a technology platform called Galileo that is used to power the banking experiences of many other neobanks. We believe the Galileo asset gives SoFi attractive exposure to the fast-growing broader consumer FinTech space. Over time, we expect SoFi to continue signing up members and then cross-selling those members multiple products, which should drive improving unit economics and profit growth.

Table VI.

Top net sales for the quarter ended June 30, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Facebook, Inc.	$ 920.5	$38.3
Microsoft Corporation	2,040.3	21.7
Installed Building Products, Inc.	3.9	15.6
Purple Innovation, Inc.	1.8	13.9
Rexford Industrial Realty, Inc.	7.4	12.5

We made the difficult decision to sell our **Facebook, Inc.** position to fund other investments across the digital media, entertainment, and advertising group, which has a significant total weight in our portfolio. These included Endeavor, discussed above, and the PIPE offering of Nextdoor, led by the former CFO of Square, Sarah Friar, who we have known since her days on the sell-side at Goldman Sachs. We believe names like Snapchat, Pinterest, Endeavor, and Nextdoor offer superior growth potential, and do not have the same global legal, regulatory, and political risks as Facebook.

As discussed above, we trimmed our weighting in **Microsoft Corporation** on strength to help fund investments in other software names that we believed offered meaningful returns, such as RingCentral, Atlassian, Avalara, ServiceNow, Ceridian, ZoomInfo, and Guidewire. Microsoft remains the largest position in our portfolio.

We sold **Installed Building Products, Inc.** and **Rexford Industrial Realty, Inc.** to fund higher growth investments, such as those discussed above.

We sold **Purple Innovation, Inc.** on concerns regarding certain operating challenges facing the company. We anticipate revisiting an investment in Purple going forward.

To conclude, I remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends. As we approach the "new normal" after the COVID crisis, we continue to believe that 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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