

Baron Funds®

September 30, 2021

Quarterly Report

"There is no better run company than SpaceX. They attract the most amazing talent. No one can compete." Jared Isaacman. Civilian astronaut commander SpaceX Inspiration4. Founder. Shift4 Payments. September 15, 2021.

The principal mission of Elon Musk's **Space Exploration Technologies Corp.** ("SpaceX") is to provide low-cost commercial and government access to space. This is being accomplished through what Elon calls RRR, rapid rocket reusability. Other defense aerospace businesses that make profits by selling extraordinarily expensive rockets, well in excess of \$100 million to \$200 million each, and using them only once, thought this an impossible task. Perhaps because they would sell fewer rockets if the rocket ships could be used multiple times rather than just once? Elon has often commented, "Think how expensive it would be to fly from New York to London if you used a 747 once and then scrapped the plane?" Most government aerospace contracts are on a cost-plus basis. This means that the more expensive the award, the larger the *guaranteed profit* to the provider. Elon's SpaceX bids for contracts and attempts to "do the most for the least... better service at lower price is the goal."

SpaceX has accomplished the incredibly difficult goal of making rockets reusable in order to get to space at a lower cost. It is now preparing a massive 390-foot tall Starship, designed as a general-purpose transport to anywhere in the solar system. The Starship rocket architecture is expected to support cheaper orbital launches, space refueling, Moon landing, and hopefully, by mid-decade, a Mars mission. We expect SpaceX to soon commercialize Starlink, ultimately a 40,000 satellite, low earth orbit constellation. Among its services, which we believe will be numerous, Starlink will provide satellite broadband to a material portion of planet Earth's population where it is uneconomic to provide fast internet by fiber or cable. Starlink will also provide complimentary communications services to existing providers, which could, in many instances, reduce their costs and boost their opportunities.

Jared Isaacman was the Commander for the first all-civilian astronaut orbital space flight. This space mission was launched from Kennedy Space Center in Florida on September 15, 2021.



Seems like everybody has got a side hustle these days. Even Ron was considering going back to his roots as an ice cream truck driver (Summer 1963...True Story!).

The spaceship and its crew were in orbit for three days. Real orbit. Real space. 365 miles from Earth's surface. Not a thrill ride when passengers like Captain Kirk got to look at our planet for a few minutes from an altitude of 60 miles, the edge of space, and then fall back to Earth. SpaceX scientific and technological oriented missions are profound and actually take place in space.

Jared chose his crew for his civilian mission and was responsible for melding them into a functioning unit. Jared believes it is difficult to create a problem-solving culture like that of SpaceX's, which is oriented to First Principles. For example, when Jared learned to fly a fighter jet as a civilian several years ago, he was required

to memorize 100 pages of instructions. As the commander of this mission, he was required to study and learn 3,000 pages of instructions and undergo three FRRs, "flight readiness reviews." All were chaired by Elon. The first lasted 18 hours, the second 10 hours, and the final 3 hours. The objective was for the space crew to "do things a certain way, every time." Day-to-day tasks were all documented, reduced to a checklist, and embedded in operational training. Everything references a procedure. Check 405, for example, if a light bulb is not turned on. Everything is intended to preserve mindshare so that your brainpower can be focused on what hasn't been considered. No "going rogue" by this crew.

OK. Competition. Jeff Bezos' Blue Origin was founded in September 2000. SpaceX in May 2002. Blue Origin has not yet been to orbit. Blue Origin has not yet demonstrated reusability. SpaceX has accomplished both in the past five years. Blue Origin and SpaceX both bid for a Lunar Lander contract from the government. Normally, government contracts are granted to two parties. SpaceX was the sole winner of the Lunar Lander contract awarded in April 2021. SpaceX had bid \$2.9 billion. Blue Origin bid \$5.9 billion. Blue Origin is now suing NASA believing it was not treated fairly. This is a meaningful win for SpaceX, making it clear that Blue Origin is far behind SpaceX.

Boeing and SpaceX were awarded crewed flights by NASA in 2014. Boeing's award was for \$4.2 billion and SpaceX's for \$2.6 billion. Both contracts were for identical services. SpaceX executed its first crewed flight in May 2020. Boeing needs to first rerun an unmanned demo flight. Its first one failed. NASA announced in October it had shifted two astronauts from a Boeing mission to a SpaceX flight.

"The ability to learn rapidly and translate that into experimentation and action." Rich Lesser. CEO. Boston Consulting Group. "A CEO Who Advises Other CEOs" *The New York Times*. Corner Office. September 2021.

That was the response by Boston Consulting Group's CEO to the question, "What were the common characteristics of CEOs who did well over the past eighteen months?"



Letter from Ron

Elon Musk, with his focus on First Principles, which means stripping away everything but core foundation principles and starting over, is the CEO of both **Tesla, Inc.** and SpaceX. Baron has significant investments in each of these two distinct businesses. Elon also happens to be one of the greatest CEO students of businesses and human behavior...with an unusual, probably unique, ability to translate what he has learned into experimentation and action. As well as to attract exceptionally talented engineers to work with him to realize his vision.

When Elon was a child, his mom nicknamed him "Encyclopedia." That was because he *read* the encyclopedia, sort of the way the rest of us read books. This was both because he has always been intellectually curious...and because it probably enabled Elon to escape into another world from a childhood that was not an especially happy one. As a result, Elon as a youth could answer almost any question posed by his mom or anyone else. ...which is not a lot different from Elon's current efforts to learn by "questioning everything"...and to implement logical solutions quickly based on what he has learned. "Why does it have to be that way?" is what Elon most often asks, or some variation of that comment, according to many who work most closely with him.

CNBC, Bloomberg, and Reuters have reported that Volkswagen's CEO, Herbert Diess, invited Elon Musk as a "surprise guest" to address VW's 200-person executive team last week! Diess is challenging Volkswagen to pivot faster from internal combustion engine cars to electric vehicles. In a recent newspaper interview, Elon called Volkswagen an "icon" and Tesla's "greatest challenger." Diess returned the compliment and felt his executives could learn to be more agile and fast moving from the CEO of the business Diess admires and believes is VW's strongest competitor!

Nearly all car companies have reduced their automobile production dramatically in recent months. This is due to a shortage of computer chips. This has not been the case for Tesla, which is currently producing electric cars at an annualized rate nearly double its production in 2020. Diess first asked Elon how Tesla accomplished this. Elon responded that he is first an engineer focused on supply chains, logistics, and production. That skill enabled Tesla to be better prepared and more nimble than its rivals. When other car companies cancelled chip orders at the beginning of COVID, Elon increased Tesla's orders. Further, Diess told his fellow VW executives it took Tesla only two weeks for its

engineers to rewrite software that allowed it to switch from one microchip vendor to another! That feat was regarded as astounding by many VW engineering executives who listened to the presentation. Elon, we believe, embodies the characteristics of a CEO whom BCG's Rich Lesser described as performing best during COVID.

Marvelle Sullivan Berchtold is an independent trustee of Baron Funds and the former head of mergers and acquisitions of European pharmaceutical giant Novartis. Marvelle recently told me, "You are a learning machine." Marvelle was then helping me understand how the covalent bonds in the material used for a glass and plastic vial patented for biotechnology drugs would provide important benefits for the industry. Plastic makes the vial un-breakable and glass makes the vial impenetrable. Glass prevents inorganic impurities in plastic from leaching into biotech drugs within the vial.

George Blumenthal, Founder and CEO, International Cellular Communications, told me in 2001 that, "Your business didn't fail in the crash of communications businesses when the "internet bubble" burst in 2000. That was because you tried to understand how businesses work and the implications of their CEO's actions. You disassemble businesses in your head and try to put them together again the same way. Your curiosity and questioning about how things work makes you a better investor and less likely to make mistakes." That is what we teach our analysts. They need to be certain they understand as much as possible about how things work so they will be able to assess the likelihood of businesses and individuals being successful.

When I spoke with Kristin Kulik-Peters, our new Chief Marketing Officer, she remarked that I had built a research and management organization based on the premise of "questioning everything." That with the purpose of discovering long-term investment opportunities in competitively advantaged growth companies run by exceptional people. All this in order to enable our clients' savings to grow faster than the economy and protect our clients from inflation. "Your steadily growing staff of 38 investment professionals with whom you work have adopted your beliefs and are now advocates. We now need to curate our content and amplify that message on social media." "That is a great plan," I responded. "Your job, as the Nike saying goes, is to 'Just Do It!'" "And don't forget to give credit to the 133 other outstanding individuals who are spending their careers at Baron," I added.

"The Blink of an Eye." Rabbi Elliott J. Cosgrove. Park Avenue Synagogue. Rosh Hashanah. Jewish New Year. 5782. September 7, 2021.

On Rosh Hashanah, the Jewish New Year 5782, the Rabbi of New York City's Park Avenue Synagogue where many of my friends are members, delivered a "who shall live, who shall die" sermon several thought I should read. The sermon encompassed two chilling stories that illustrate the fragility of life and make you ask "Why?" and "What if?"

In the first story, a rising college senior and member of that congregation was in a car accident in Chicago. The accident was so serious he had to be taken from his vehicle with the "jaws of life." Miraculously, the young student escaped with only bruises! Regardless, he was taken to a nearby hospital for an MRI to be certain there was no concussion, which proved to be the case. However, the MRI, unexpectedly, detected a rapidly growing brain tumor that would have soon become inoperable threatening that young man's chances to survive. The student was operated upon and was in the Rabbi's congregation in September. If the student had not been in the accident, it is unlikely he would still be alive.

In the second story, two weeks after the accident in the first story, a rising college junior, also in Chicago, was in his car driving when he was hit by a stray bullet. The bullet severed his spinal cord from which there could be no recovery. Three days later that young student lay paralyzed in a hospital bed, unable to breathe without a ventilator and able to communicate "yes" or "no" only by blinking his eyes responding to an alphabet board. With his family and friends at his bedside, he signaled his mom by blinking that he was ready to die.

The Rabbi then told his congregation that it was hard to understand the meaning of these random events for which only seconds meant the difference between life and death. In the first instance, were it not for the accident, the tumor would not have been discovered, and the student probably would have died. In the second, if the student had taken an extra second to tie his shoelace, fumbled for his keys, or taken a call on his cell phone, he would still be alive!

"Play every match like it may be your last," was how Novak Djokovic, perhaps the greatest tennis player ever, noted in an interview this year at the U.S. Open in New York City. "The blink of an eye" is what the Rabbi tells us is the difference

between life and death. Novak tells us not how we want to die but how we want to live.

My life's story is a series of "What ifs?"...but certainly nothing as illustrative as the fragility of life in the Rabbi's stories. The role "luck" has played in my life is startling...as is the role luck plays in everyone else's lives as well. Mine would likely have been vastly different if I hadn't tried to sell Fuller Brushes door to door in a D.C. apartment building in the summer of 1966 to make spending money. At the time, I had a biochemistry teaching fellowship at Georgetown University. The fellowship stipend was \$1,600 per year! Since I couldn't afford an apartment with windows, I was living in a basement in Rock Creek Park desperate to earn gasoline money for my motorcycle...and spending money to take dates somewhere...*anywhere*... When I knocked on a door in that building, a well-dressed man only a few years older than I was, answered. When he and his wife invited me to show them my Fuller brushes, I first asked why he wasn't in Vietnam? He told me he was earning \$11,000 per year in a "critical skills, Vietnam draft-deferred" patent examiner job in the U.S. Patent Office, and he was attending law school in the evenings on scholarship. "Wow," I thought. "I gotta do that." He changed my life! It makes you realize how many decisions you make and how such a large part of success is good luck and being agile.

Among the most satisfying elements of my career as an analyst, portfolio manager, CEO, and business Founder are the "thank yous" I get nearly every day. They come from people saying "hello" and "thank you" in restaurants...e-mails...phone calls...letters...and when I am just walking on the streets of New York or East Hampton....At summer's end 2021, Judy and I were crossing Main Street in East Hampton. A car cut us off and the front passenger's window rolled down. "Hi, Ron," the passenger hollered, startling us. "We're Fred and Selma. Thanks for the returns. We love your annual meetings. Thanks for them, too." When we returned to New York City that Sunday evening I was dispatched to find dinner. I walked up Madison Avenue looking for a deli. I was stopped by "Larry and Harriet." They told me they are friends of Jeff Kolitch's parents. Jeff is the Portfolio Manager of Baron Real Estate Fund and Baron Real Estate Income Fund. "Thank you for what you do for us. We really enjoyed the book you mentioned in one of your letters that Judy told you to read. Does Judy have any more recommendations?" I replied, "That book was historical fiction about Nikola Tesla, Thomas

Edison (not a very nice person), George Westinghouse, JP Morgan, Thomas Cravath, and Alexander Graham Bell. The title was 'The Last Days of Night.' If Judy gives me another reading assignment I will pass it on."

A few weeks later, I received an e-mail from Gregg Lorberbaum. Gregg has represented our business for more than 30 years negotiating commercial property leases. We have paid him millions of dollars in fees over that period and have never once had a written contract. All on a handshake. Gregg's note of congratulations was for me being included on the Forbes list again. "I know you do what you do because you love it but it's nice to see 'the good guys win.' What Forbes doesn't consider is how much wealth you have created for others! That is where the true congrats lay."

This made me think how lucky for me...and others...that I didn't get into medical school all those years ago. The summer before my senior year in college, in addition to working days as a lifeguard in Asbury Park, I worked 11 PM to 7 AM in a hospital emergency room holding dying individuals who had been shot or stabbed on a gurney...cleaning bed pans...and wrapping bodies from the ICU after patients died and putting them in a freezer. This was enough for me.

Bobby, an individual with whom I was friendly in high school, recently called our office and asked to speak with me by zoom. My last conversation with Bobby was in 1961 at our graduation from Asbury Park High School! After a few minutes of pleasantries he told me, "I'm calling because I'd like to invest with you for my daughter. How do I do that?" I recommended that he purchase Baron WealthBuilder Fund. Baron WealthBuilder Fund owns only Baron mutual funds, all but one of which have outperformed their respective benchmarks since inception. Baron WealthBuilder Fund's operating expenses are capped at just 5 basis points and the Fund doesn't charge a management fee. Further, Baron WealthBuilder Fund's 16 top-performing underlying funds charge institutional management fees and expenses...which are less than "retail" management fees and expenses. This is whether you invest \$2,000 or millions with us. Baron WealthBuilder Fund was founded December 29, 2017 and is the number one performing equity asset allocation fund since its inception. I then asked Bobby what made him call me. "I've been reading about you for a long time," he said. "*You also helped me with math in homeroom,*" he continued. "That's why."

"If your younger selves confronted you today, would they like you?" "Would they be proud of the person you've become...of the lives you've lived?" Rabbi Ari Lorge. Central Synagogue. New York City. September 21, 2018.

Judy and I have three grandsons. Leo is 9 ½ years old, Ari is 7 ½, and Levi, whose birth date was June 30 (Quarter End 2021), is just 90 days old. Ari loves basketball. I love to play basketball with him. A few weeks ago, Ari told me, "Gran'pa, I think I could play basketball *virtually* all day long if someone brought me water and food." Hint, hint. Last summer, once a week, a 6'8" basketball player, who as a college junior was the starting forward for the University of Pittsburgh and will likely soon be drafted in the NBA, came to our home to coach Ari. That athlete, a super talented and incredibly nice young man, is the most sought after teacher of young basketball players on Long Island.

At summers end, I was shooting hoops with Ari when we stopped playing for a few minutes. "Ari, when you grow up and graduate college, do you think you'd like to work at Baron Capital with your Dad and Uncle Michael just like Daddy and Uncle Michael work with me?" "No, Gran'pa, I want to play in the NBA." "Ari, you're 3'8" tall, you're Jewish, and you can't jump," I responded. "But I'm really fast, Gran'pa," he replied as he ran around me, stole the ball, and dribbled for a perfect layup. "Ari, how about this? There are no really old basketball players, except LeBron, so how about after you graduate from college you play in the NBA for a few years and then join Daddy and Uncle Michael at Baron?" He paused for a moment before answering, "That's a good idea, Gran'pa." I obviously believe it's never too early to plant the seeds...

In Spring 2018, I wrote you that Central Synagogue's Rabbi Lorge began his Yom Kippur "Day of Atonement" sermon by asking us, "Do you think if your younger selves confronted you today, would they like you?" The Rabbi then spoke of a U.K. documentary whose narrators began in 1964 to interview seven year old children and continued to film those interviews at seven year intervals through today. "Would your younger self be proud of how you have lived your life, the person you have become?" were the questions those interviewers asked the individuals who today are 64 years old.

My grandson Ari is now about the same age as the subject individuals when they began to participate in that U.K. documentary almost

Letter from Ron

60 years ago. I am pretty certain that Ari, and Leo too, are proud of their family, our business and its impact on so many who rely upon it today, and who have become financially secure because of our efforts.

Of course, I hope what I regard as our family business will endure. On March 12, 2082, 60 years from now, Baron Capital will be one hundred years old!!! It is important to me and to our family that in 60 years Ari, Leo, and Levi can look back on their lives and know that their younger selves would be proud of the lives they have led and the individuals they have become. The moral of this story is that it is never too soon to teach the values of hard work, kindness, and charity, Tzedakah, which my faith regards as a moral and ethical obligation, and L'dor v'dor, passing traditions from one generation to the next. If our grandchildren, just like our sons David and Michael, also have unquenchable curiosity and love of learning, characteristics that I believe are important to becoming successful investors like our two sons, and happy, productive individuals, I will regard Judy and my jobs as parents and grandparents well done.

We will continue to provide you with information about Baron Funds that we would like to have if our roles were reversed. Thank you for your confidence in joining us as investors in Baron Funds.

Respectfully,



Ronald Baron
CEO and Portfolio Manager
September 30, 2021

P.S. Baron mutual funds are highly ranked by Morningstar from their Inceptions through September 30, 2021. It is not common for mutual funds to outperform their benchmark indexes. That is the reason low cost index funds have become so popular.

As of 9/30/2021, 16 of 17 Baron Funds, representing 98.3% of Baron Funds' assets under management ("AUM"), have outperformed their respective passive

benchmarks since their inceptions. In addition, 14 of those funds, representing 98.0% of Baron Funds' AUM, rank in the top 17% of their respective Morningstar categories; and 11 funds, representing 72.7% of AUM, rank in the top 8%. (This includes **Baron Partners Fund** that is the **Number One** mutual fund of 2,193 mutual funds since 1992!)*

My recommendation? Buy Baron WealthBuilder Fund for a diversified fund that owns top-performing Baron mutual funds.

P.P.S. Don't forget. Baron Capital was founded March 12, 1982...

So...we will be celebrating our business' 40th Anniversary in 2022...and we haven't held our annual conference either this year or last due to COVID...and, this is the Roaring Twenties...

So...if I were you I wouldn't miss our 29th Annual Baron Investment Conference on November 4, 2022 at the Metropolitan Opera House, Lincoln Center, New York City...just sayin'...

***This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 9/30/2021. There were 2,193 share classes in these nine Morningstar Categories for the period from 4/30/2003 to 9/30/2021.**

Note, the peer group used for these analyses includes all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for this analysis are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories.

The Morningstar Large Growth Category consisted of 1,235, 1,024, and 762 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Partners Fund in the 1st, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 417 share classes.

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

Baron Funds (Institutional Shares) and Benchmark Performance 9/30/2021

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns				Annual Expense Ratio	Net Assets
					1-Year	3-Year	5-Year	10-Year		
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	14.25%	8.89%	12/31/1994	36.55%	19.75%	21.16%	17.64%	1.04% ⁽³⁾	\$9.20 billion
Baron Small Cap Fund	Russell 2000 Growth Index	11.58%	7.32%	9/30/1997	30.11%	17.86%	20.29%	17.15%	1.05% ⁽³⁾	\$5.32 billion
Baron Discovery Fund†	Russell 2000 Growth Index	20.03%	11.97%	9/30/2013	35.93%	20.48%	25.55%	N/A	1.08% ⁽³⁾	\$2.03 billion
SMALL/MID CAP										
Baron Focused Growth Fund ⁽¹⁾	Russell 2500 Growth Index	14.54%	9.33%	5/31/1996	42.30%	40.46%	32.52%	21.40%	1.07% ⁽⁴⁾	\$745.08 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	12.46%	11.08% ⁽²⁾	6/12/1987	25.29%	18.72%	20.45%	18.00%	1.05% ⁽³⁾	\$6.17 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	11.98%	12.31%	4/30/2004	19.44%	22.93%	24.52%	20.65%	0.78%/0.75% ⁽³⁾⁽⁶⁾	\$837.21 million
Baron Durable Advantage Fund	S&P 500 Index	18.23%	15.66%	12/29/2017	28.07%	20.31%	N/A	N/A	2.40%/0.70% ⁽³⁾⁽⁷⁾	\$41.16 million
ALL CAP										
Baron Partners Fund ⁽¹⁾	Russell Midcap Growth Index	16.45%	10.90%	1/31/1992	57.43%	49.25%	38.93%	27.63%	1.30% ⁽⁴⁾⁽⁵⁾	\$7.15 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	10.77%	6.96%	2/29/2000	33.91%	34.26%	32.95%	21.52%	1.08% ⁽³⁾	\$1.61 billion
INTERNATIONAL										
Baron Emerging Markets Fund	MSCI EM Index	6.41%	3.25%	12/31/2010	17.95%	12.17%	9.61%	8.90%	1.09% ⁽⁴⁾	\$9.52 billion
Baron Global Advantage Fund†	MSCI ACWI Index	19.81%	10.67%	4/30/2012	22.56%	32.66%	29.58%	N/A	0.92%/0.90% ⁽⁴⁾⁽⁸⁾	\$2.77 billion
Baron International Growth Fund	MSCI ACWI ex USA Index	12.75%	8.07%	12/31/2008	30.30%	16.32%	14.55%	12.13%	1.01%/0.95% ⁽⁴⁾⁽⁹⁾	\$743.70 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	16.88%	12.72%	12/31/2009	33.50%	25.89%	19.56%	19.05%	1.08% ⁽⁴⁾	\$1.82 billion
Baron Real Estate Income Fund	MSCI US REIT Index	15.29%	7.37%	12/29/2017	31.24%	19.37%	N/A	N/A	3.45%/0.80% ⁽⁴⁾⁽¹⁰⁾	\$85.20 million
Baron Health Care Fund	Russell 3000 Health Care Index	25.35%	16.62%	4/30/2018	32.78%	23.11%	N/A	N/A	1.45%/0.85% ⁽⁴⁾⁽¹¹⁾	\$211.61 million
Baron FinTech Fund	S&P 500 Index	37.32%	19.83%	12/31/2019	34.52%	N/A	N/A	N/A	2.43%/0.95% ⁽¹²⁾	\$77.04 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	24.71%	15.66%	12/29/2017	35.42%	26.94%	N/A	N/A	1.22%/1.11% ⁽⁴⁾⁽¹³⁾	\$481.86 million

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.

(2) For the period June 30, 1987 to September 30, 2021.

(3) As of 9/30/2020.

(4) As of 12/31/2020.

(5) Comprised of operating expenses of 1.05% and interest expenses of 0.25%.

(6) Annual expense ratio was 0.78%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).

(7) Annual expense ratio was 2.40%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).

(8) Annual expense ratio was 0.92%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers).

(9) Annual expense ratio was 1.01%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).

(10) Annual expense ratio was 3.45%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).

(11) Annual expense ratio was 1.45%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).

(12) Annual expense ratio was 2.43%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).

(13) Annual expense ratio was 1.22%, but the net annual expense ratio was 1.11% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).

† The Fund's historical performance was impacted by gains from IPOs. 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.

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, 2032, 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.

Letter from Ron

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

Asset Fund's 3Q 2021, **Discovery Fund's** YTD, 1-, 3- and 5-year, **Fifth Avenue Growth Fund's** 3Q 2021, **FinTech Fund's** 3Q 2021, **Global Advantage Fund's** YTD, 3- and 5-year, **Opportunity Fund's** 3Q 2021, 3-, 5- and 10-year, and **Small Cap Fund's** 3Q 2021 historical performance were impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Funds' level of participation in IPOs will be the same in the future.

Risks: All investments are subject to risk and may lose value.

Portfolio holdings as a percentage of net assets as of September 30, 2021 for securities mentioned are as follows: **Tesla, Inc.** – Baron Opportunity Fund (3.3%), Baron Partners Fund (40.5%*), Baron Focused Growth Fund (33.4%); **Space Exploration Technologies Corp.** – Baron Asset Fund (0.7%), Baron Opportunity Fund (0.8%), Baron Partners Fund (4.2%*), Baron Fifth Avenue Growth Fund (0.2%), Baron Focused Growth Fund (3.6%), Baron Global Advantage Fund (0.4%)*. * % of Long Positions.

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

Ranking information provided is calculated for the Retail Share Class and is as of 9/30/2021. The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct. **Morningstar calculates its category average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.** The **Morningstar Large Growth Category** consisted of 1,235, 1,024, and 762 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Opportunity Fund* in the 9th, 3rd, 7th, and 4th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 2/29/2000, and the category consisted of 265 share classes. Morningstar ranked *Baron Partners Fund* in the 1st, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 417 share classes. The **Morningstar Mid-Cap Growth Category** consisted of 584, 495, and 386 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 85th, 30th, 26th and 17th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 19 share classes. Morningstar ranked *Baron Growth Fund* in the 27th, 26th, 34th, and 8th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 54 share classes. Morningstar ranked *Baron Focused Growth Fund* in the 13th, 2nd, 2nd, and 4th percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 316 share classes. The **Morningstar Small Growth Category** consisted of 611, 506, and 381 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 86th, 35th, 43rd, and 14th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 9/30/1997, and the category consisted of 91 share classes. Morningstar ranked *Baron Discovery Fund* in the 63rd, 7th, and 2nd percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 430 share classes. The **Morningstar Real Estate Category** consisted of 246, 199, and 147 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 51st, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 128 share classes. Morningstar ranked *Baron Real Estate Income Fund* in the 74th and 3rd percentiles for the 1-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 221 share classes. The **Morningstar Foreign Large Growth Category** consisted of 439, 322, 221, and 197 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 4th, 17th, 20th, and 12th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 784, 598, 317, and 279 share classes for the 1-, 5-, 10-year, and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 64th, 37th, 12th, and 4th percentiles, respectively. The **Morningstar World Large-Stock Growth Category** consisted of 352, 263, and 167 share classes for the 1-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked *Baron Global Advantage Fund* in the 74th, 2nd, and 2nd percentiles, respectively. The **Morningstar Health Category** consisted of 167 and 138 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron Health Care Fund* in the 8th and 5th percentiles, respectively. The **Morningstar Allocation—85%+ Equity Category** consisted of 166 and 153 share classes for the 1-year and since inception (12/29/2017) periods. Morningstar ranked *Baron WealthBuilder Fund* in the 10th and 2nd percentiles, respectively.

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