Baron Funds®

December 31, 2022 Quarterly Report

"Starting a new company is like eating glass and staring into the abyss." Elon Musk. Surprise interview with Ron. Baron Capital 29th Annual Investor Conference. 40th Anniversary. Metropolitan Opera House. New York City. November 4, 2022.

"People ask me why I don't encourage more people to start a business. If you need encouragement to start a company…don't start a company!" was Elon's advice to would be entrepreneurs, which he followed with the colorful "eating glass and staring into the abyss" analogy. We, like other entrepreneurs, understood. The 29th Annual Baron Investment Conference celebrated the 40th Anniversary of Baron Capital's founding on March 16, 1982. The book value of our then thinly capitalized, startup family business was $100,000. Baron Capital's assets under management were $10 *million*. The Dow Jones Industrial Average was 798. The interest rate on 10-Year Treasury notes was 14%. Inflation in the prior year reached 10.95%. Baron Capital's assets under management currently approximate $40 *billion*…and include about $38 billion in earned realized and unrealized gains. As of the end of January, we have 191 employees, including 43 investment professionals.

In the 40 years since Baron Capital's founding by just three of us – Susan Robbins, Linda Martinson, and me – the daily news cycles have been mostly awful. Threats to our democracy…wars…inflation…terror attacks…oil supply disruptions…gun violence in schools and houses of worship…pandemics…financial crises… market crashes and panics…unrest in our streets. Regardless, the stock market as measured by the Dow Jones Industrial Average, increased 41.7 times… from around 800 to more than 33,000!!!! Which validates our 2022 conference theme, "Anything is Possible." …and the 1969 World Champion Mets' pitcher Tug McGraw's motto, "Ya Gotta Believe." Do you think Tug ever thought his son, Tim, would marry Faith Hill… become Kevin Costner's ancestor in the hit series "Yellowstone"…and perform with his wife as an outstanding country duo at the 2017 Annual Baron Investment Conference? Anything IS Possible!

Welcome Back…Welcome Back…Welcome Back…Welcome Back, Baron! Ron is all smiles as he welcomes shareholders back to the Met for the 29th Annual Baron Investment Conference.

More than 5,000 Baron Funds' shareholders and Baron Capital clients joined us to celebrate our anniversary on November 4, 2022. Just 60 years to go *to establish the foundation for an enduring business that will last more than 100 years*. A personal goal. That is to provide extraordinary investment opportunities to middle class individuals like my parents. Such opportunities are more commonly available to institutions and wealthy individuals. Less so to middle class and working-class individuals.

That November morning, CEOs of three unique, competitively advantaged, growth businesses in which Baron Funds has been a long-term investor gave brief 15- to 20-minute "elevator pitches" to our investors. **ANSYS, Inc.**, the leading digital simulation business; **Alexandria Real Estate Equities, Inc.**, the owner/developer of mission critical life science campuses; and **Vail Resorts, Inc.**, the owner/operator of AWESOME ski resorts worldwide that sells more than 70% of its season lift tickets before it even snows!… described their businesses and then answered investors' questions.

Earlier that morning on CNBC's *Squawk Box*, Becky Quick and I interviewed two more truly exceptional CEOs of Baron's long-term, very successful investments…business/resort-oriented hotelier **Hyatt Hotels Corp.** and satellite constellation owner/operator **Iridium Communications Inc.** Our surprise guest, **Tesla, Inc.** and **Space Exploration Technologies Corp. (SpaceX)** CEO Elon Musk took a red-eye flight to arrive just in time…after a quick shower…for a fun 58-minute interview by me before lunch. He then answered a few questions from our audience,

TABLE OF CONTENTS

Elon shares the realities of the Twitter deal by channeling Michael Corleone. "Just when I thought I was out, they pull me back in!"

BARON FUNDS 1987

got back on his plane and returned to San Francisco to continue restructuring **Twitter.** We expect Elon to hire a replacement CEO at Twitter soon…hopefully an individual with newsroom and media experience. Just like Jeff Bezos has done with The Washington Post…Rupert Murdoch with Fox…and Mike Bloomberg with BusinessWeek.

During my career, low annual fee passive investment funds have experienced strong capital flows and asset growth. This has been at the expense of actively managed mutual funds like Baron Funds. We believe this is since few investment firms that manage active funds have achieved investment performance in excess of passive benchmark indexes. Baron Capital is among the few. Since their respective inceptions as mutual funds, 15 funds, representing 98.7% of Baron Funds' AUM, have outperformed their benchmarks and 13 Funds, representing 96.3**%** of Baron Funds' AUM, rank in the ***top 20%*** of their respective Morningstar categories. Nine funds, representing **52.5%** of Baron Funds' AUM, rank in the ***top 10%*** of their categories. Three funds, representing **41.9%** of Baron Funds' AUM, rank in the ***top 1%*** of their categories! We are hopeful the mediocre performance of several Baron Funds last year will prove to be a brief blip in our strong long-term results.

Almost forgot. Early in the morning of our conference, five of our portfolio manager/analyst teams participated in panel discussions and answered investors' questions. Lunch after my interview with Elon included amazing entertainment…comedian John Mulaney…country singer Miranda Lambert…and the cast of the Broadway show *MJ: The Musical*… After lunch, our Firm's Co-Chief Investment Officers, Cliff Greenberg and Andrew Peck, described our investment process, and our Director of Research Amy Chasen's video interviews with our analysts and portfolio managers followed. It was really enjoyable for me to listen to them describe why they came to Baron…what they do here…and why they stay here. Co-founder Linda Martinson's always humorous take on me and our business preceded my speech. Listening and watching from backstage was touching as they reminded me of the past 40 years.

Finally, before surprise end of day Super Bowl-caliber entertainment at The Met, which this year featured Bruno Mars…I spoke about the benefits of investing for the long term amid chaos and entropy. Also, why we continue to invest in **Baron Capital,** our own business, regardless of short-term economic and market uncertainty. I pointed out that our family-owned business has never had a layoff. Ever. Which we believe benefits our clients. We believe the long tenure of so many of our investors and the continuous and steady expansion of our team with the annual addition of recent MBAs whom

Following the performance of his awesome hit, ***Billionaire***, Ron and Grammy Award winning Bruno Mars swap investment and musical advice backstage.

we train make our Firm more likely to remain successful. At Baron we want to pack as much content into this conference program as possible…to allow our shareholders to see why we believe Baron Funds have been able to so substantially outperform markets and competitors. The short answer? In our opinion, "it's all about people!!!!"

When our guests that day filed out of the Met at 4 PM, a special treat awaited. Two "Scream" Ice Cream trucks with spectacular ice cream awaited. "It's a freebie. Just tell them Ron sent you," I told our investors leaving after Bruno's performance. I had lots of summer jobs to help pay for college…and to supplement my $1,600 annual fellowship salary in a 1966 PhD program at Georgetown post college. I was a Jersey Shore beach club locker *boy*…cabana *boy*…lifeguard…umbrella *boy*…bus*boy*…waiter…hospital ER orderly…candy warehouse picker…mapping assistant to surveyor…Fuller Brush *man*. One college summer, in desperate need of money to pay fraternity dues and room and board the following fall, I drove an ice cream truck! As an ice cream *man*. As a result of that experience, I understood ice cream truck economics. So, when I had a chance to return to my roots by making a modest investment in the "Scream" ice cream truck business, I jumped at the chance. Especially since I believed the business was special and owned by a totally driven and obsessive young entrepreneur. My mistake this year? I had only two trucks at the Met at the end of the day. I won't make that mistake again. The lines were interminable. Next year five trucks!!!

At the after-party for our employees, a tall, attractive, blond woman whom I didn't recognize approached me. "Ron, you were fantastic. So was Elon. So was Bruno. In fact, if any of the three of you asked me to marry them, I wouldn't know whom to choose." The young man standing by her side looked startled. "You're married to me!!!!" he said.

"It's always darkest before it turns pitch black."
Senator John McCain, 2016.

Our investment outlook, as always, remains positive as I discuss in my conference speech about investing amid entropy and chaos. Bottom line. "It's always darkest before it turns pitch black" is how Senator John McCain said it.

You can watch my 18-minute speech, Linda's speech, and Cliff and Andrew's on our website, www.baronfunds.com. Also, of course, my 58-minute interview with Elon that went viral! Millions watched it on YouTube! ABC, NBC, CBS, *The New York Times*, and *The Wall Street Journal* all reported on that interview. Before I interviewed Elon, I had three followers on Twitter. All from my office. I now have 5,646 followers! Including Elon's mom. Who liked it so much she gave my post "double heart eyes!"

Respectfully,

Ronald Baron
CEO
January 31, 2023

P.S. Baron Capital pays all expenses associated with our annual Baron Investment Conferences. We don't charge clients anything to attend the conference. All expenses for the conference including the "Anything is Possible" Figs T-shirts…chocolate chip cookies…lunch…and other Baron swag are paid by Baron Capital, my family-owned management company. Baron Funds and our clients do not pay any of these expenses.

Addendum.

Tesla.

From 2014 through 2016, Tesla's share price experienced extreme volatility. This was as engineer/entrepreneur Elon Musk and his team ramped its electric car manufacturing capacity and incurred significant plant and operational startup expenses. We then purchased 27.0 million Tesla shares at a cost of $390 million. Our average split-adjusted purchase price was $14.42 per share. At the end of 2016, our Tesla investment represented approximately 1.6% of our Firm's assets under management. Although we thought Tesla's opportunity was large and its competitive advantages were likely substantial, we regarded our investment in this disruptive business as riskier than most.

Few investors then believed this electric car company would be successful. We were among the few. In several guest appearances on CNBC's Squawk Box from 2014 through 2016, I stated that we believed Tesla's share price could increase "20 times in the next 10 years if it is successful." We were right.

Tesla manufactured and sold 31,000 electric cars in 2014. Tesla has since become the largest electric car manufacturer in the world. In 2022 it sold more than 1.3 million electric cars….and is now producing cars at an annual rate of 1.8 million cars! Total annual car manufacturing on the planet is about 80 million cars per year. Only about 5% are electric. Tesla has also established unparalleled competitive advantages…which are about to increase further with its 2024 planned introduction of a **lower-priced version** of its exceptional vehicles designed from the ground up. Among factors distinguishing this vertically integrated car manufacturer are batteries with proprietary form factor and chemistry. Tesla's version of a fully functional FSD (full self-driving) autonomous vehicle will be at least as significant.

Tesla's share price reached over $400 per share in late 2021. Since its stock had increased so dramatically over the preceding two-year period, it had become a very large percentage of assets in two of our mutual funds and several managed accounts. To reduce the single stock risk of those two funds and other accounts, we sold 6.8 million shares from 2020-2022, about 25% of our shares. Our average selling price was $221.56 per share.

We continue to hold 17.6 million shares of Tesla's stock, which is valued at about $3.1 billion at the time we are writing this letter. We believed Tesla's share price would reach $500 per share in 2025 and $1,500 by 2030. Still do. That's based on our expectations for Tesla's long-term sales growth and high, industry-leading profit margins achieved for its exceptional products. Not only are there approximately 80 million cars sold per year, but the "car park" worldwide that needs to be replaced is more than 2 billion cars. Those are cars powered by pollution emitting internal combustion engines.

Baron also has a significant investment in Elon Musk's private company SpaceX, which we are super excited about. Baron has been investing in that business since 2017. We will write more about this investment in future *Letters from Ron*.

Baron Fund (Institutional Shares) and Benchmark Performance 12/31/2022

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns 1-Year	3-Year	5-Year	10-Year	Annual Expense Ratio	Net Assets
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	12.80%	7.30%	12/31/1994	-22.40%	7.45%	11.15%	12.33%	1.04%[3]	$6.86 billion
Baron Small Cap Fund†	Russell 2000 Growth Index	9.55%	5.65%	9/30/1997	-31.05%	3.96%	7.07%	10.21%	1.04%[3]	$3.93 billion
Baron Discovery Fund†	Russell 2000 Growth Index	11.37%	6.69%	9/30/2013	-35.12%	4.17%	7.61%	N/A	1.06%[3]	$1.15 billion
SMALL/MID CAP										
Baron Focused Growth Fund[1]	Russell 2500 Growth Index	12.84%	7.65%	5/31/1996	-28.14%	24.02%	20.94%	15.39%	1.05%[4]	$727.52 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.21%	9.79%[2]	6/12/1987	-25.87%	4.12%	9.29%	12.40%	1.04%[3]	$4.35 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	7.06%	10.05%	4/30/2004	-50.49%	-6.01%	2.48%	9.39%	0.76%/0.75%[3][6]	$328.58 million
Baron Durable Advantage Fund	S&P 500 Index	9.37%	9.42%	12/29/2017	-24.81%	6.14%	9.37%	N/A	1.10%/0.70%[3][7]	$50.61 million
ALL CAP										
Baron Partners Fund[1]	Russell Midcap Growth Index	14.35%	9.43%	1/31/1992	-42.41%	23.65%	21.98%	19.49%	1.11%[4][5]	$4.83 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	7.63%	5.45%	2/29/2000	-42.83%	6.71%	13.11%	13.13%	1.05%[3]	$762.75 million
INTERNATIONAL										
Baron Emerging Markets Fund†	MSCI EM Index	2.77%	0.89%	12/31/2010	-25.82%	-3.44%	-2.70%	3.10%	1.08%[4]	$4.77 billion
Baron Global Advantage Fund†	MSCI ACWI Index	9.23%	7.95%	4/30/2012	-51.57%	-4.28%	4.21%	9.43%	0.90%[4][8]	$770.73 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	9.04%	6.13%	12/31/2008	-27.29%	1.49%	2.17%	6.50%	0.96%/0.95%[4][9]	$482.66 million
Baron New Asia Fund	MSCI AC Asia ex Japan Index	-18.92%	-16.27%	7/30/2021	-26.94%	N/A	N/A	N/A	8.59%/1.20%[4][10]	$3.74 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	12.94%	10.20%	12/31/2009	-28.44%	8.69%	7.65%	10.28%	1.05%[4]	$1.28 billion
Baron Real Estate Income Fund	MSCI US REIT Index	6.91%	2.48%	12/29/2017	-27.47%	4.75%	6.91%	N/A	1.08%/0.80%[4][11]	$77.32 million
Baron Health Care Fund†	Russell 3000 Health Care Index	13.90%	12.06%	4/30/2018	-16.90%	12.41%	N/A	N/A	0.89%/0.85%[4][12]	$210.01 million
Baron FinTech Fund†	S&P 500 Index	4.24%	7.66%	12/31/2019	-33.30%	4.24%	N/A	N/A	1.18%/0.95%[4][13]	$42.60 million
Baron Technology Fund	MSCI ACWI Information Technology Index	-44.30%	-31.07%	12/31/2021	-44.30%	N/A	N/A	N/A	1.73%/0.95%[4][14]	$3.31 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	10.36%	9.42%	12/29/2017	-32.59%	8.61%	10.36%	N/A	1.08%/1.05%[4][15]	$426.44 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 December 31, 2022.
(3) As of 9/30/2022.
(4) As of 12/31/2021.
(5) Comprised of operating expenses of 1.05% and interest expenses of 0.06%.
(6) Annual expense ratio was 0.76%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).
(7) Annual expense ratio was 1.10%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(8) Annual expense ratio was 0.90%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers). Expense reimbursement was less than 0.01%.
(9) Annual expense ratio was 0.96%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(10) Annual expense ratio was 8.59%, but the net annual expense ratio was 1.20% (net of Adviser's fee waivers).
(11) Annual expense ratio was 1.08%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
(12) Annual expense ratio was 0.89%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
(13) Annual expense ratio was 1.18%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(14) Expense ratios are estimated for the current fiscal year.
(15) Annual expense ratio was 1.08%, but the net annual expense ratio was 1.05% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
* Not annualized.
† 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.

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

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 Fund expenses for Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron Focused Growth Fund, Baron International Growth Fund, Baron Real Estate Fund, Baron Emerging Markets Fund, Baron Global Advantage Fund, Baron Discovery Fund, Baron Durable Advantage Fund, Baron Real Estate Income Fund, Baron WealthBuilder Fund, Baron Health Care Fund, and Baron FinTech Fund (pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term) and all Funds' 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 above. For performance information current to the most recent month end, visit www.BaronFunds.com/performance or call 1-800-99BARON.

Baron Discovery Fund's 3- and 5-year, **Baron Emerging Markets Fund's** 10-year, **Baron Fifth Avenue Growth Fund's** 3-, 5- and 10-year, **Baron Fin Tech Fund's** 3-year, **Baron Global Advantage Fund's** 3-, 5- and 10-year, **Baron Health Care Fund's** 3-year, **Baron International Growth Fund's** 3- and 5-year, **Baron Opportunity Fund's** 3-, 5- and 10-year and **Baron Small Cap Fund's** 3-year 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.

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.

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

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this presentation reflect those of the respective speaker. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

Ranking information provided is calculated for the **Retail Share Class** and is as of **12/31/2022**. 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, 1,054, and 804 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Opportunity Fund* in the 95th, 4th, 29th, and 10th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 2/29/2000, and the category consisted of 262 share classes. Morningstar ranked *Baron Partners Fund* in the 95th, 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 401 share classes. The **Morningstar Mid-Cap Growth Category** consisted of 586, 499, and 389 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 41st, 21st, 20th and 12th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 18 share classes. Morningstar ranked *Baron Growth Fund* in the 20th, 8th, 21st, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 48 share classes. Morningstar ranked *Baron Focused Growth Fund* in the 60th, 1st, 3rd, and 5th 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 304 share classes. The **Morningstar Small Growth Category** consisted of 604, 530, and 399 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 75th, 46th, 55th, 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 86 share classes. Morningstar ranked *Baron Discovery Fund* in the 85th, 37th, and 7th percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 414 share classes. The **Morningstar Real Estate Category** consisted of 252, 210, and 152 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 88th, 1st, 1st, and 2nd percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 123 share classes. Morningstar ranked *Baron Real Estate Income Fund* in the 78th, 3rd and 3rd percentiles for the 1-, 5-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 210 share classes. The **Morningstar Foreign Large Growth Category** consisted of 443, 346, 226, and 189 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 68th, 53rd, 25th, and 15th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 816, 650, 394, 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 82nd, 80th, 19th, and 13th percentiles, respectively. The **Morningstar Health Category** consisted of 176 and 133 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron Health Care Fund* in the 66th and 3rd percentiles, respectively. The **Morningstar Allocation – 85%+ Equity Category** consisted of 200, 181 and 181 share classes for the 1-, 5-year and since inception (12/29/2017) periods. Morningstar ranked *Baron WealthBuilder Fund* in the 99th, 3rd and 3rd percentiles, respectively.

Portfolio holdings as a percentage of net investments as of December 31, 2022 for securities mentioned are as follows: Alexandria Real Estate Equities, Inc. – Baron Asset Fund (0.6%), Baron Focused Growth Fund (0.7%), Baron Growth Fund (1.6%), Baron Real Estate Fund (1.4%), Baron Real Estate Income Fund (2.6%); **ANSYS, Inc.** – Baron Asset Fund (3.2%), Baron Focused Growth Fund (2.0%), Baron Growth Fund (3.5%); **Hyatt Hotels Corp.** – Baron Asset Fund (1.1%), Baron Focused Growth Fund (6.2%), Baron Partners Fund (5.2%*), Baron Real Estate Fund (0.5%); **Iridium Communications Inc.** – Baron Focused Growth Fund (4.5%), Baron Growth Fund (5.9%), Baron Partners Fund (3.5%*); **Space Exploration Technologies Corporation** – Baron Asset Fund (1.6%), Baron Fifth Avenue Growth Fund (1.2%), Baron Focused Growth Fund (11.8%), Baron Global Advantage Fund (3.1%), Baron Opportunity Fund (3.1%), Baron Partners Fund (10.2%*); **Tesla, Inc.** – Baron Fifth Avenue Growth Fund (3.0%), Baron Focused Growth Fund (10.4%), Baron Global Advantage Fund (1.9%), Baron Opportunity Fund (3.4%), Baron Partners Fund (25.8%*), Baron Technology Fund (3.5%); **Vail Resorts, Inc.** – Baron Asset Fund (3.3%), Baron Focused Growth Fund (5.2%), Baron Growth Fund (6.9%), Baron Partners Fund (4.3%*), Baron Real Estate Fund (1.8%), Baron Real Estate Income Fund (0.5%).

*% of Long Investments

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

Non-mutual fund products are available to institutional investors only.

The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies, the **Russell 1000® Growth Index** of large-sized U.S. companies that are classified as growth, the **Russell Midcap® Growth Index** of medium-sized U.S. companies that are classified as growth, the **Russell 2500™ Growth Index** of small to medium-sized companies that are classified as growth, the **Russell 2000® Growth Index** of small-sized U.S. companies that are classified as growth and the **Russell 3000® Growth Index** measures the performance of the broad growth 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. **Russell 3000® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. All rights in the FTSE Russell Index (the “Index”) vest in the relevant LSE Group company which owns the Index. Russell® is a trade mark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The S&P and Russell indexes include reinvestment of dividends, which positively impact the performance results. The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The **MSCI ACWI ex USA Index Net USD** measures the equity market performance of large and mid-cap securities across developed and emerging markets, excluding the United States. The **MSCI EM (Emerging Markets Index Net USD)** is a free float-adjusted market capitalization weighted index designed to measure equity market performance of large, mid and small cap securities in the emerging markets. The MSCI indexes and the Funds include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The **MSCI US REIT Index** is an unmanaged free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. Index performance is not fund performance. The **MSCI USA IMI Extended Real Estate Index** is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. The **MSCI ACWI Index** is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large- and mid-cap securities across developed and emerging markets. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The index is calculated with dividends net of withholding taxes. Its returns include reinvestment of interest, capital gains and dividends, which positively impact the performance results. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Funds 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.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

2022 Baron Investment Conference: (First row, from left to right) I scream, you scream! Ron Baron returned to his roots as an ice cream truck driver and served attendees on the Lincoln Center Plaza (Summer 1963… It's True!). Kelli O'Hara and Ron Baron take a selfie backstage before her performance of God Bless America. Out of this world! Elon Musk joined our CEO Ron Baron as the surprise guest at this year's conference. Linda Martinson, Co-founder, President, and Chief Operating Officer, celebrates 40 years of Baron Capital during her keynote presentation. (Second row, from left to right) Emmy Award-winning stand-up comedian and writer John Mulaney brings laughs to Baron Fund shareholders at the 2022 Baron Investment Conference. The amazing Myles Frost dazzled attendees as Michael Jackson of the hit Broadway musical "MJ" at the David H. Koch Theater. Miranda Lambert rocked the stage at the 2022 Baron Investment Conference. Baron employees were all smiles outside the Lincoln Center Plaza. (Third row, from left to right) David Baron, Portfolio Manager, Baron Focused Growth Fund, Kirsten Lynch, Chief Executive Officer, Vail Resorts, Inc. and Ron Baron, Founder, and Chief Executive Officer, Baron Capital. Raise the roof! Elon Musk enters the stage at the 2022 Baron Investment Conference. Dr. Ajei Gopal, President and Chief Executive Officer, ANSYS, Inc. (Fourth row, from left to right) 2022 was Baron Capital's 40th Anniversary, represented by the roman numeral 40 "XL" of last year's conference theme, Anything Is Possible. Michael Baron, Portfolio Manager, Baron Partners Fund and Baron WealthBuilder Fund, kicks off the afternoon sessions at the 2022 Baron Investment Conference. Joel S. Marcus, Executive Chairman and Founder, Alexandria Real Estate Equities, Inc.

2022 Baron Investment Conference: (First row, from left to right) David Baron, Portfolio Manager, Baron Focused Growth Fund, welcomes attendees to the 2022 Baron Investment Conference. Cliff Greenberg, Co-CIO and Portfolio Manager, Baron Small Cap Fund, Andrew Peck, Co-CIO and Portfolio Manager, Baron Asset Fund, and Amy Chasen, Director of Research, Baron Capital. Anuj Aggarwal, Portfolio Manager, Baron New Asia Fund, and Michael Kass, Baron Emerging Markets Fund, Baron International Growth Fund, and Baron New Asia Fund. Over 4000 Baron Funds' shareholders attended last year's conference, the first since 2019, at Lincoln Center in New York City. (Second row, from left to right) Matt Desch, CEO of Iridium Communications, Inc., Ron Baron, and Becky Quick share a laugh on CNBC's Squawk Box. Kirsten Lynch, Chief Executive Officer, Vail Resorts, Inc., Mark Hoplamazian, Chief Executive Officer, Hyatt Hotels Corporation, Ron Baron, Founder, and Chief Executive Officer, Baron Capital, and Becky Quick, Co-Anchor of CNBC's Squawk Box. (Third row, from left to right) Alex Umansky, Portfolio Manager, Baron Fifth Avenue Growth Fund, Baron Global Advantage Fund, and Baron Durable Advantage Fund, Ashim Mehra, Portfolio Manager, Baron Technology Fund, and Michael Lippert, Portfolio Manager, Baron Opportunity Fund, and Baron Technology Fund. Randy Gwirtzman, Portfolio Manager, Baron Discovery Fund, Cliff Greenberg, Co-CIO and Portfolio Manager, Baron Small Cap Fund, David Goldsmith, Assistant Portfolio Manager, Baron Small Cap Fund, Laird Bieger, Portfolio Manager, Baron Discovery Fund, and David Judice, VP, Head of Intermediary Sales and National Accounts. (Fourth row, from left to right) Josh Saltman, Portfolio Manager, Baron FinTech Fund, Jeff Kolitch, Portfolio Manager, Baron Real Estate Fund and Baron Real Estate Income Fund, and Neal Kaufman, Portfolio Manager, Baron Health Care Fund. Neal Rosenberg, Portfolio Manager, Baron Growth Fund, Andrew Peck, Co-CIO and Portfolio Manager, Baron Asset Fund, Michael Baron, Portfolio Manager, Baron Partners Fund and Baron WealthBuilder Fund, and James Barrett, VP, Head of Institutional Sales.

29th Annual Baron Investment Conference
Nov 4, 2022
Ron's speech

"ANYTHING IS POSSIBLE"

Welcome back Baron!!!!

Thank you for coming!!!

Before we get started.

I know you've been sitting a long time.

Let's take a brief study break.

SLIDE: Sweathogs

O.K. Sweathogs. Recess is over. Back to class.

This is Baron Capital's 40th anniversary and 29th Annual Baron Investment Conference.

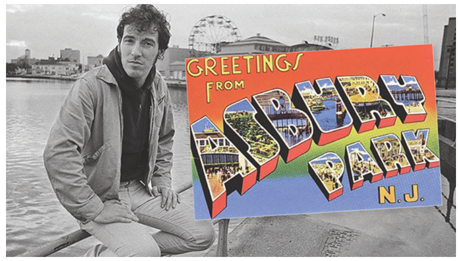
By the way, XL is the Roman numeral 40. It's not the size of everyone's T-shirts.

Because we haven't been together for three years, I thought a brief refresher course on what you are likely to hear today would be helpful.

"Hi, I'm Ron."

"I'm from Asbury Park."

SLIDE: Bruce Springsteen, Asbury Park Boardwalk



"I'm an investor."

(Actually, in this picture, I'm not an investor yet. I'm on my way to New York to become an investor.)

"We invest in people."...

"We invest for the long term."...

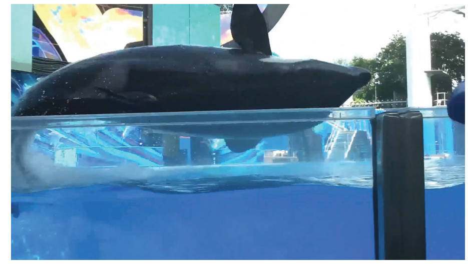
Some other things I might mention today include...John F. Kennedy...Robert F. Kennedy...The Beatles ... Golda Meir… Superman....Batman... Ironman...and Elon Musk!

My wife, Judy, tells me I give the same speech every year...funny...Linda says the same thing. ...so do David and Michael...

We decided to challenge that notion by creating a "Google word cloud" from my prior speeches. When you're listening to me, I'd like you to think about this cloud...the words I use... and judge for yourself if you think I'm repetitive...

A final announcement.

If you are seated in the first three rows, you can expect to get wet.



No, wait. That's Sea World.

See...how can Judy and Linda think I'm boring?

First, I want to thank the executives who spoke to us this morning about their businesses and why they're competitively advantaged.

ANSYS, Inc., the leading digital simulation business

Alexandria Real Estate Equities, Inc., the owner/developer of mission critical life science campuses

Vail Resorts, Inc., the owner/operator of AWESOME ski resorts worldwide which sell more than 70% of their season lift tickets before it even snows! ...

Tesla, Inc., the leading and low-cost, vertically integrated manufacturer of electric cars

and **SpaceX,** which provides low-cost access to space with its reusable rockets, and, through its Starlink satellites, broadband internet to the ENTIRE planet...

The "moats" protecting these businesses from competition are enormous, and their executives are exceptionally talented.

After you've listened to those four CEOs, I'm sure it is clear why "we invest in people."

The last time we were here in 2019, our theme was "**What's Next**?"

Four months later we got the answer.

Anybody here remember the global pandemic?

The theme of the 2022 Baron Conference is "Anything is Possible."

You just never know...

The duality of meanings for **"Anything is Possible"**... both good and bad, is intentional.

We believe there will be AWESOME opportunities to make substantial capital gains amid chaos.

I want to address three topics today.

1. **Entropy: Chaos and Disorder.**
2. **"Not being afraid."**
3. **Baron Capital: Purpose. Strategy. Tactics.**

Entropy: Chaos and Disorder

Three years ago, few would have imagined that a microbe in a bat in Wuhan, China would decipher the code that allowed its transmission to humans and change everything!

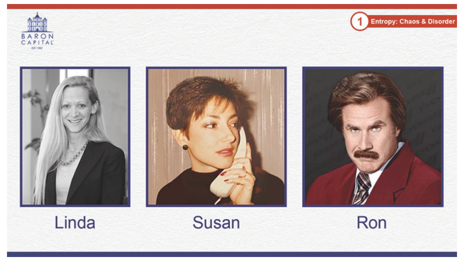
...and that nine months ago, on the whim of one individual, Russia invaded Ukraine, disrupting supply chains, creating energy inflation, and terrorizing population centers.

For those of you who didn't take A.P. Physics in high school...**Entropy** means a tendency to randomness and disorder.

Baron invests in businesses that are "pro-entropic"... that flourish despite chaos and disorder or because of it.

Think **SpaceX's Starlink** maintaining critical communications in **Ukraine** after Russia's invasion and in **Florida** after Hurricane Ian...or **Tesla** replacing **oil** with **electricity** and **batteries** or humans with **robots** when there are not enough assembly workers to build its cars...or **Arch Capital** whose insurance business increases in value after natural disasters...

We founded Baron Capital on March 16, 1982.



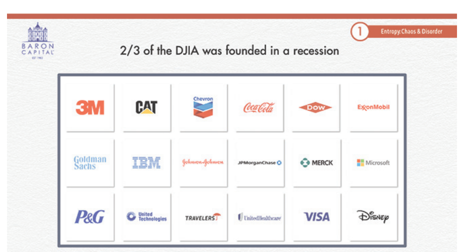
It was Linda, Susan, and Ron. Not Ron Burgundy...the other Ron...me...

The United States' economy was then in recession, inflation was problematic, and interest rates were a lot higher than now. Further, *short term news cycles for nearly the entire past 40 years were either* ***awful*** *or* ***terrifying****....just like now!*

The Dow Jones Industrial Average was 800 then. It is now **32,000!!!** More than **40X** appreciation!!!

The founding of our business amid chaos and disorder was not an accident.

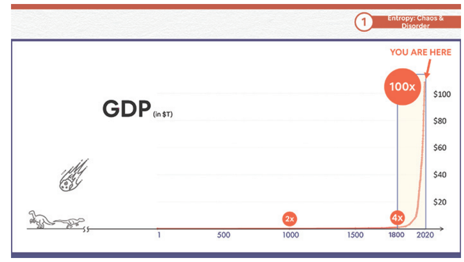
I believe you have a better chance to succeed if you start a business in tough times than in boom times.



Everything is cheaper, talent is available, and competitive threats are less. The corollary?

It's better to invest in businesses during troubled times than in boom times.

We expect economic growth on Earth to soon *accelerate*! Despite entropy. Growth rates have been increasing since the **Industrial Revolution**! For the 1,800 years following the birth of Christ, world GDP and population increased *only* four-fold....two doubles in 1,800 years!!!



In contrast, during the last 220 years, world population has increased 8X....**world GDP 100X**! We expect even faster GDP growth due to technology innovation, the space and digital revolutions, and health care advances....and we *expect stronger stock market gains in the next 40 years than in the last 40 years! Think Dow Jones ONE MILLION in 2062!*

Investing During Entropy: "Not being afraid"

In the aftermath of wars, pandemics, and financial panics, inflation abates, and financial markets perform exceptionally well!

We believe when the current inflation and supply chain disruptions caused by Covid and the war in Ukraine end, markets will rebound strongly.

I began my career as a securities analyst in 1970. The 1970s were a difficult time for the stock market and for America. Our country was traumatized by Vietnam, Watergate, the resignation of President Nixon, recession, the Iranian hostage crisis, inflation, gas lines, and three ineffective Presidents.

My experience during the 1970s was ***foundational*** as I learned to invest in "pro-entropic" businesses that grew materially during chaos. My institutional brokerage clients made a lot of money investing in growth companies I had researched and recommended, including Walt Disney, McDonalds, FedX, Nike, Hyatt, Tropicana, Golden Nugget, Mattel, and Manor Care.

That's because we invest in businesses, not stocks.

The lesson: Don't be afraid to invest.

Baron Capital. Purpose. Strategy. Tactics.

Purpose

Baron's purpose is to enable individuals to participate in the growth of our economy and to protect their savings from inflation. Which in my lifetime has averaged 4% to 5% per year. That means the price of nearly everything you buy…tuition, housing, food, gasoline, cars…doubles about every 14 to 15 years. Our goal is to double your money every 5 to 6 years.

Strategy

Our strategy is to invest in businesses that

1. grow faster than our economy
2. are managed by exceptional people
3. and are competitively advantaged
4. for the long term.

1. Growth opportunities are easy to identify. Others can do this as well as we can. THAT'S not our competitive advantage.

2. "We invest in people." "Growth plus Values" was our conference theme in 2018.

In addition to intelligence and leadership... that's the growth...we assess character, culture, and empathy...that's the values.

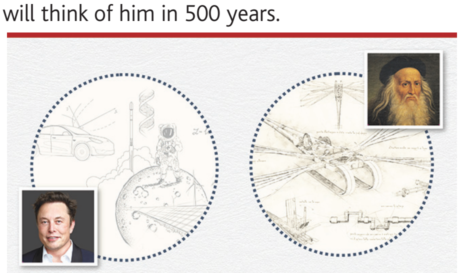
We invest in people we trust. Since we speak with and visit so many executives every day, thousands and thousands every year, we learn about their character as well as the company they keep. These interactions enable us to identify individuals in whom to invest. Understanding character is an essential Baron competitive advantage. It's what algorithms can't do.

Our process is continuous...the interview never ends. A perfect example...it took me four years after I met **Elon Musk** in 2010 to realize that he is an exceptional person.

He is a mission- and vision-driven entrepreneur solving some of the world's biggest problems. He is also a brilliant engineer and inventor.

Others have compared Elon to John D. Rockefeller in the 1880s.

I think of Elon as a modern-day **Leonardo da Vinci**...a singular talent across multiple disciplines...and I can only imagine what people will think of him in 500 years.



3. Competitive advantage. "Question Everything" was our theme in 2015.

We deconstruct businesses in our heads to understand how they work, and then we ask, "why can't their competitors do the same thing?"

Dan Huttenlocker, Dean of the MIT Schwarzman College of Computing, recently visited me. Dan told me he "learns more about someone from the questions *they* ask than from the answers they give!" "Ron, we want students at MIT to ask questions like you do. Not to accept at face value what they are told."

The question Elon most frequently asks is, *"Why does it have to be this way?"*

Before co-founding Tesla, he probably asked, "Why do cars need engines? Or why do they even need drivers?"

CLIP: The Office

It's a good question — why do we need drivers?

"Questioning everything?" is hard.

We ask questions to determine if a business is competitively advantaged. Asking questions is *Baron's competitive advantage*. When we recently visited a Tesla factory, we watched a casting machine in operation. I had a million questions:

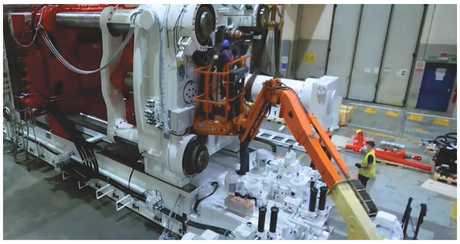
Why is Tesla the only company that builds car frames by casting rather than welding?

Casting is complex and uses novel materials invented by SpaceX to withstand extreme heat and cold in space. Molten metals are heated to 1,292 degrees F and injected into a mold under 6,000 tons of pressure! The liquified metal must cure in the blink of an eye...or it will crack.

Tesla spent two years perfecting this method...WHY?

Because casting delivers a stronger, more consistent product, produced faster, in half the floor space, with 70% fewer robots! ... and reduces 1,700 welds to 3!

CLIP: Tesla factory



Since casting machines cost tens of millions of dollars each and you need lots of them, casting is too risky for others to even try.

After we invested in Tesla, we began to study SpaceX. When we visited their factory and launch site, my first question was

Why is SpaceX the only company building reusable rockets?

The answer was obvious. Other aerospace companies are in the business of selling MORE rockets, not selling reusable rockets. Further, aerospace is a "cost plus" industry with guaranteed profit margins. This means aerospace companies benefit when they sell products that cost more. *SpaceX* is vertically integrated and through rapid innovation builds cutting-edge products at the lowest cost possible. That is SpaceX's competitive advantage.

4. Long term. "Exceptional Takes Time" was the theme of our 2016 meeting.

As a family-owned business, Baron Capital is focused on long-term growth, not short-term profits. That is another one of our competitive advantages.

Tactics. How do we outperform.

1. "Vision" was the theme of our 2013 meeting.

We invest when businesses are reinvesting their profits to grow and penalizing current earnings. Factset, CoStar, Gartner, Vail, SpaceX, and Tesla are just a few examples.

We also invest amidst uncertainty when news and sentiment are negative. That is when prices are most attractive. "Pro-entropic" investments make **valuation and timing less important....**We rely on our firm's 43 talented analysts to know what to buy and... to "not sell."

We don't outsource our research.

Our primary source information gives us the vision to invest for the long term.

2. "Anything is Possible"

This year's theme.

That's especially true here in America.

My grandparents were immigrants from Eastern Europe. Poland....Ukraine....and The Pale in Russia where Jews had to live. My dad's father became the foreman of a candle factory in Brooklyn. My mom's father was a construction worker who emigrated from the Pale through Ukraine. He became a peddler on the Lower East Side of New York. Sold shoes from a pushcart.

My mom, aunt, uncle, and grandparents lived on the fifth floor of a five-story tenement.

You know, the penthouse.

It was a doorman building…you know…All the doormen lived there.

My immigrant grandparents would be amazed how their grandson is now recognized as "the Tesla guy" whom people thank every day on the streets of New York, my favorite city in the world.

My family history, like yours, and like millions of others, proves that…

"Anything is Possible!"

David Rubenstein, Founder of Carlyle Group and noted philanthropist, recently authored a book called *How to Invest: Masters on the Craft*.

Chapter two was an interview with me. The last question he asked, "If you could change anything about your reputation, what would it be?"

My answer: "Nothing."

I am pretty sure my younger self, if he could see me now, would be proud of my family's and employees' values...and of our business.

I am hopeful that *60 years from now, at the 100th anniversary* of Baron Capital, my grandchildren and their grandchildren will be as proud of their values...their business...and the lives they have lived...as I am.

Thank you for trusting us with your savings.

"Hey, Siri. How'd I do?"

AUDIO: Siri answers in computer voice. "Calculating word cloud. Congratulations, Ron ...You...used...three... new... words..."wuhan"... "entropy"...and "Vinnie...Barbarino"...and you only mentioned Elon Musk seventeen times..."

Yeah, that sounds about right.

Siri, thank you for listening.

And to our shareholders, thank you all as well.

Portfolio holdings as a percentage of net assets as of December 31, 2022 for securities mentioned are as follows: ANSYS, Inc.–Baron Asset Fund (3.2%), Baron Focused Growth Fund (2.0%), Baron Growth Fund (3.5%); **Alexandria Real Estate Equities, Inc.**–Baron Asset Fund (0.6%), Baron Focused Growth Fund (0.7%), Baron Growth Fund (1.6%), Baron Real Estate Fund (1.4%), Baron Real Estate Income Fund (2.6%); **Vail Resorts, Inc.**–Baron Asset Fund (3.3%), Baron Focused Growth Fund (5.2%), Baron Growth Fund (6.9%), Baron Partners Fund (4.3%*), Baron Real Estate Fund (1.8%), Baron Real Estate Income Fund (0.5%); **Tesla, Inc.**–Baron Fifth Avenue Growth Fund (3.0%), Baron Focused Growth Fund (10.4%), Baron Global Advantage Fund (1.9%), Baron Opportunity Fund (3.4%), Baron Partners Fund (25.8%*), Baron Technology Fund (3.5%); **Space Exploration Technologies Corporation**–Baron Asset Fund (1.6%), Baron Fifth Avenue Growth Fund (1.2%), Baron Focused Growth Fund (11.8%), Baron Global Advantage Fund (3.1%), Baron Opportunity Fund (3.1%), Baron Partners Fund (10.2%*).

* % of Long Positions

Letter from Linda

LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

Year ends are time for review and reflection… but, following the tough markets of 2022, I doubt there are many growth equity investors who want to look back at the past 12 months. Such periods of extended market declines and volatility are an unpleasant but necessary reminder that success does not come in a straight path and that markets move in cycles.

The year was challenging for our business too, particularly for the Baron Funds invested in higher-growth and technology-driven companies. Those of you who have read our recent quarterly letters, or listened to Ron and our research team speak, would know that the poor market performance of the past year has not affected our long-term outlook. We remain optimistic about the future of the U.S. economy and the long-term opportunities for equity investors and our shareholders.

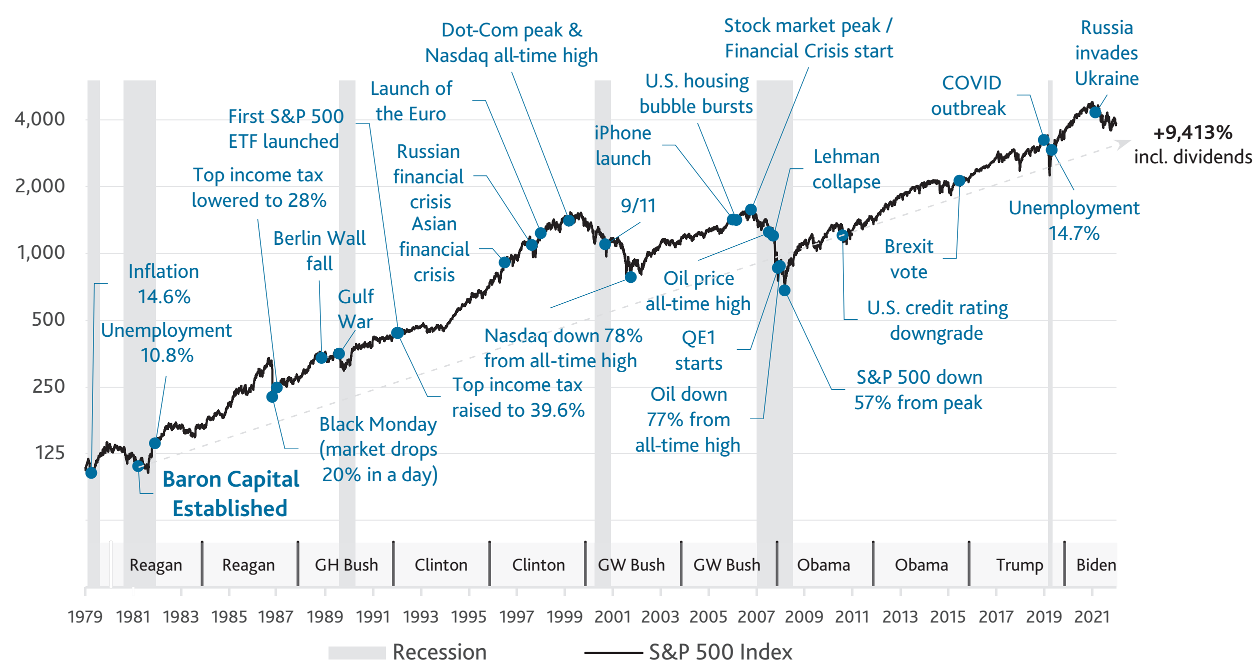
Last year, Baron celebrated its 40-year anniversary. Our four decades in business have been filled with memorable experiences, successes, and occasional stumbles, all of which have taught us something – not just as investors but also as stakeholders in a continuously growing business. During difficult times, the lessons we have learned have given us confidence and reassurance to stick to our values and investment approach. At the Baron Conference this past November, I shared with the audience some valuable lessons we have learned about our business, and below is an edited version of my speech.

The past four decades have been quite eventful. As the chart below shows, we have witnessed multiple recessions, market crashes, wars, a pandemic, record inflation and unemployment, and crazy elections, among other things. But we have also seen immense technological progress, medical advancements, better information and market accessibility for investors, and the longest bull market ever. Since the inception of Baron Capital on 3/16/1982, the S&P 500 Index has returned a staggering 9,413% (including dividends).

The Past 40 Years Have Been Eventful

S&P 500 Index and Various Events

12/31/1979 - 12/31/2022



Sources: FactSet, The National Bureau of Economic Research, Baron Capital.
Notes: The performance data quoted represents past performance. Past performance is no guarantee of future results. It is not possible to invest in an index.

Since I have been at Baron for four decades, I have a unique perspective, and I also asked some of our employees what they have learned. The common denominator behind every lesson is people.

People are the core of our business, consistent with our motto "we invest in people:" our investors, partners, management teams of the companies in which we invest and, most importantly, our employees. Here are five of the lessons that we have learned.

Lesson #1: Build the Right Team and Cultivate a Healthy Work Culture

When you build the right team, 1 + 1 is greater than 2. We have built a team that is more than the sum of its individuals. And, just like the way we construct portfolios, we have built the Baron team one person at a time. Finding the right people and training them takes time, but we have learned to be patient and take a long-term view. It is important for us to hire smart, intelligent, and curious individuals, with diverse backgrounds and shared values. It is also important that they complement the team we have built. We believe these fundamentals have helped us achieve success. We always look for more than just good workers. As Jim Barrett, our head of institutional sales said, doing business in our industry with humanity makes a difference. So we also look for personality traits like honesty, empathy, and even humor; and we believe this has helped us assemble an exceptional team. We don't always get it right, but we do always learn.

To have the right team, you need the right culture. Teamwork is at the heart of Baron's culture, and teamwork starts with trust. I agree with Alison Bray, our director of investor information, that "Trust is the most important currency at work – meaning – you'll do what you say, you're paying attention, and you care about what other people are trying to accomplish." Trust allows our employees to be open-minded and to listen to what others have to say. Creating an environment that encourages exchange of ideas builds morale and growth, and fosters innovation.

Our average retention rate over the past 15 years has been over 90%, which attests that we must be doing something right. We have many long-tenured employees, and our initial team is still here: Peggy Wong (CFO), Susan Robbins (a long-time senior research analyst), David Schneider (Head of Trading), Ron (of course), and me.

As the table shows, as of 12/31/2022 more than half of Baron's total employees and more than two-thirds of our research personnel have been at the Firm for five years or more. Over a third of all employees have been here for at least a decade, and 17 have been here for over 20 years. For context, 20 years ago Baron's team consisted of just 49 employees.

Baron's Employees Have Been at The Firm for a Long Time

Baron Tenure	Number of Employees	% of Employees	Research Roles	Non-Research Roles
All	187	100%	43	144
5+ yrs	107	57.2%	30 (70%)	77 (53%)
10+ yrs	65	34.8%	21 (49%)	44 (31%)
15+ yrs	34	18.2%	15 (35%)	19 (13%)
20+ yrs	17	9.1%	7 (16%)	10 (7%)

Source: Baron Capital.

In addition, the vast majority (12 out of 15) of Baron's non-research group heads have been at the Firm for at least seven years. Something I am particularly proud of is that eight out of the 15 groups are headed by women (myself not included) and about half (19 out of 40) of Baron's managerial roles are held by women. In addition, Baron's Director of Research is a woman, and four out of the 10 Board members of the Baron Funds are women.

Lesson #2: Learn to Make Tough Decisions

We strive to provide exceptional investor service and investment results. Particularly in our industry, achieving this requires a delicate balance of opportunity and risk, and often there are some tough choices to be made.

During the Financial Crisis in 2008, our assets had dropped from $23 billion to under $10 billion and the financial world was collapsing. We had three options:

A) do nothing – and hope for the best;

B) cut costs, including laying off employees; or

C) invest in growing our business.

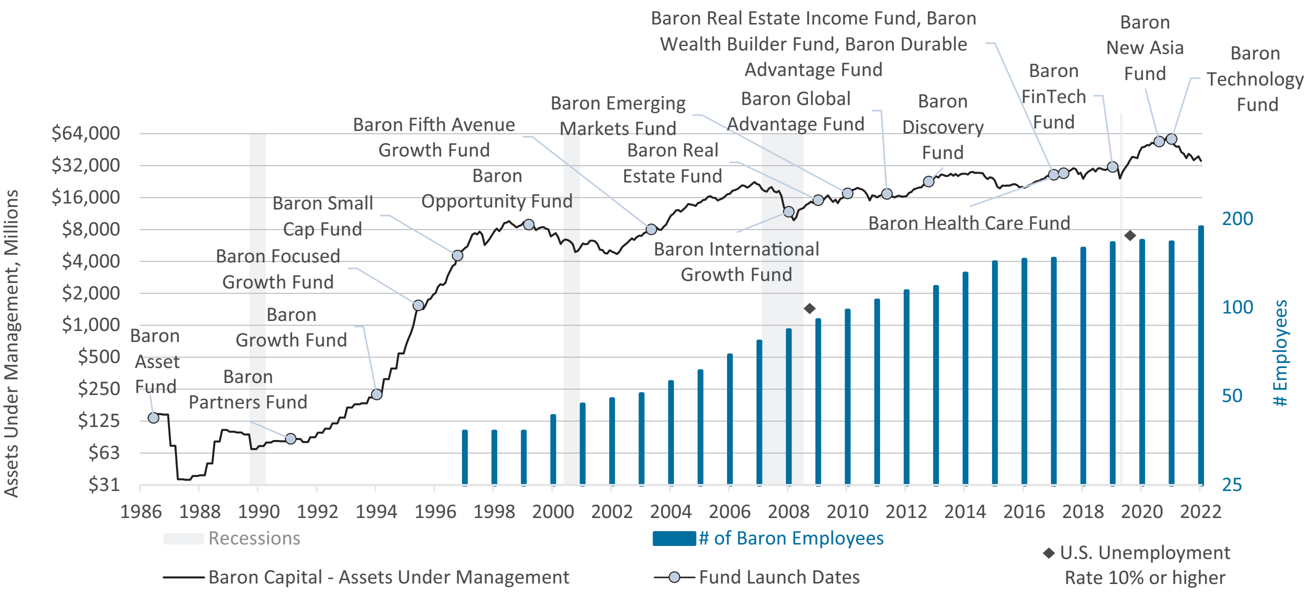
Notwithstanding our limited resources, we picked option C. Here is why: if you build the best widget in the world and it sits in your factory, people aren't going to buy it unless it gets marketed and distributed. While everyone in the asset management industry was picking option B, we saw an opportunity to expand our sales effort – a difficult decision that has paid off handsomely.

But this wasn't the first or the last time we made a difficult choice. The next chart shows that we have launched new products during good and bad economic conditions, and right before – or after – or in the middle of market declines. Our decisions to grow Baron's business have always been driven by our long-term views and conviction. The bars on the chart show that our team has expanded gradually and consistently with our business.

Baron's Team and Business Have Grown Steadily

Baron Capital – Employees and Assets Under Management

3/31/1987 – 12/31/2022



Sources: Baron Capital, The National Bureau of Economic Research.
Note: Employee data not available prior to 1997.

When it comes to making decisions – whether about growing our operations, launching new products, or optimizing our organization – we have learned that it pays off to rely on our long-term view and big picture focus, and stick to our values.

Lesson #3: Time is On the Side of Long-Term Thinkers

Achieving challenging goals requires time. Achieving growth also requires time. But time alone is not enough – patience, discipline, and conviction are also essential, as they allow for potential to materialize and the power of compounding to work its magic.

Time and compounding sound like simple concepts, yet few asset managers have been able to harness them to their advantage. During times of market volatility – like right now – it becomes difficult to maintain discipline and conviction, which often leads to myopic investment choices, like market timing. As our head of trading, David Schneider says, during such moments we like to put on our Baron goggles, which help us see through the short-term noise and maintain focus on the long term.

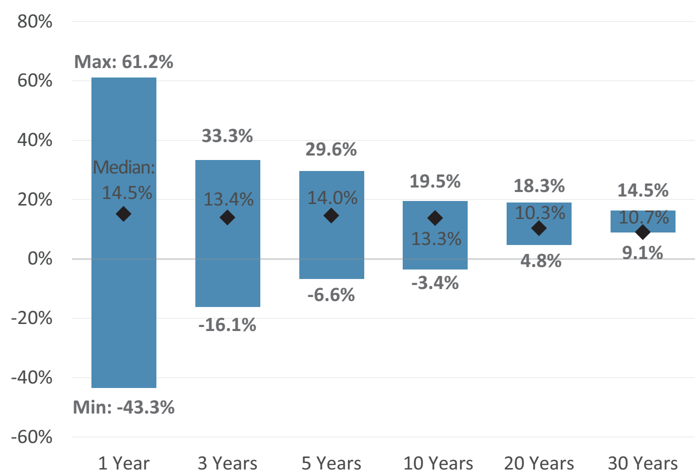
The data in the chart on the right visualizes David's point well. Over the past 40 years, 83% of the one-year rolling periods for the S&P 500 Index have resulted in positive returns. While the median return was 14.5%, the possible range of one-year returns was anywhere between -43.3% and 61.2%, a vast range of uncertainty.

Expanding the investment horizon to three years resulted in a higher percentage of time with positive returns (88%) and an ostensibly tighter range of outcomes. Having an investment horizon of 10 years or more significantly minimized the potential for negative returns and resulted in an even tighter range of outcomes. In short, the longer the investment horizon, the higher the certainty around the outcome – or at least this has been the case in the past.

Long-Term Investors Have Had Better Chances of Positive Returns

S&P 500 Index – Minimum, Maximum, and Median annualized total returns over various periods

Based on monthly rolling periods, 12/31/1982 – 12/31/2022



	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
% of Time Positive	83%	88%	90%	95%	100%	100%

Sources: FactSet, Baron Capital. Notes: The performance data quoted represents past performance. Past performance is no guarantee of future results. It is not possible to invest in an index.

Long-term perspective, patience, and discipline are at the core of our approach. We believe the power of compounding applies to accumulating knowledge and experience just as strongly as it applies to investment returns. To paraphrase Warren Buffet, you cannot acquire nine years of experience by hiring nine first-year associates. This is why we continuously invest in our employees and do our best to help them grow, unlock their potential and, hopefully, keep them as Baron employees. As a Firm, this has allowed us to accumulate generational knowledge, which we consider one of our strongest competitive advantages.

The scorecard below attests to our long-term success. Almost all of the Baron Funds have outperformed their relevant benchmarks the majority of the time, delivering substantial excess returns. Similar to the chart above, the likelihood of outperformance of the Baron Funds has increased when the holding period has been longer. Our Funds have generated strong excess returns since their respective inception dates.

The Baron Funds Have Generated Impressive Results

Baron Funds Scorecard

Based on monthly rolling returns since inception as of 12/31/2022

Fund Name	Excess Return % Time Positive			Average Excess Return vs. Benchmark			Excess Return Since Inception
	10 Years	5 Years	3 Years	10 Years	5 Years	3 Years	
Baron Growth Fund	82%	70%	69%	3.34%	4.16%	4.44%	5.50%
Baron Small Cap Fund	71%	64%	66%	1.75%	2.75%	3.24%	3.90%
Baron Discovery Fund		100%	96%		7.25%	7.13%	4.68%
Baron Asset Fund	65%	54%	58%	0.46%	0.57%	0.26%	1.42%
Baron Focused Growth Fund	67%	60%	57%	2.53%	3.21%	4.43%	5.19%
Baron Partners Fund	86%	72%	73%	3.34%	4.06%	5.27%	4.92%
Baron Opportunity Fund	70%	71%	69%	2.20%	3.46%	4.45%	2.18%
Baron Fifth Avenue Growth Fund	20%	32%	40%	-1.09%	-1.09%	-1.23%	-2.99%
Baron Durable Advantage Fund			80%			1.81%	-0.05%
Baron Emerging Markets Fund	100%	74%	68%	2.55%	1.82%	2.37%	1.88%
Baron International Growth Fund	100%	100%	100%	3.55%	3.61%	3.75%	2.91%
Baron Global Advantage Fund	100%	99%	86%	3.05%	9.14%	8.85%	1.28%
Baron Real Estate Fund	100%	74%	67%	3.64%	2.24%	3.94%	2.74%
Baron Real Estate Income Fund			100%			10.19%	4.43%
Baron Health Care Fund			100%			7.24%	1.84%
Baron WealthBuilder Fund			100%			7.33%	0.94%

Source: Baron Capital.
Note: Only the Baron Funds with at least three-year track record and at least 12 monthly rolling 3-year return observations are included in the table above. The performance data quoted represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted.

As of 12/31/2022, the annualized 1-, 5-, and 10-year (or since inception, for the Funds that do not have a 10-year track record) performance of the Institutional Shares of the Funds shown in the chart above was as follows: Baron Growth Fund: (22.40)%, 11.15%, and 12.33%, respectively; Baron Small Cap Fund: (31.05)%, 7.07%, and 10.21%, respectively; Baron Discovery Fund: (35.12)%, 7.61%, and 11.37%, respectively; Baron Focused Growth Fund: (28.14)%, 20.94%, and 15.39%, respectively; Baron Asset Fund: (25.87)%, 9.29%, and 12.40%, respectively; Baron Partners Fund: (42.41)%, 21.98%, and 19.49%, respectively; Baron Opportunity Fund: (42.83)%, 13.11%, and 13.13%, respectively; Baron Fifth Avenue Growth Fund: (50.49)%, 2.48%, and 9.39%, respectively; Baron Durable Advantage Fund: (24.81)% for the 1-year period and 9.37% since inception; Baron Emerging Markets Fund: (25.82)%, (2.70)%, and 3.10%, respectively; Baron International Growth Fund: (27.29)%, 2.17%, and 6.50%, respectively; Baron Global Advantage Fund: (51.57)%, 4.21%, and 9.43%, respectively; Baron Real Estate Fund: (28.44)%, 7.65%, and 10.28%, respectively; Baron Real Estate Income Fund: (27.47)% for the 1-year period and 6.91% since inception; Baron Health Care Fund: (16.90)% for the 1-year period and 13.90% since inception; and Baron WealthBuilder Fund: (32.59)% for the 1-year period and 10.36% since inception.

Fund Primary Benchmarks: *for Baron Growth Fund, Baron Small Cap Fund, and Baron Discovery Fund – Russell 2000 Growth Index; Baron Focused Growth Fund – Russell 2500 Growth Index; Baron Partners Fund and Baron Asset Fund – Russell Midcap Growth Index; Baron Opportunity Fund – Russell 3000 Growth Index; Baron Fifth Avenue Growth Fund – Russell 1000 Growth Index; Baron Durable Advantage Fund – S&P 500 Index; Baron Emerging Markets Fund – MSCI EM Index; Baron International Growth Fund – MSCI ACWI ex USA Index; Baron Global Advantage Fund – MSCI ACWI Index; Baron Real Estate Fund – MSCI USA IMI Extended Real Estate Index; Baron Real Estate Income Fund – MSCI US REIT Index; Baron Health Care Fund – Russell 3000 Health Care Index; Baron Wealth Builder Fund – S&P 500 Index.* ***Fund Inception Dates:*** *Baron Growth Fund – 12/31/1994; Baron Small Cap Fund – 9/30/1997; Baron Discovery Fund – 9/30/2013;*

Baron Asset Fund – 6/12/1987; Baron Focused Growth Fund – 5/31/1996; Baron Partners Fund – 1/31/1992; Baron Opportunity Fund – 2/29/2000; Baron Fifth Avenue Growth Fund – 4/30/2004; Baron Durable Advantage Fund – 12/29/2017; Baron Emerging Markets Fund – 12/31/2010; Baron International Growth Fund – 12/31/2008; Baron Global Advantage Fund – 4/30/2012; Baron Real Estate Fund – 12/31/2009; Baron Real Estate Income Fund – 12/29/2017; Baron Health Care Fund – 4/30/2018; Baron WealthBuilder Fund – 12/29/2017.

Annual expense Ratios for Inst. Shares as of 9/30/2022: Baron Asset Fund, 1.04%, Baron Growth Fund, 1.04%, Baron Small Cap Fund, 1.04%, Baron Opportunity Fund, 1.05%, Baron Fifth Avenue Growth Fund, 0.76% but the net annual expense ratio was 0.75% (net of the Adviser's fee waivers), Baron Discovery Fund, 1.06%, Baron Durable Advantage Fund, 1.10% but the net annual expense ratio was 0.70% (net of the Adviser's fee waivers). Annual expense Ratios for Inst. Shares as of 12/31/2021: Baron Partners Fund, 1.11% (comprised of operating expense of 1.05% and interest expense of 0.06%), Baron Focused Growth Fund, 1.05%, Baron International Growth Fund, 0.96%, but the net annual expense ratio was 0.95% (net of the Adviser's fee waivers), Baron Real Estate Fund, 1.05%, Baron Emerging Markets Fund, 1.08%, Baron Global Advantage Fund, 0.90%, Baron Real Estate Income Fund, 1.08%, but the net annual expense ratio was 0.80% (net of the Adviser's fee waivers), Baron Health Care Fund, 0.89%, but the net annual expense ratio was 0.85% (net of the Adviser's fee waivers), Baron WealthBuilder Fund, 1.08%, but the net annual expense ratio was 1.05% (includes acquired fund fees of 1.00%, net of the Adviser's fee waivers).

Lesson #4: Building Trust is Critical

Honesty and transparency earn trust, and trust is fundamental to long-term relationships. We think of our clients and investors as long-term partners with whom we want to have lasting relationships. This starts with providing clear, timely, and high-quality communications. We spare no resources to deliver what is important to our investors, and we have committed to provide information well beyond what our competitors do. As our head of RIA sales, Frank Maiorano put it, "We work in an industry where sometimes you want to hide from the truth, especially in years like this. But as hard as it is, delivering honest truth and communication both in good and bad times earns trust which leads to long-term relationships."

Like knowledge, trust takes time to build. And, like British Prime Ministers, it can disappear in an instant. We are proud of the reputation we have established, and we do not take it for granted. We are constantly working to prove ourselves as a trustworthy long-term partner to our clients, our business relationships, and the companies in which we invest.

And, finally, #5: Lessons from Ron

Having spent 40 years working with Ron, there is a thing or two that I have learned from him.

For example, I have learned "It is apparently ok to call people at 6am or 11pm, as long as you ask "Is this a good time?" when they answer the phone."

Or, "It's ok to tell the same stories over and over again – maybe no one paid attention the first 10 times."

I've also realized there is a thing or two Ron should have learned.

Such as, "Nothing happens at the push of a button."

And "No, the computer did not lose the draft of your shareholder letter – again. You did. Again."

And "You can't always get what you want."

On a more serious note, one of the most valuable lessons I have learned from Ron is about the importance of people in a business. It is a simple concept – that only people can make a business successful. At Baron, our business is our people. Finding the right people and investing in them – time, resources, emotions – is difficult and takes time. If it were easy, everyone would run successful businesses. But it is the difficult things that add true value in the long term. And this is why We Invest in People.

Sincerely,

Linda S. Martinson
Chairman, President, and COO
December 31, 2022

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.

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

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.

Baron Discovery Fund's 3- and 5-year, **Baron Emerging Markets Fund's** 10-year, **Baron Fifth Avenue Growth Fund's** 3-, 5- and 10-year, **Baron Fin Tech Fund's** 3-year**, Baron Global Advantage Fund's** 3-, 5- and 10-year, **Baron Health Care Fund's** 3-year, **Baron International Growth Fund's** 3- and 5-year, **Baron Opportunity Fund's** 3-, 5- and 10-year and **Baron Small Cap Fund's** 3-year 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. Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell.

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

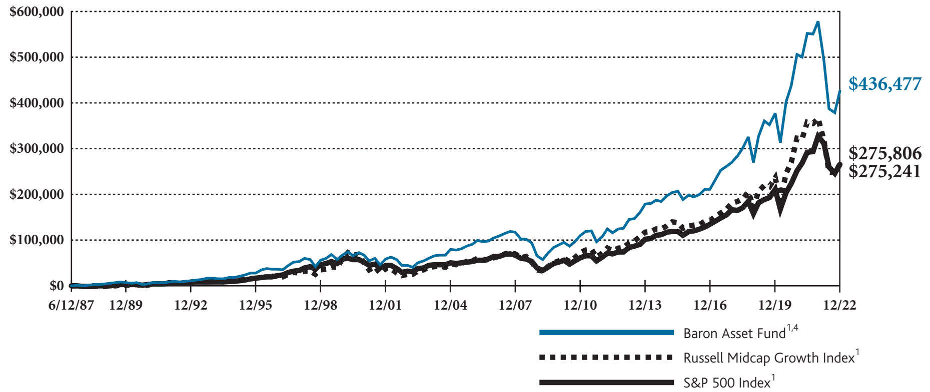
The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **Nasdaq Composite Index** is the market capitalization weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange. The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. The **Russell 2500® Growth Index** measures the performance of small to medium-sized U.S. companies that are classified as growth. The **Russell 3000® Growth Index** measures the performance of the broad growth 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® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trade mark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. **MSCI USA IMI Extended Real Estate Net Index** is an unmanaged custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classified securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The **MSCI EM (Emerging Markets) Index** is designed to measure equity market performance of large and mid-cap securities across 24 Emerging Markets countries. The **MSCI ACWI ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 26 Emerging Markets countries. The **MSCI ACWI Index** measures the equity market performance of large and midcap securities across developed and emerging markets, including the United States. **MSCI US REIT Index** is an unmanaged free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Funds 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.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA)

Baron Funds Performance

Baron Asset Fund

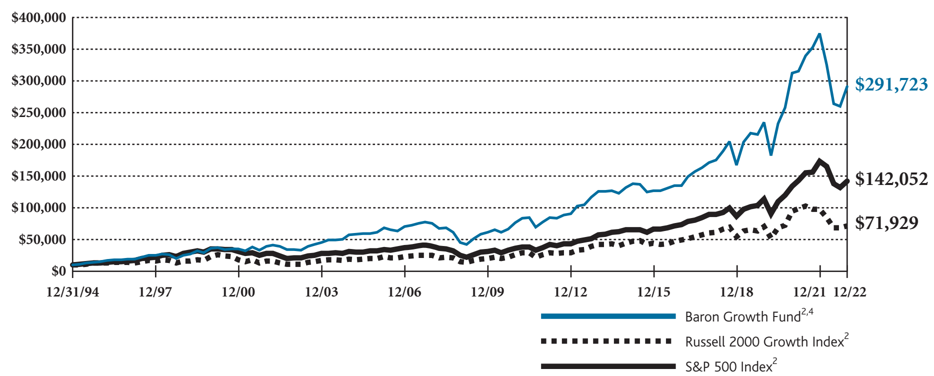
Comparison of the change in value of $10,000 investment in Baron Asset Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Asset Fund's annualized returns as of December 31, 2022: 3-month, 12.21%; 1-year, (25.87)%; 3-year, 4.12%; 5-year, 9.29%; 10-year, 12.40%; and Since Inception, 11.21%.

Baron Growth Fund

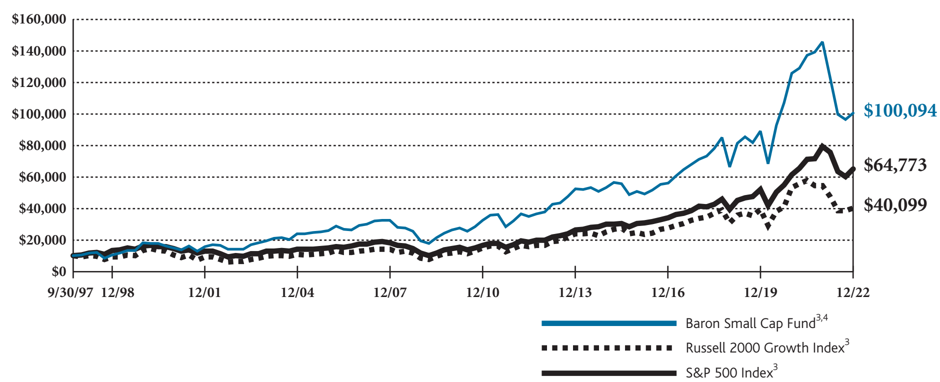
Comparison of the change in value of $10,000 investment in Baron Growth Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Growth Fund's annualized returns as of December 31, 2022: 3-month, 11.93%; 1-year, (22.40)%; 3-year, 7.45%; 5-year, 11.15%; 10-year, 12.33%; and Since Inception, 12.80%.

Baron Small Cap Fund

Comparison of the change in value of $10,000 investment in Baron Small Cap Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Small Cap Fund's annualized returns as of December 31, 2022: 3-month, 4.24%; 1-year, (31.05)%; 3-year, 3.96%; 5-year, 7.07%; 10-year, 10.21%; and Since Inception, 9.55%.

---

1 The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Asset Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

2 The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Growth Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

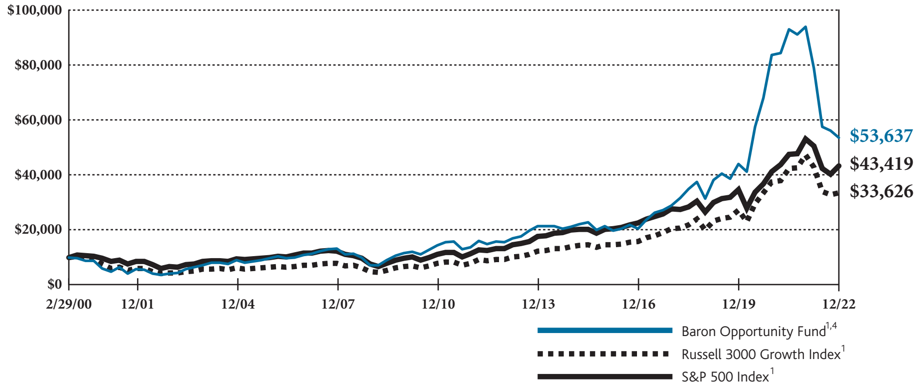
3 The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Small Cap Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The Fund's 3-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.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

† 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.

Baron Opportunity Fund

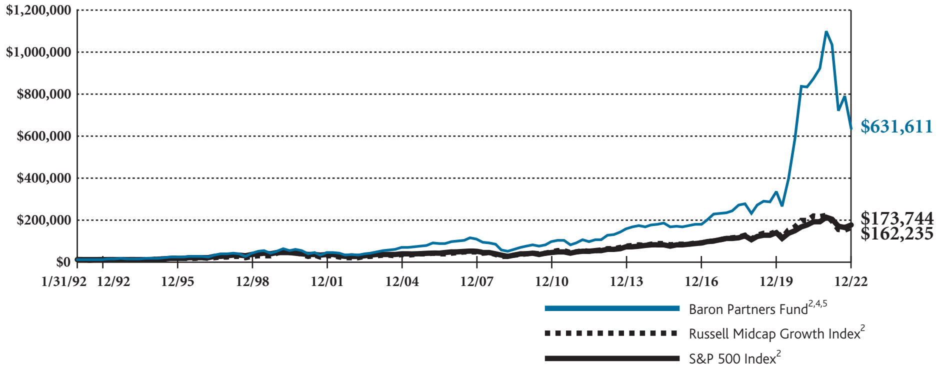
Comparison of the change in value of $10,000 investment in Baron Opportunity Fund (Institutional Shares)† in relation to the Russell 3000 Growth Index and the S&P 500 Index



Baron Opportunity Fund's annualized returns as of December 31, 2022: 3-month, (4.54)%; 1-year, (42.83)%; 3-year, 6.71%; 5-year, 13.11%; 10-year, 13.13%; and Since Inception, 7.63%.

Baron Partners Fund

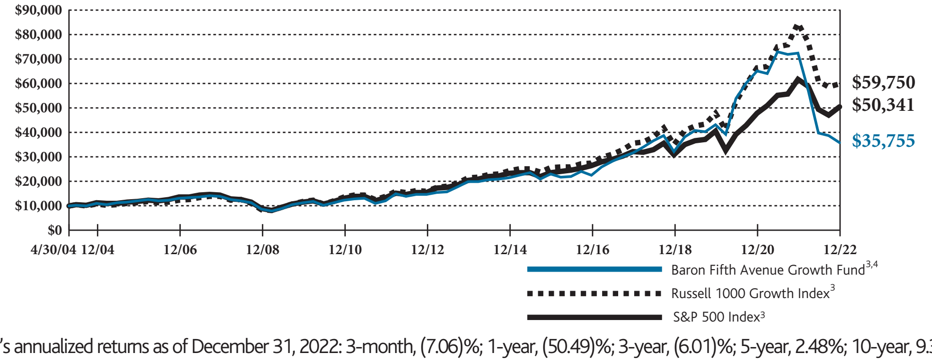
Comparison of the change in value of $10,000 investment in Baron Partners Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Partners Fund's annualized returns as of December 31, 2022: 3-month, (19.94)%; 1-year, (42.41)%; 3-year, 23.65%; 5-year, 21.98%; 10-year, 19.49%; and Since Inception, 14.35%.

Baron Fifth Avenue Growth Fund

Comparison of the change in value of $10,000 investment in Baron Fifth Avenue Growth Fund (Institutional Shares)† in relation to the Russell 1000 Growth Index and the S&P 500 Index



Baron Fifth Avenue Growth Fund's annualized returns as of December 31, 2022: 3-month, (7.06)%; 1-year, (50.49)%; 3-year, (6.01)%; 5-year, 2.48%; 10-year, 9.39%; and Since Inception, 7.06%.

1 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 Baron Opportunity Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. 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.

2 The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Partners Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

3 The Russell 1000® Growth Index measures the performance of large-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Fifth Avenue Growth Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. 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.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

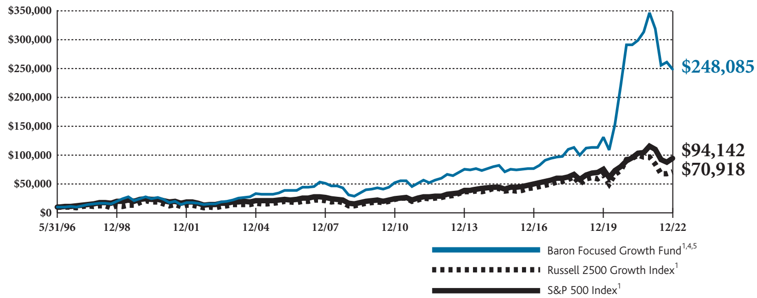
5 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

† 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.

Baron Funds Performance

Baron Focused Growth Fund

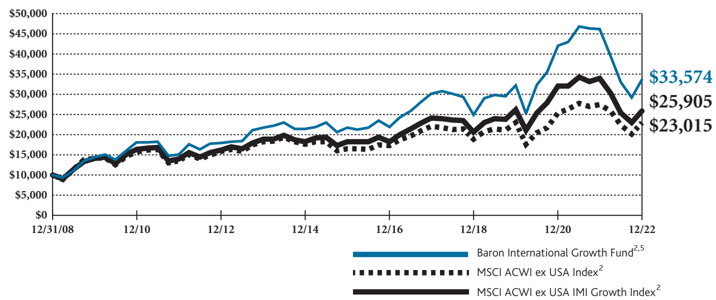
Comparison of the change in value of $10,000 investment in Baron Focused Growth Fund (Institutional Shares)† in relation to the Russell 2500 Growth Index and the S&P 500 Index



Baron Focused Growth Fund's annualized returns as of December 31, 2022: 3-month, (4.52)%; 1-year, (28.14)%; 3-year, 24.02%; 5-year, 20.94%; 10-year, 15.39%; and Since Inception, 12.84%.

Baron International Growth Fund

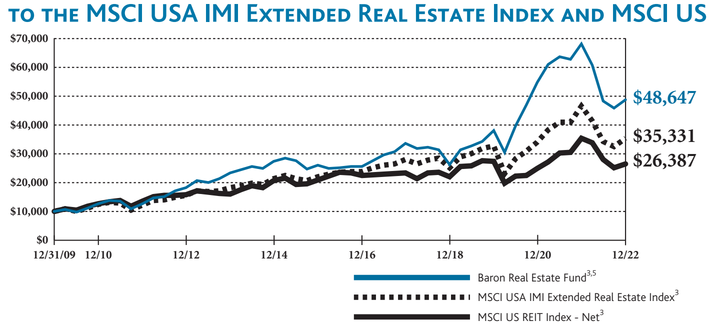
Comparison of the change in value of $10,000 investment in Baron International Growth Fund (Institutional Shares)† in relation to the MSCI ACWI ex USA Index and the MSCI ACWI ex USA IMI Growth Index



Baron International Growth Fund's annualized returns as of December 31, 2022: 3-month, 14.85%; 1-year, (27.29)%; 3-year, 1.49%; 5-year, 2.17%; 10-year, 6.50%; and Since Inception, 9.04%.

Baron Real Estate Fund

Comparison of the change in value of $10,000 investment in Baron Real Estate Fund (Institutional Shares) in relation to the MSCI USA IMI Extended Real Estate Index and MSCI US REIT Index



Baron Real Estate Fund's annualized returns as of December 31, 2022: 3-month, 6.17%; 1-year, (28.44)%; 3-year, 8.69%; 5-year, 7.65%; 10-year, 10.28%; and Since Inception, 12.94%.

---

1 The Russell 2500™ Growth Index measures the performance of small- to medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large-cap U.S. companies. The indexes and Baron Focused Growth Fund are with dividends, which positively impact the performance results. The indexes are unmanaged.

2 The MSCI ACWI ex USA Index Net USD is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index Net USD is a free float-adjusted market capitalization weighted index that is designed to measure the performance of large-, mid-, and small-cap growth securities across developed and emerging markets, excluding the United States. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. The Fund's 3- and 5-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.

3 The MSCI USA IMI Extended Real Estate Index is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron Real Estate Fund are with dividends, which positively impact performance results. The indexes are unmanaged.

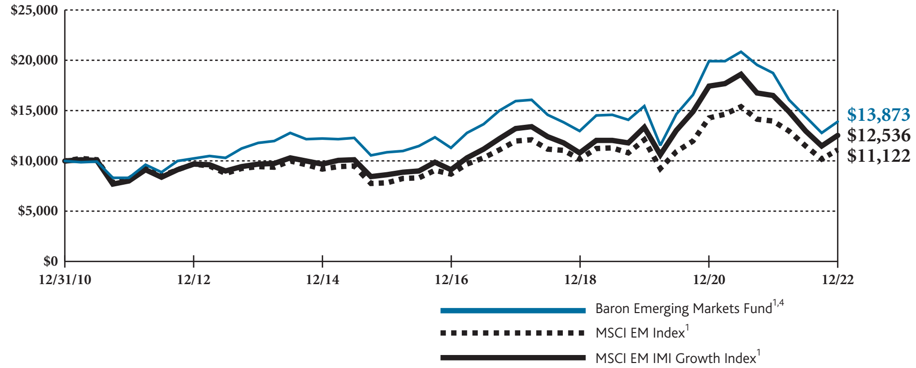
4 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

5 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

† 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.

Baron Emerging Markets Fund

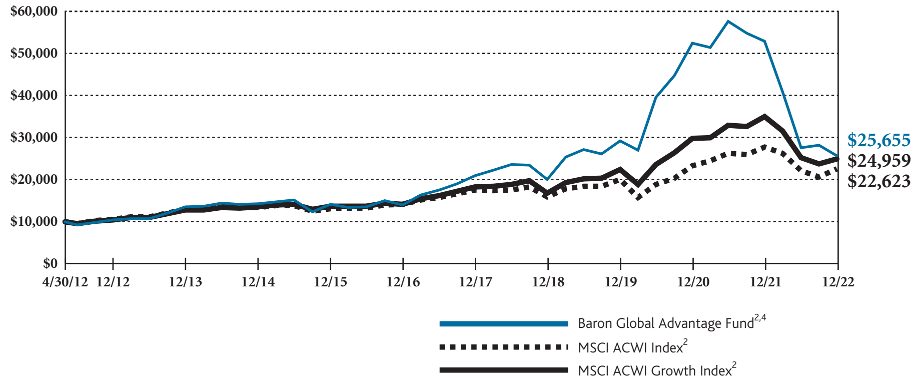
Comparison of the change in value of $10,000 investment in Baron Emerging Markets Fund (Institutional Shares) in relation to the MSCI EM Index and the MSCI EM IMI Growth Index



Baron Emerging Markets Fund's annualized returns as of December 31, 2022: 3-month, 8.58%; 1-year, (25.82)%; 3-year, (3.44)%; 5-year, (2.70)%; 10-year, 3.10%; and Since Inception, 2.77%.

Baron Global Advantage Fund

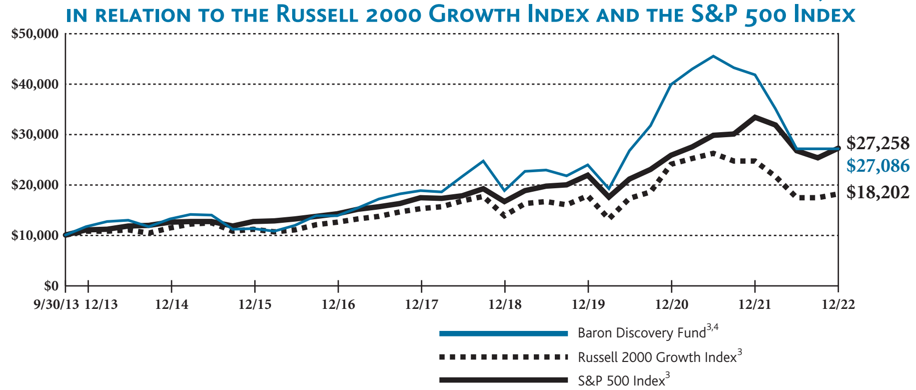
Comparison of the change in value of $10,000 investment in Baron Global Advantage Fund (Institutional Shares) in relation to the MSCI ACWI Index and the MSCI ACWI Growth Index



Baron Global Advantage Fund's annualized returns as of December 31, 2022: 3-month, (8.90)%; 1-year, (51.57)%; 3-year, (4.28)%; 5-year, 4.21%; 10-year, 9.43%; and Since Inception, 9.23%.

Baron Discovery Fund

Comparison of the change in value of $10,000 investment in Baron Discovery Fund (Institutional Shares) in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Discovery Fund's annualized returns as of December 31, 2022: 3-month, 0.22%; 1-year, (35.12)%; 3-year, 4.17%; 5-year, 7.61%; and Since Inception, 11.37%.

1 The MSCI EM (Emerging Markets) Index and the MSCI EM (Emerging Markets) IMI Growth Index are free float-adjusted market capitalization weighted indexes. The MSCI EM (Emerging Markets) Index Net USD and the MSCI EM (Emerging Markets) IMI Growth Index Net USD are designed to measure the equity market performance of large-, mid-, and small-cap securities in the emerging markets. The MSCI EM (Emerging Markets) IMI Growth Index Net USD screens for growth-style securities. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron Emerging Markets Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. The Fund's 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.

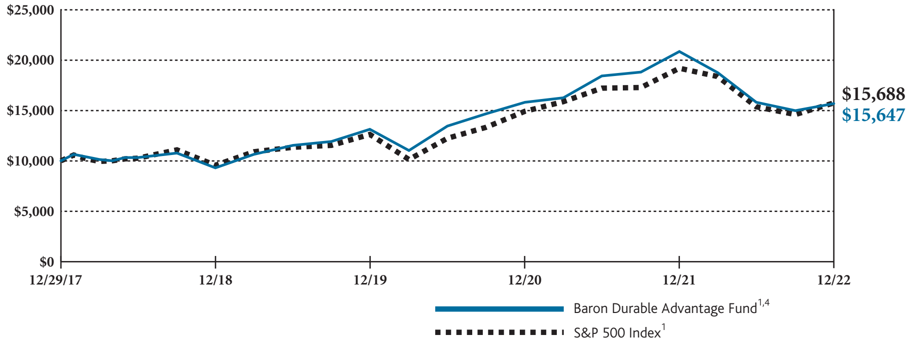
2 The MSCI ACWI Index and the MSCI ACWI Growth Index are free float-adjusted market capitalization weighted indexes. The MSCI ACWI Index Net USD and the MSCI ACWI Growth Index Net USD are designed to measure the equity market performance of large- and mid-cap securities across developed and emerging markets, including the United States. The MSCI ACWI Growth Index Net USD screens for growth-style securities. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. 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.

3 The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Discovery Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The Fund's 3- and 5-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.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Durable Advantage Fund

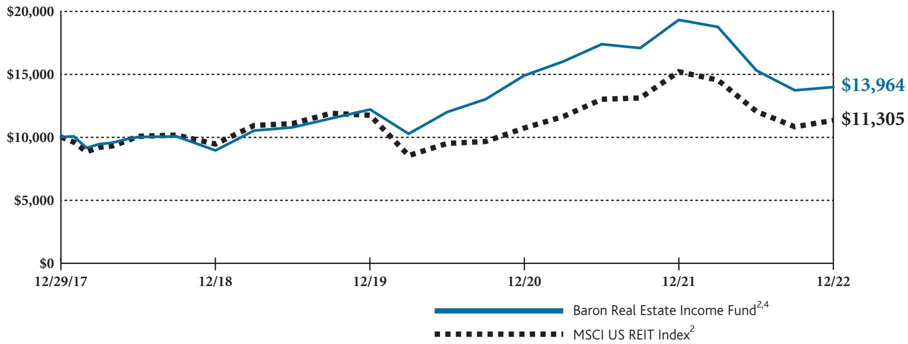
Comparison of the change in value of $10,000 investment in Baron Durable Advantage Fund (Institutional Shares) in relation to the S&P 500 Index



Baron Durable Advantage Fund's annualized returns as of December 31, 2022: 3-month, 4.65%; 1-year, (24.81)%; 3-year, 6.14%; 5-year and Since Inception, 9.37%.

Baron Real Estate Income Fund

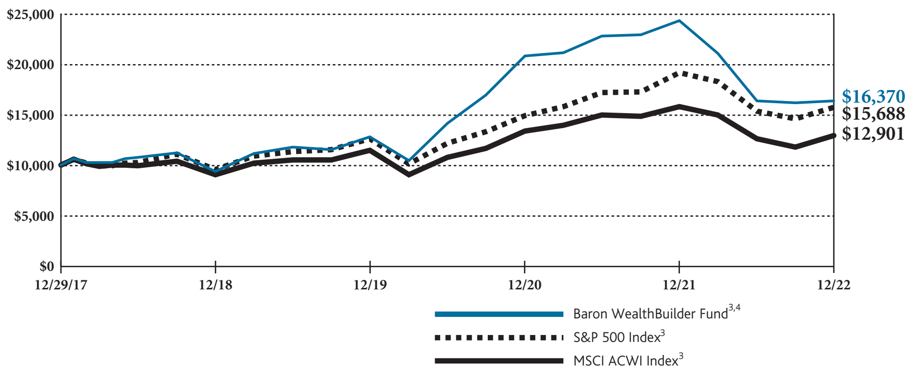
Comparison of the change in value of $10,000 investment in Baron Real Estate Income Fund (Institutional Shares) in relation to the MSCI US REIT Index



Baron Real Estate Income Fund's annualized returns as of December 31, 2022: 3-month, 2.10%; 1-year, (27.47)%; 3-year, 4.75%; 5-year and Since Inception, 6.91%.

Baron WealthBuilder Fund

Comparison of the change in value of $10,000 investment in Baron WealthBuilder Fund (Institutional Shares) in relation to the S&P 500 Index and the MSCI ACWI Index



Baron WealthBuilder Fund's annualized returns as of December 31, 2022: 3-month, 1.14%; 1-year, (32.59)%; 3-year, 8.61%; 5-year and Since Inception, 10.36%.

1 The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The index and Baron Durable Advantage Fund are with dividends, which positively impact the performance results. The index is unmanaged.

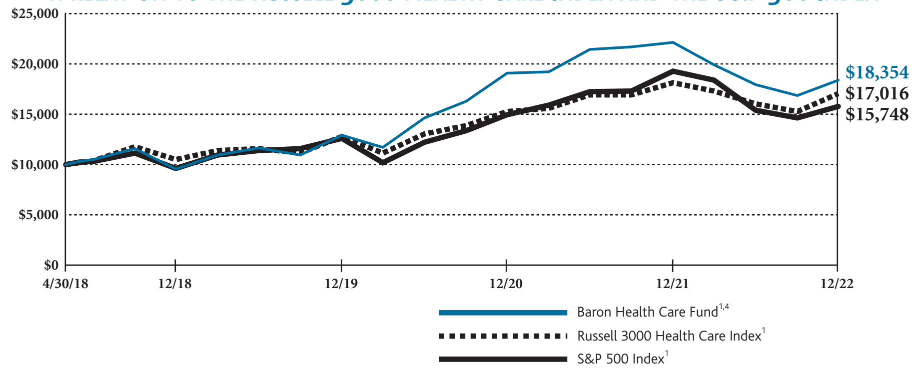
2 The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The index and Baron Real Estate Income Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results. The index performance is not Fund performance; one cannot invest directly into an index. The index is unmanaged.

3 The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The MSCI ACWI Index is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large- and mid-cap securities across developed and emerging markets, including the United States. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron WealthBuilder Fund are with dividends, which positively impact the performance results. The MSCI ACWI Index is net of foreign withholding taxes. The indexes are unmanaged.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Health Care Fund

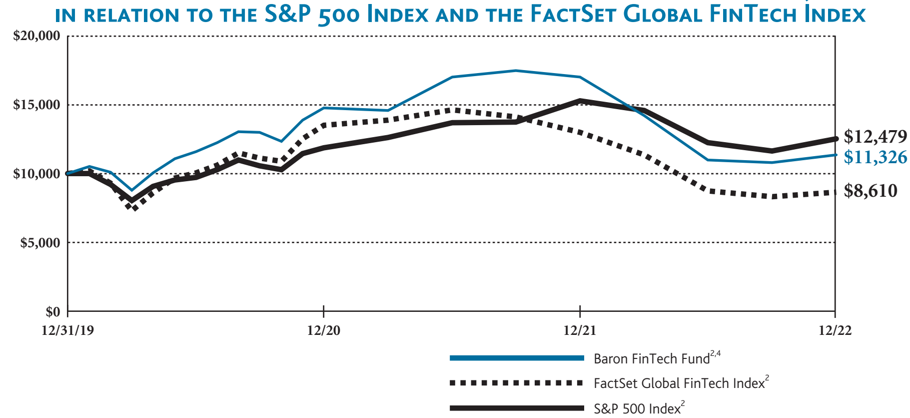
Comparison of the change in value of $10,000 investment in Baron Health Care Fund (Institutional Shares) in relation to the Russell 3000 Health Care Index and the S&P 500 Index



Baron Health Care Fund's annualized returns as of December 31, 2022: 3-month, 9.08%; 1-year, (16.90)%; 3-year 12.41%; and Since Inception, 13.90%.

Baron FinTech Fund

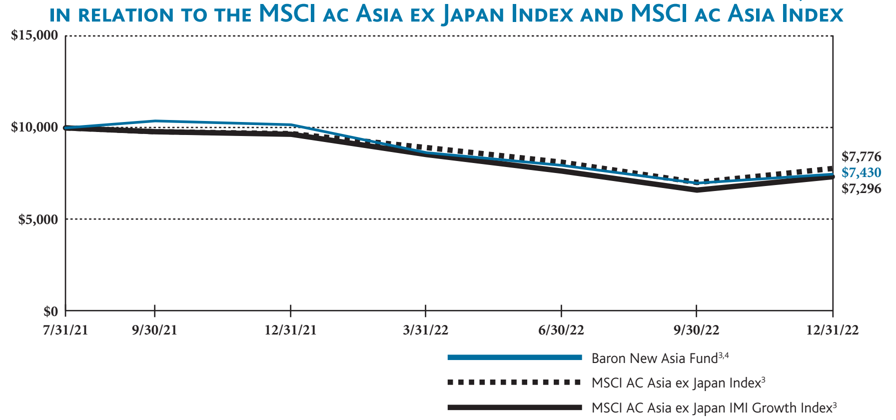
Comparison of the change in value of $10,000 investment in Baron FinTech Fund (Institutional Shares) in relation to the S&P 500 Index and the FactSet Global FinTech Index



Baron FinTech Fund's annualized returns as of December 31, 2022: 3-month, 4.98%; 1-year, (33.30)%; 3-year and Since Inception, 4.24%.

Baron New Asia Fund

Comparison of the change in value of $10,000 investment in Baron New Asia Fund (Institutional Shares) in relation to the MSCI AC Asia ex Japan Index and MSCI AC Asia Index



Baron New Asia Fund's annualized returns as of December 31, 2022: 3-month, 6.60%; 1-year (26.94)%; and Since Inception (18.92)%.

1 The Russell 3000® Health Care Index is a free float-adjusted market capitalization index that measures the performance of all equity in the US equity market. The S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. The indexes and Baron Health Care Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The Fund's 3-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.

2 The FactSet Global FinTech Index is an unmanaged and equal-weighted index that measures the equity market performance of companies engaged in Financial Technologies, primarily in the areas of software and consulting, data and analytics, digital payment processing, money transfer, and payment transaction-related hardware, across 30 developed and emerging markets. The S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. The indexes and Baron FinTech Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The Fund's 3-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.

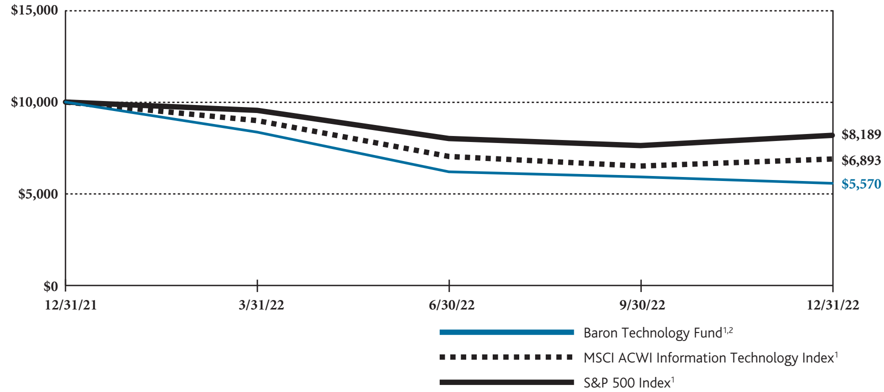
3 The MSCI AC Asia ex Japan Index measures the performance of large and mid cap equity securities representation across 2 of 3 developed markets countries (excluding Japan) and 8 emerging markets countries in Asia. The MSCI AC Asia ex Japan IMI Growth Index measures the performance of large, mid, and small cap securities exhibiting overall growth style characteristics across 2 of 3 developed markets countries (excluding Japan) and 8 emerging market countries in Asia. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and Baron New Asia Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Funds Performance

Baron Technology Fund

Comparison of the change in value of $10,000 investment in Baron Technology Fund (Institutional Shares) in relation to the MSCI ACWI Information Technology Index and the S&P 500 Index



Baron Technology Fund's annualized returns as of December 31, 2022: 3-month, (5.75)%; 1-year and Since Inception (44.30)%.

1 The MSCI ACWI Information Technology Index includes large and mid cap securities across 23 developed markets countries and 24 emerging markets countries. All securities in the index are classified in the Information Technology as per the Global Industry Classification Standard. The S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. The indexes and Baron Technology Fund are with dividends, which positively impact the performance results. The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index

2 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

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.

3-month returns for all funds are not annualized.

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.

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 Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term, and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON

Risks: The Funds invest primarily in equity securities, which are subject to price fluctuations in the stock market. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. Investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. Investments in health care companies are subject to a number of risks, including the adverse impact of legislative actions and government regulations. Securities issued by small and medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Companies propelled by innovation, including technology advances and new business models, may present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. In addition to general market conditions, the value of the real estate and real estate related investments will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. Even though the Funds are diversified, they may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Funds' returns.

The index performance is not Fund performance; one cannot invest directly into an index.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a limited purpose broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

DEAR BARON ASSET FUND SHAREHOLDER:

PERFORMANCE

U.S. equities recovered a portion of their year-to-date losses during the quarter. The market gained as investors became more optimistic that interest rate increases during 2023 may be more modest and shorter lived than the market had previously expected. This view was supported by weaker-than-anticipated inflation data released during the quarter and dovish commentary from the Federal Reserve.

This more benign view of likely interest rate increases caused most sectors in the broad market, as measured by the Russell 3000 Index, to close higher for the quarter, led by the commodity-sensitive Energy, Industrials, and Materials sectors. Consumer Staples, Financials, and Health Care also outpaced the broader market after posting double-digit gains. The growth-oriented Consumer Discretionary, Communication Services, and Information Technology (IT) sectors remained relatively out of favor, while Real Estate once again underperformed. Value stocks continued their strong run of performance in the fourth quarter to finish well ahead of growth stocks for the year. Mid-cap stocks outperformed their small- and large-cap counterparts during the quarter.

Against this backdrop, Baron Asset Fund (the "Fund") posted strong absolute and relative performance. The Fund increased 12.21% (Institutional Shares) during the quarter, outperforming the Russell Midcap Growth Index by 531 basis points primarily due to positive stock selection and tailwinds from the Fund's traditional style biases, particularly its underexposure to the stocks with high measures of Residual Volatility and Beta.

ANDREW PECK

PORTFOLIO MANAGER

Retail Shares: BARAX
Institutional Shares: BARIX
R6 Shares: BARUX

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Asset Fund Retail Shares[1,2]	Baron Asset Fund Institutional Shares[1,2,3]	Russell Midcap Growth Index[1]	S&P 500 Index[1]
Three Months[5]	12.15%	12.21%	6.90%	7.56%
One Year	(26.06)%	(25.87)%	(26.72)%	(18.11)%
Three Years	3.86%	4.12%	3.85%	7.66%
Five Years	9.01%	9.29%	7.64%	9.42%
Ten Years	12.10%	12.40%	11.41%	12.56%
Fifteen Years	8.33%	8.59%	8.61%	8.81%
Since Inception (June 12, 1987)	11.09%	11.21%	9.79%[4]	9.78%

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, 2022 was 1.29% and 1.04%, 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 cost. 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.

1 The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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 For the period December 31, 1987 to December 31, 2022.

5 Not annualized.

BARON FUNDS 1987

Investments in IT, Health Care, and Financials were responsible for most of the relative gains during the quarter. Favorable stock selection in IT was driven by the Fund's sizeable position in syndicated research provider **Gartner, Inc.**, whose shares appreciated more than 20%. Gartner's business conditions remained strong, with the company's research business compounding at double-digit levels. Several other holdings also performed well in the sector, led by data and analytics provider **Fair Isaac Corporation**, diversified technology company **Roper Technologies Inc.**, and internet infrastructure leader **Verisign, Inc.** All three companies reported solid operating results despite ongoing macroeconomic headwinds.

Strength in Health Care was partly due to sharp gains from weighing instruments provider **Mettler-Toledo International, Inc.** and veterinary diagnostics leader **IDEXX Laboratories, Inc.** Mettler reported good quarterly results because of solid performance in China and strength in its Laboratory and Industrial segments. IDEXX's financial results exceeded expectations despite ongoing headwinds from veterinary visits being adversely impacted by tight labor markets and challenging comparisons following a surge of pet adoptions during the pandemic. We are hopeful that the rate of decline in veterinary visits has stabilized, and we believe that long-term secular trends around increased pet ownership and pet care spending have been structurally accelerated. Higher exposure to this better performing sector, which was up nearly 15% in the index, contributed another 50-plus basis points to relative results.

Within Financials, higher exposure to this outperforming sector and considerable gains from specialty insurer **Arch Capital Group Ltd.** and online brokerage firm **The Charles Schwab Corp.** bolstered performance. Arch's quarterly earnings topped consensus estimates despite significant losses from Hurricane Ian as the company benefited from favorable pricing trends in the property & casualty (P&C) insurance market. The company's recent inclusion in the S&P 500 Index also bolstered the stock as it prompted buying from passive funds. Schwab's shares rose in response to rising interest rates, which should lead to increased profits on the company's more than $600 billion of interest-earning assets. Moreover, despite turbulent markets, the company attracted over $400 billion of net new client assets over the last 12 months.

Consumer Discretionary investments along with the lack of exposure to the strong performing Energy sector offset a portion of the above-mentioned gains. Within Consumer Discretionary, the underperformance of electric vehicle (EV) manufacturer **Rivian Automotive, Inc.** coupled with lower exposure to this better performing sector hampered relative results. Rivian's shares fell as investors fretted over the company's unit economics and how macroeconomic uncertainty is impacting the EV industry.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Year Acquired	Percent Impact
Gartner, Inc.	2007	2.07%
Mettler-Toledo International, Inc.	2008	1.69
IDEXX Laboratories, Inc.	2006	1.39
Arch Capital Group Ltd.	2003	0.95
Fair Isaac Corporation	2020	0.68

Shares of **Gartner, Inc.**, which sells syndicated research, primarily about technology solutions and vendors, to corporations largely through annual subscription contracts, was the largest positive contributor. The company continued to benefit from the growing pervasiveness of technology in virtually all aspects of its corporate clients' operations. Gartner's business conditions remained strong, and the company's research segment continued to compound its revenues at double-digit levels. We expect sustained revenue growth, driven partly by price increases, and ongoing cost control efforts to drive continued margin expansion and enhanced free-cash-flow generation. The company's balance sheet remains in excellent shape, and we expect further share repurchases and the possibility of complementary, accretive acquisitions.

Mettler-Toledo International, Inc. is a leading provider of weighing instruments for use in laboratory, industrial, and food retailing applications. Mettler's shares recovered from their decline last quarter, which had been driven by the impact of a possible global recession and negative foreign movements on the company's earnings. Shares advanced on solid third quarter results highlighted by 10% local currency sales growth and 17% EPS growth despite a negative FX impact of 6%, and management provided solid initial 2023 earnings guidance. We believe that Mettler's business has historically proved resilient in the face of macroeconomic challenges, and we expect Mettler will continue to compound its earnings at mid-teens or better growth rates over the long term.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance. The company's financial results exceeded expectations despite ongoing headwinds from veterinary visits being adversely impacted by tight labor markets and challenging comparisons following a surge of pet adoptions during the pandemic. There were encouraging signs that the rate of decline in veterinary visits has stabilized, and we believe that increased pet ownership and pet care spending remain long-term secular trends. IDEXX's competitive position remained outstanding, and we expect new proprietary testing and diagnostic solutions to help drive meaningful growth over time.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Its shares increased on the back of increasingly favorable pricing trends in its core P&C insurance market. During the quarter, the company reported earnings that exceeded expectations despite having incurred significant losses from Hurricane Ian. The stock also benefited from its inclusion in the S&P 500 Index, which prompted incremental buying from passive stock funds. We continue to have confidence in Arch's strong management team, and we expect ongoing growth in its earnings and book value per share.

Fair Isaac Corporation is a data, analytics, and software company offering various solutions to assist businesses in predicting consumer behavior. The company contributed to performance after reporting impressive quarterly earnings despite macroeconomic headwinds. Management also provided robust earnings guidance for 2023 that was well ahead of Wall Street expectations. Investors are beginning to appreciate that the company's software division has the potential to soon add meaningfully to profitability. We believe Fair Isaac will be a steady earnings compounder, which should drive solid returns for the stock over a multi-year period.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Year Acquired	Percent Impact
ZoomInfo Technologies Inc.	2020	-0.50%
The Trade Desk	2019	-0.23
Rivian Automotive, Inc.	2021	-0.14
Fidelity National Information Services, Inc.	2016	-0.13
Aspen Technology, Inc.	2018	-0.12

ZoomInfo Technologies Inc. provides business intelligence software that companies use to inform their go-to-market strategy, with modules focused on areas including sales, marketing, operations, and talent. Shares detracted from performance after the company predicted weaker revenue trends, driven by meaningful macroeconomic weakness and slowing purchasing trends by its customers. We believe that ZoomInfo has the potential to be a much larger company as it grows into its ever expanding $70 billion total addressable market and potential adjacent markets such as marketing and talent acquisition software.

The Trade Desk is the leading internet advertising demand-side platform that enables agencies to efficiently purchase digital advertising across PC, mobile, and online video channels. Its shares were pressured by the increasingly challenged market for digital advertising, though its peers were even more negatively impacted. Despite the near-term headwinds in the company's end-market, we remain positive. We believe Trade Desk has superior technology and scale that should allow the company to grow its estimated 10% share in the $100 billion market for programmatic advertising, which is a growing subset of the $700 billion global advertising market.

Rivian Automotive, Inc. is an EV manufacturer producing vehicles for the consumer and corporate delivery van markets. Its shares were under pressure during the quarter. Investors remained focused on the company's execution challenges, the implied unit economics for its vehicles, and near-term headwinds for the automotive industry stemming from a weaker global economy. Despite these headwinds, we are comfortable with Rivian's liquidity position and its competitive position within the EV industry, which we believe will continue to grow at impressive rates. Rivian should also benefit from its positive product reviews, its integrated technology approach, and its industry partnerships.

Fidelity National Information Services, Inc. provides technology solutions to financial institutions and also enables merchants to accept electronic payments. Shares fell in the quarter after the company reduced its financial guidance for the fourth quarter. The company's growth slowed as banks delayed technology investments because of macroeconomic uncertainty and weaker consumer spending in Britain, a key market, reduced merchant processing growth. Wage inflation and higher supplier costs are also weighing on its margins. We believe the company is a durable growth business and the depressed valuation more than reflects near-term headwinds.

Aspen Technology, Inc. is a leader in automation software for the energy and other process industries. After performing well throughout the year, the company's shares fell in the fourth quarter as its earnings multiple compressed alongside falling oil prices. Nevertheless, organic revenue growth trends remained strong, with annual contract value growing 7.5%. We view the company's May 2022 transaction with Emerson Electric Co. as transformational. We expect Aspen to improve the growth rate, profitability, and cash flow of the acquired businesses by converting their products to recurring revenue models, while also leveraging Emerson's vast sales force to improve its own growth. We also expect Aspen to be more aggressive with M&A in the future.

Portfolio Structure

At December 31, 2022, Baron Asset Fund held 53 positions. The Fund's 10 largest holdings represented 46.8% of assets, and the 20 largest represented 69.2% of assets. The Fund's largest weighting was in the IT sector at 30.9% of assets. This sector includes software companies, IT consulting firms, internet services companies, and data processing firms. The Fund held 25.2% of its assets in the Health Care sector, which includes investments in life sciences tools & services companies and health care equipment, technology, and supplies companies. The Fund held 14.9% of its assets in the Industrials sector, which includes investments in research and consulting companies, industrial machinery, and aerospace companies. The Fund also had significant weightings in Financials at 14.3% of assets and Consumer Discretionary at 6.9% of assets.

As the chart below shows, the Fund's largest investments all have been owned for significant periods–9 of the 10 largest holdings have been owned for longer than a decade. This is consistent with our approach of investing for the *long term* in companies benefiting from secular growth trends with significant competitive advantages and best-in-class management teams.

Table IV.
Top 10 holdings as of December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$2.9	$ 26.6	$427.3	9.8%
IDEXX Laboratories, Inc.	2006	2.5	33.8	274.8	6.3
Mettler-Toledo International, Inc.	2008	2.4	32.2	261.8	6.0
CoStar Group, Inc.	2016	5.0	31.4	188.6	4.3
Verisk Analytics, Inc.	2009	4.0	27.6	167.8	3.9
FactSet Research Systems, Inc.	2006	2.5	15.3	148.7	3.4
The Charles Schwab Corp.	1992	1.0	155.4	145.8	3.4
Vail Resorts, Inc.	1997	0.2	9.6	143.9	3.3
Arch Capital Group Ltd.	2003	0.9	23.2	138.3	3.2
ANSYS, Inc.	2009	2.3	21.0	138.2	3.2

Recent Activity

Table V.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
ICON Plc	$15.9	$5.0

The Fund did not purchase any new investments for the first time in many quarters. We remain enthusiastic about the existing investments in our portfolio, many of which fell by double-digit percentages during the past year. We believe that investors have indiscriminately sold many companies whose near-term outlooks have been clouded by uncertainties and fears about the near-term economic climate. We believe this has resulted in attractive valuations across our existing portfolio of stocks, and we were not compelled to add new stocks during the period.

We did add modestly to our stake in **ICON Plc**, the second largest participant in the $50 billion contract management organization (CMO) market. The company provides outsourced drug and device development and commercialization services to pharmaceutical, biotechnology, and medical device companies. We believe that ICON is poised to benefit from a variety of positive secular growth trends, and we believe that ICON should remain relatively unimpacted by potential disruption in the broader economy. As clinical drug trials become increasingly complex and global in scope, market share among CMOs has been shifting to large-scale providers like ICON. The company offers several advantages to drug developers, particularly smaller and mid-sized biotechnology firms that lack the internal infrastructure to run the trials necessary to obtain regulatory approval for their drugs. These include the economic efficiency associated with converting previously fixed costs to variable costs, and a significant reduction in the time required to bring new drug treatments to market. ICON's large scale has also enabled the company to secure long-term strategic partnerships with multiple large pharmaceutical customers, which provides added visibility into their revenue pipeline.

Table VI.
Top net sales for the quarter ended December 31, 2022

	Amount Sold (millions)
Gartner, Inc.	$42.7
HubSpot, Inc.	17.2
West Pharmaceutical Services, Inc.	14.6
Wix.com Ltd.	12.0
ZoomInfo Technologies Inc.	9.2

The Fund reduced its position in long-time holding **Gartner, Inc.**, a research firm focused primarily on IT, in order to manage its position size. We remain optimistic about the company's long-term prospects. We sold our stake in **HubSpot, Inc.**, a cloud-based customer relationship manager software company, given uncertainty about its near-term business trends in a more challenging sales environment.

We reduced our stake in long-time holding **West Pharmaceutical Services, Inc.**, which manufactures packaging solutions for drug companies, to manage its position size. We sold our stake in **Wix.com Ltd.**, which provides tools and software that assist in the construction of websites, over concerns about the company's long-term growth rate in the post-pandemic environment. We reduced our stake in **ZoomInfo Technologies Inc.**, which provides business intelligence software, given uncertainty about its near-term business trends in a more challenging environment for its primary customer base.

Outlook

We are encouraged by the performance of the equity markets during the past quarter, continuing through early January 2023. Despite this upward move, the consensus among Wall Street market strategists and virtually all television pundits remains bearish. The list of concerning headlines has been well known for many months–rising inflation and interest rates, slowing global economic growth, uncertainty over near-term corporate earnings, and the unknowable outcome of the war in Ukraine. We are optimistic that much, and perhaps all, of this negative sentiment has been discounted into stock prices. This may be particularly true for high-quality growth stocks with long-duration earnings streams, which are especially susceptible to changing investor views about the trajectory of interest rates.

As was the case this quarter, we believe that the Fund is positioned to perform well during a stock market recovery. Its portfolio consists of companies that benefit from secular growth drivers, strong competitive positions, and exceptional management teams. We expect that these are the types of *businesses* that should outperform their peers during challenging economic environments. Our frequent discussions with the management teams of our investments indicate that this, in fact, has been the case. The Fund's recent performance supports our view that these should be the types of *stocks* that investors will again embrace as pessimism subsides about the economic outlook and there is greater clarity about the pace of interest rate increases. We continue to believe that the stocks in the Fund have the potential to double in value over a five-year period.

We believe that investors must continue to take a long-term view of their equity market holdings, which have generally compounded at attractive long-term rates. We believe that the best time to invest in mid-cap growth equities is often during times when pervasive fear and pessimism have resulted in, we believe, compelling valuations that should lead to attractive long-term returns. It is also worth noting that the primary mid-cap growth index underperformed the primary mid-cap value index by nearly 15% this past year, reducing the premium that is generally accorded to faster growing stocks.

Sincerely,

Andrew Peck
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Securities issued by 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Asset Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking. **Beta** explains common variation in stock returns due to different stock sensitivities to market or systematic risk that cannot be explained by the US Country factor. Positive exposure indicates high beta stock. Negative exposure indicates low beta stock. **Residual Volatility** captures the volatility of idiosyncratic stock returns. Positive exposure indicates high idiosyncratic volatility. Negative exposure indicates low idiosyncratic volatility. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Growth Fund Shareholder:

Performance

Baron Growth Fund (the "Fund") rose 11.93% (Institutional Shares) during the quarter ended December 31, 2022. This significantly exceeded the Fund's primary benchmark, the Russell 2000 Growth Index (the "Benchmark"), which rose 4.13%. It also outperformed the S&P 500 Index, which measures the performance of publicly traded large-cap U.S. companies, which gained 7.56% during the period.

The Fund has continued to generate strong absolute and relative performance from favorable stock selection. Over the past five years, the Fund has increased 11.15% on an annualized basis, which has exceeded the Benchmark by 7.64% and the S&P 500 Index by 1.73% per year. During that period, the Fund has had a minimum of 472 bps and an average of 872 bps of favorable stock selection per year when compared to its Benchmark. This track record of favorable stock selection gives us confidence that our process is repeatable, scalable, and well positioned to deliver superior returns over time across all market cycles.

NEAL ROSENBERG
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BGRFX
Institutional Shares: BGRIX
R6 Shares: BGRUX

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Growth Fund Retail Shares[1,2]	Baron Growth Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	11.85%	11.93%	4.13%	7.56%
One Year	(22.60)%	(22.40)%	(26.36)%	(18.11)%
Three Years	7.18%	7.45%	0.65%	7.66%
Five Years	10.87%	11.15%	3.51%	9.42%
Ten Years	12.04%	12.33%	9.20%	12.56%
Fifteen Years	9.16%	9.41%	7.26%	8.81%
Since Inception (December 31, 1994)	12.66%	12.80%	7.30%	9.94%

Global equity markets rallied during the fourth quarter but posted significant declines for the full year. During the quarter, the S&P 500 Index, rose 7.56%. The Russell 2000 Growth Index rose 4.13%, while the MSCI ACWI ex USA Index, which measures stock performance across 46 different global markets, rose 14.28%. Despite this quarter's rally, almost all asset classes posted material declines for the full year. The S&P 500 Index fell 18.11% and the Russell 2000 Growth Index declined 26.36%, the worst annual results since the financial crisis of 2008. Fixed income securities also declined, with high-yield bonds declining 15.4%, investment grade bonds declining 20.4%, and long-term Treasury bonds falling 16.7%.

During the quarter, investors continued to focus on the outlook for inflation and interest rates, and their ultimate impact on short-term employment and macroeconomic growth. Interestingly, the market's expectations for these variables made a complete 180-degree turn over the last year. Most investors began 2022 fearful that the Federal Reserve was doing too little to fight inflation, and vociferously bemoaned the slow pace of interest rate increases. Conversely, most investors ended 2022 lamenting the Fed's hawkish outlook for interest rates, worried that continued interest rate increases and sustained high rates would tip the economy into a recession. We think this exemplifies the futility of trying to predict what is inherently

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, 2022 was 1.30% and 1.04%, 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 cost. 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.

1 The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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

unpredictable, and investing based on variables that are often contradictory, almost always transitory, and may already be reflected in equity prices. Instead of trying to forecast macroeconomic variables, we exclusively focus on identifying and researching well-managed unique businesses with significant barriers to entry and compelling growth prospects. We seek to invest in those businesses at attractive prices, and endeavor to hold our investments for the long term.

Consistent application of this investment process drove strong absolute and relative performance during the quarter. The Fund gained 11.93% during the three months ending December 31, 2022, which exceeded its Benchmark by 780 bps. Importantly, our performance included 995 bps of favorable stock selection, which indicates that our results were generated by owning stocks that performed better than the Benchmark, rather than having allocated capital to sectors that were temporarily in favor. Our full-year performance also meaningfully exceeded its Benchmark. For 2022, the Fund declined 22.40%, which was 396 bps better than our Benchmark. Our full-year performance included 992 bps of favorable stock selection, which was partially offset by our lack of or minimal exposure to certain cyclical or defensive sectors such as Energy, Consumer Staples, and Materials. We are gratified to see consistent outperformance from favorable stock selection, since we devote the preponderance of our time working with our growing team of research analysts to conduct fundamental analysis.

We are pleased that our 2022 results have continued to enhance the Fund's track record, building on its excellent performance since inception. Over the past five years, the Fund has increased at an annualized rate of 11.15% per year, which has exceeded our Benchmark by 7.64% annually and the S&P 500 Index by 1.73% annually. The trailing five-year period has included both rising and falling interest rates, expanding and contracting GDP, and tight and loose labor markets. It has also included a pandemic, the largest European land war since World War II, the first new sovereign of the U.K. in almost four generations, and three U.S. election cycles, among other headlines. Our performance has not stemmed from trying to reposition the portfolio in anticipation of any of these events. Instead, it has come from favorable stock selection. We have had a minimum of 472 bps of favorable stock selection per year over the past five years, and an average of 872 bps annually. This track record of favorable stock selection gives us confidence that our process is repeatable, scalable, and capable of delivering attractive returns over all market cycles

Despite growing warnings of a recession, the businesses in which we have invested have generally continued to report strong financial results. We have investments in several businesses that reported financial results in December and, therefore, offer recent publicly available data points. Market data vendor **FactSet Research Systems, Inc.** generated earnings growth of 22.8% for its most recent quarter, which represents an acceleration from 8.7% in the prior quarter and approximately 20% during the prior year. FactSet is reaping the benefits of a multi-year investment cycle and unwavering focus on customer service to bring new products to market, consolidate spending from competitors, and realize price increases. FactSet's new CFO has imbued the company with a vigorous expense discipline, which is favorably impacting margins. **Vail Resorts, Inc.**, the premier ski resort network in North America, reported continued strong conversion to ski passes, which grew 6% versus the prior year through December 7. Vail's total passes have almost doubled in volume since December 2019, while revenue from passes has grown approximately 53%. Finally, **Guidewire Software, Inc.**, the leader in property & casualty (P&C) insurance core systems software, reported outstanding financial results that included approximately 40% constant currency growth in its core recurring subscription revenue line and better-than-expected net new bookings. Guidewire has invested heavily to transition its software to be delivered in the cloud and is now benefiting from a virtuous cycle of customer adoption.

While we do not know if or when a recession might materialize, we believe that our businesses are well positioned to weather any storm. Most of the businesses in which we have invested sell their products on a subscription basis, giving them high levels of recurring revenue. Subscriptions are frequently governed by annual or multi-year contracts and can generally only be canceled at a finite number of pre-determined time periods. As such, subscriptions help dampen the volatility of a company's revenue to short-term macroeconomic fluctuations. Additionally, the businesses in which we have invested generate outstanding retention rates, indicating that very few customers ever elect to cancel their contracts. These high retention rates materialize because these companies sell highly differentiated products, deliver significant value relative to their cost, and become deeply embedded in customer workflows. In fact, some of the businesses in which we have invested generate net retention rates that exceed 100%, indicating that in aggregate customers tend to purchase more on renewal than what they cancel.

We believe that financial data and technology vendor **MSCI, Inc.** is an excellent example of the durability of recurring revenue and high retention rates across economic cycles. We estimate that approximately 97% of MSCI's revenue comes from recurring sources. This includes 75% of revenue that comes from subscription contracts, which carry an average contract length that exceeds one year. This also includes approximately 22% of revenue from asset-based fees. Asset-based fees generate recurring revenue and are governed by multi-year contracts with the sponsor but can be impacted by fund flows and fluctuations in asset prices. Conversely, just 3% of MSCI's revenue is non-recurring and needs to be resold in a future period.

MSCI's aggregate retention rate was 93.0% as of its most recently reported quarter and is approximately 95.2% on a year-to-date basis. This aggregate retention rate included 96.1% in its Index segment, 93.6% in its Analytics segment, 97.2% in its ESG & Climate segment, and 94.4% in its All-Other segment. MSCI has been public since 2007, which enables us to examine its growth and retention rates over many economic cycles. Its business units and reporting lines are not identical to those disclosed 15 years ago, but we believe that they are sufficiently comparable to be indicative. Within MSCI's flagship Index business, we find that aggregate retention rates have ranged from a trough of approximately 92% during 2009's financial crisis to a peak around 96% in 2021 and 2022. For the company overall, aggregate retention rates have ranged from a low of 84% during the financial crisis to a high of 95% in the same years. These are remarkable retention rates that demonstrate the criticality of MSCI's solutions and the value proposition that they generate relative to their cost. We see similar long-term evidence of durable recurring revenue with high retention rates throughout our portfolio, which gives us confidence in our investments' ability to generate attractive financial results across cycles.

Table II groups our portfolio based on our assessment of the attributes that best characterize each investment. While this does not perfectly correlate to the Global Industry Classification Standard, the industry standard nomenclature, we believe it provides added transparency into our thought process.

Table II.
Total returns by category for the three months ended December 31, 2022

	% of Net Assets (as of 12/31/2022)	Total Return (%)	Contribution to Return (%)
Core Growth	**26.1**	**15.45**	**3.79**
Mettler-Toledo International, Inc.	1.5	33.33	0.40
IDEXX Laboratories, Inc.	3.2	25.17	0.70
Gartner, Inc.	7.5	21.49	1.35
Bio-Techne Corporation	3.6	16.83	0.54
Marel hf.	0.2	13.45	0.02
Littelfuse, Inc.	0.2	11.10	0.02
CoStar Group, Inc.	5.9	10.95	0.69
Dechra Pharmaceuticals PLC	0.3	9.87	0.03
Bright Horizons Family Solutions, Inc.	1.0	9.40	0.13
Neogen Corp.	0.3	9.02	0.02
Trex Company, Inc.	0.7	–3.69	–0.02
West Pharmaceutical Services, Inc.	1.7	–4.30	–0.09
BrightView Holdings, Inc.	0.1	–14.19	–0.01
Financials	**39.2**	**11.91**	**4.77**
Arch Capital Group Ltd.	8.3	37.86	2.39
The Carlyle Group Inc.	0.7	16.76	0.11
Houlihan Lokey, Inc.	0.6	16.25	0.09
Primerica, Inc.	3.1	15.32	0.48
Moelis & Company	0.2	15.22	0.03
Essent Group Ltd.	0.3	12.16	0.04
SS&C Technologies Holdings, Inc.	–	10.61	0.06
MSCI, Inc.	10.4	10.58	1.12
Cohen & Steers, Inc.	1.8	4.05	0.05
Kinsale Capital Group, Inc.	3.8	2.43	0.22
Morningstar, Inc.	2.9	2.18	0.11
FactSet Research Systems, Inc.	7.0	0.47	0.07
Disruptive Growth	**11.4**	**10.63**	**1.18**
Farmers Business Network, Inc.	0.3	28.97	0.06
Iridium Communications Inc.	5.9	15.85	0.93
ANSYS, Inc.	3.5	8.97	0.27
Altair Engineering Inc.	0.5	2.83	0.02
Guidewire Software, Inc.	0.9	1.56	–0.01
Northvolt AB	0.2	–15.23	–0.04
Figs Inc.	0.2	–18.42	–0.05
Real/Irreplaceable Assets	**24.3**	**9.81**	**2.46**
Red Rock Resorts, Inc.	1.0	20.11	0.19
Gaming and Leisure Properties, Inc.	4.1	19.36	0.70
OneSpaWorld Holdings Ltd.	0.0	17.92	0.00
Boyd Gaming Corporation	0.3	14.74	0.05
Vail Resorts, Inc.	7.0	12.42	0.71
Marriott Vacations Worldwide Corp.	2.5	11.04	0.32
PENN Entertainment, Inc.	2.1	7.95	0.21
Alexandria Real Estate Equities, Inc.	1.6	4.79	0.08
American Assets Trust, Inc.	0.1	4.26	0.00
Choice Hotels International, Inc.	4.9	3.07	0.28
Douglas Emmett, Inc.	0.8	–11.46	–0.10
Russell 2000 Growth Index		**4.13**	
Cash	**–1.0**	**–**	**0.00**
Fees	**–**	**–0.29**	**–0.29**
Total	**100.0***	**11.91****	**11.91****

Sources: FactSet PA, BAMCO, and FTSE Russell.

* Individual weights may not sum to displayed total due to rounding.
** Represents the blended return of all share classes of the Fund.

Our investments in **Financials**, **Core Growth**, and **Real/Irreplaceable Assets** represent between 24.3% and 39.2% of the Fund's net assets, and aggregate to 89.6% of net assets. The remaining 11.4% of net assets is invested in businesses that we consider to be **Disruptive Growth** businesses, which we believe offer greater growth potential, albeit with more risk relative to other investments. In addition to allocating a relatively smaller portion of the portfolio to Disruptive Growth stocks, we also maintain a smaller average position size in each stock. As of December 31, 2022, the average position size of a Disruptive Growth position was 1.6%, significantly lower than the 2.6% average position size measured across the other three cohorts.

The portfolio benefited this quarter as all four categories significantly outperformed our Benchmark. We note that this is the first quarter that we have observed such a favorable outcome since initially disclosing this framework two years ago. In general, we believe the balance across categories appropriately reflects our goal to generate superior returns over time with less risk than our Benchmark.

Table III.
Performance Based Characteristics as of December 31, 2022

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 12/31/2022	Millennium Internet Bubble to Present 12/31/1999 to 12/31/2022	Inception 12/31/1994 to 12/31/2022
Alpha (%)	5.05	4.09	5.55	7.04
Beta	0.58	0.83	0.71	0.72

Table IV.
Performance
Millennium to COVID-19 Pandemic. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 12/31/2022		Millennium Internet Bubble to Present 12/31/1999 to 12/31/2022		Inception 12/31/1994 to 12/31/2022	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Growth Fund	$12,448	2.46%	$63,352	14.10%	$78,864	9.39%	$291,723	12.80%
Russell 2000 Growth Index	$ 6,476	–4.71%	$46,566	11.61%	$30,154	4.92%	$ 71,929	7.30%
S&P 500 Index	$ 7,188	–3.60%	$56,284	13.14%	$40,457	6.27%	$142,052	9.94%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

In addition to strong short- and medium-term results, the Fund has meaningfully outperformed its Benchmark over the long term. The Fund has gained 12.80% on an annualized basis since its inception on December 31, 1994, which exceeds that of the Benchmark by 5.50% and the S&P 500 Index by 2.86%, annualized. This represents robust absolute and relative returns across a variety of market environments, driven primarily by favorable stock selection. We attribute this result to not losing money during periods of significant market drawdowns, such as the nine years ended December 2008, as well as robust absolute and relative performance during the most recent five-year period.

While the Fund did not make much money from December 31, 1999, through December 31, 2008, a period which includes the highs of the Internet Bubble and the lows of the Financial Panic, it did generate a positive annualized return of 2.46%. Conversely, a hypothetical investment in a fund designed to track the Fund's Benchmark would have declined in value by 4.71% on an annualized basis over the same time. Similarly, a hypothetical investment in a fund designed to track the large-cap S&P 500 Index would have declined 3.60% annualized. (Please see Table IV–Millennium Internet Bubble to Financial Panic). From the Financial Panic to the present, the Fund generated an annualized return of 14.10%, which has exceeded that of its Benchmark by 2.49% annually, and the S&P 500 Index by 0.96% annually.

We believe that the power of compounding is better demonstrated by viewing these returns in dollar terms. A hypothetical investment of $10,000 in the Fund at its inception on December 31,1994 would be worth $291,723 on December 31, 2022. This is approximately 4.1 times greater than the $71,929 the same hypothetical investment made in a fund designed to track the Benchmark would be worth, and more than double a hypothetical investment in the S&P 500 Index. Hypothetically, our returns were achieved with approximately 28% less volatility than the Benchmark, as represented by its beta. (Please see Tables III and IV.) Importantly, we believe that the returns in the portfolio have come primarily through the compounded growth in the revenue and cash flow of the businesses in which we have invested rather than the expansion of valuation multiples. We are pleased that our long-term investments in what we believe are competitively advantaged companies with sustainable growth prospects and exceptional management teams have generated attractive returns in good markets and have helped to protect capital during more challenging ones.

Table V.
Top contributors to performance for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Arch Capital Group Ltd.	2002	$0.4	$23.2	37.86%	2.39%
Gartner, Inc.	2007	2.3	26.6	21.49	1.35
MSCI, Inc.	2007	1.8	37.2	10.58	1.12
Iridium Communications Inc.	2014	0.6	6.5	15.85	0.93
Vail Resorts, Inc.	1997	0.2	9.6	12.42	0.71

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares increased due to favorable pricing trends in the P&C insurance market. During the quarter, the company reported earnings that beat consensus despite significant losses from Hurricane Ian. The stock also benefited from inclusion in the S&P 500 Index, which prompted buying from passive funds. We continue to own the stock due to Arch's strong management team and our expectation of strong growth in earnings and book value.

Shares of **Gartner, Inc.**, a provider of syndicated research, contributed to results. Business conditions remain strong, with Gartner's research business compounding at double-digit levels. We expect sustained revenue growth and renewed focus on cost control to drive margin expansion and higher free-cash-flow. The company's balance sheet is in excellent shape and can support aggressive repurchases and bolt-on acquisitions.

Shares of **MSCI, Inc.**, a leading provider of investment decision support tools, contributed to performance. Despite the negative impact of broader market weakness on asset-based fee revenue, MSCI reported resilient third quarter earnings results, and the underlying business largely continued to perform well. MSCI owns strong, "all weather" franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community.

Table VI.
Top detractors from performance for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
Douglas Emmett, Inc.	2009	$1.0	$ 2.8	−11.46%	−0.10%
West Pharmaceutical Services, Inc.	2013	2.3	17.4	−4.30	−0.09
Figs Inc.	2022	1.7	1.1	−18.42	−0.05
Northvolt AB	2020	–	–	−15.23	−0.04
Trex Company, Inc.	2014	1.2	4.6	−3.69	−0.02

Douglas Emmett, Inc. is a REIT that owns an irreplaceable portfolio of office and apartment buildings concentrated in California and Hawaii. Disappointing share performance was driven by third quarter financial results and a management outlook that was weaker than analysts expected. Office leasing activity has slowed, which is pressuring the company's occupancy, rents, and cash flow.

West Pharmaceutical Services, Inc. is the leading provider of components and systems for the packaging and delivery of injectable drugs. The stock fell on lowered full-year guidance and third quarter sales and earnings that missed consensus estimates. The company cited capacity constraints related to transitioning from manufacturing products for COVID vaccines to other products experiencing strong demand. Management expects these issues to resolve in early 2023, and we continue to believe West has a long runway for durable growth.

Figs Inc. is a leading direct-to-consumer health care uniform brand. Shares declined following disappointing guidance for the remainder of the year. While Figs remains the favorite brand for many health care professionals, the company expects growth to be slower in the near term than it had previously forecast as its customers have modestly reduced purchases given the challenging macroeconomic environment. Figs' strong brand, superior product and merchandising, and direct-to-consumer business model offer strong potential longer term.

Portfolio Structure and Investment Strategy

We seek to invest in businesses with durable fundamental characteristics and attractive long-term growth prospects. These attributes include high barriers to entry, sustainable competitive advantages, large and growing addressable markets, and enduring secular tailwinds. We favor business models that have high levels of recurring and predictable revenue, generate attractive incremental margins, are cash generative, and are not dependent on third-party financing. We exclusively invest with management teams that consistently reinvest into their businesses. This is to raise barriers to entry and pursue long-term profitable growth. We work with our growing team of research analysts and portfolio managers, who are senior analysts, to verify, refine, or refute our assessment of these businesses and our expectations for durable growth across business cycles.

We hold investments for the long term. As of December 31, 2022, the weighted average holding period of the Fund was 15.3 years. This is dramatically longer than most other small-cap growth funds, which, according to Morningstar, turn over about 76% of their portfolios annually (based on an average for the last five years). The portfolio's 10 largest positions have a weighted average holding period of 16.7 years, ranging from a 6.1-year investment in **Kinsale Capital Group, Inc.** to investments in **Choice Hotels International, Inc.** and **Vail Resorts, Inc.** that now both exceed 25 years**.** We have held 21 investments, representing 76.2% of the Fund's total investments, for more than 10 years. We have held 21 investments, representing 23.8% of the Fund's total investments, for less than 10 years. We believe that Table VII and Table VIII quantify the merits of our long-term holding philosophy.

Table VII.
Top performing stocks owned more than 10 years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase	Annualized Return Since First Date of Purchase
IDEXX Laboratories, Inc.	2005	2,734.5%	20.6%
Choice Hotels International, Inc.	1996	2,280.4	13.4
Arch Capital Group Ltd.	2002	2,096.0	16.1
MSCI, Inc.	2007	1,939.2	22.1
Mettler-Toledo International, Inc.	2008	1,903.7	23.7
CoStar Group, Inc.	2004	1,830.1	17.7
Gartner, Inc.	2007	1,418.2	19.4
Vail Resorts, Inc.	1997	1,406.7	11.1
Morningstar, Inc.	2005	1,089.1	15.1
Cohen & Steers, Inc.	2004	1,053.6	14.2

The cohort of investments that we have held for more than 10 years earned a weighted average annualized rate of return of 16.5% since we first purchased them. This exceeded the performance of the Fund's Benchmark by 8.4% annualized. Four of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year.

Table VIII.
Top performing stocks owned less than 10 years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase	Annualized Return Since First Date of Purchase
Kinsale Capital Group, Inc.	2016	884.1%	45.7%
West Pharmaceutical Services, Inc.	2013	638.3	23.3
Iridium Communications Inc.	2014	609.9	25.4
Trex Company, Inc.	2014	376.1	19.5

The cohort of investments that we have held for less than 10 years has returned 21.4% annually on a weighted average basis since our initial purchase, exceeding the Benchmark by 14.8% annualized. Eight of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year, including five that have achieved annualized returns that exceeded the Benchmark by more than 15% per year.

Portfolio Holdings

As of December 31, 2022, Baron Growth Fund had 42 investments. The top 10 holdings represented 64.1% of the Fund's total investments, many of which have been held for more than 10 years. All were small-cap businesses at the time of purchase and have become top 10 positions mostly through stock appreciation. Our holdings in these stocks have returned 19.0% annually based on weighted average assets since our initial investment, exceeding the Benchmark by an average of 12.1% annually. We attribute much of this relative outperformance to the superior growth rates and quality exhibited by these businesses relative to the Benchmark average. We believe all our positions offer significant further appreciation potential individually, and that the Fund's diversification offers potentially better-than-market returns with less risk than the market as measured by beta. Note that diversification cannot guarantee a profit or protect against loss.

While we only purchase small-cap companies, we tend to hold stocks as long as our investment thesis remains intact, and we see a path to earning attractive compounded returns. This causes the Fund to own a significant percentage of assets in securities that have appreciated beyond their market capitalizations at the time of purchase. Baron Growth Fund's median market cap is $5.6 billion, and its weighted average market cap is $17.3 billion. This compares to Morningstar's U.S. market cap breakpoints for small- and mid-cap funds of $6.3 billion and $36.6 billion, respectively, as of December 31, 2022.

Table IX.
Top 10 holdings as of December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
MSCI, Inc.	2007	$1.8	$37.2	$716.4	10.3%
Arch Capital Group Ltd.	2002	0.4	23.2	571.6	8.3
Gartner, Inc.	2007	2.3	26.6	512.6	7.4
FactSet Research Systems, Inc.	2006	2.5	15.3	481.5	6.9
Vail Resorts, Inc.	1997	0.2	9.6	476.7	6.9
Iridium Communications Inc.	2014	0.6	6.5	405.5	5.9
CoStar Group, Inc.	2004	0.7	31.4	403.0	5.8
Choice Hotels International, Inc.	1996	0.4	6.0	334.0	4.8
Gaming and Leisure Properties, Inc.	2013	4.2	13.4	280.5	4.0
Kinsale Capital Group, Inc.	2016	0.6	6.0	261.5	3.8

Thank you for joining us as fellow shareholders in Baron Growth Fund. We are appreciative of the confidence you have shown in us, and we will continue to work hard to justify that confidence.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager
December 31, 2022

Neal Rosenberg
Co-Portfolio Manager
December 31, 2022

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 the Funds' 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 smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities may be thinly traded, and they may be more difficult to sell during market downturns. 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta:** measures a fund's sensitivity to market movements. The beta of the market (Russell 2000 Growth Index) is 1.00 by definition. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Small Cap Fund Shareholder:

Performance

Baron Small Cap Fund (the "Fund") was up 4.24% (Institutional Shares) in the fourth quarter of 2022. For the year, the Fund was down 31.05%.

The Fund performed in line with the Russell 2000 Growth Index (the "Index") this quarter (up 4.13%), but underperformed for the year, with the Index losing 26.36%. Since small-cap stocks underperformed larger market caps, the Fund also underperformed the S&P 500 Index for the quarter and the year.

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron Small Cap Fund Retail Shares[1,2]	Baron Small Cap Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	4.18%	4.24%	4.13%	7.56%
One Year	(31.22)%	(31.05)%	(26.36)%	(18.11)%
Three Years	3.70%	3.96%	0.65%	7.66%
Five Years	6.79%	7.07%	3.51%	9.42%
Ten Years	9.93%	10.21%	9.20%	12.56%
Fifteen Years	7.57%	7.82%	7.26%	8.81%
Since Inception (September 30, 1997)	9.40%	9.55%	5.65%	7.68%

CLIFF GREENBERG
PORTFOLIO MANAGER

Retail Shares: BSCFX
Institutional Shares: BSFIX
R6 Shares: BSCUX

In 2022, U.S. stocks logged their worst performance since 2008. Inflation was much higher than expected, which was combatted by the most aggressive Fed tightening cycle since the Volker era. The Fed raised its target interest rate seven times over that last eight months, and the 10-Year Treasury yield climbed to 3.9% from 1.5% at the beginning of the year. Higher interest rates punished more speculative investments (see the collapse in crypto) and caused stock multiples to contract, which hit growth stocks and small-cap stocks especially hard. The significantly higher interest rate environment coupled with the prospect of further tightening until inflation is tamed presages an increasingly sluggish economy in the upcoming year. The greatest damage to the market was done in the first half of the year, when this cycle of events was put in motion.

Stocks recovered somewhat in the fourth quarter as headline CPI reports improved report after report. Though the economy remained resilient, it was evident from many indicators, such as goods and energy prices, rents, freight…that inflation was clearly cooling. There were signs of an economic slowdown on the horizon, stemming from the aggressive central bank tightening. The market rallied in October and November as interest rates declined and the Federal Reserve chair laid the groundwork to slow the pace of its monetary tightening. However, the market gave back some of the

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, 2022 was 1.30% and 1.04%, 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 cost. 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-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 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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

gains in December, as the Fed dampened hopes of interest rate cuts in 2023 and remained committed to scorched earth tactics to stamp out the last bastion of inflation until it reaches the Fed's preferred 2.0% target rate from 6.5% as measured in December.

Value outperformed growth. Larger-cap stocks outperformed smaller ones. The best performing sectors in the quarter were commodity-sensitive and cyclical sectors. Also, defensive sectors such as Consumer Staples, Health Care, and Utilities outperformed, while growth-oriented Information Technology (IT) and Consumer Discretionary stocks remained out of favor.

The Fund's absolute performance in the quarter was driven by strong gains from some of our larger holdings. This was because of strong business performance and outlooks of those companies, as discussed in the next section. Our stock selection, especially in the Health Care sector, was a differentiator and contributed to our returns. Our larger market cap stocks performed better than our smaller ones, which notably did poorly this quarter. On a relative basis, we were hurt by our lack of exposure to Energy stocks, the best performing sector in the Index. We are also underexposed to the Materials and Consumer Staples sectors, which did well this quarter. There were no style factors that played a big role in our relative performance this quarter aside from market cap.

For the year, we had a plethora of stocks that were down 30% or more, which negatively affected our returns. I would bucket those as perceived interest rate sensitive holdings (**SiteOne Landscape Supply, Inc.**, **Floor & Decor Holdings, Inc.**, **Trex Company, Inc.**, **Installed Building Products, Inc.**), technology or employment service providers (**ASGN Incorporated**, **Endava plc**, **Grid Dynamics Holdings, Inc.**, **First Advantage Corporation**), and companies that posted earnings shortfalls (**Vertiv Holdings, LLC**, **Clarivate Plc**, **Holley Inc.**, **Bright Horizons Family Solutions, Inc.**, **Repay Holdings Corporation**, **Nuvei Corporation**). In the first two groupings, the stocks fell primarily because of multiple contraction or fear of a recession impacting their businesses. However, for the most part, results have been strong and as expected. The third grouping is of companies that missed expectations during the year, but the issues were either modest or behind them in our opinion. We believe that these stocks, and some others that were hard hit in 2022, offer some of our best potential returns.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Gartner, Inc.	1.17%
Vertiv Holdings, LLC	0.81
DexCom, Inc.	0.56
Planet Fitness, Inc.	0.49
Inspire Medical Systems, Inc.	0.48

Shares of **Gartner, Inc.**, a leading provider of syndicated research that delivers actionable insights to corporate executives, was again the top contributor. The company reported excellent results for the third quarter. Reported revenues from the core research business grew 15% or 20% on a constant currency basis. Contract value, an indicator of future growth, grew 14%. Conferences were strong, and the flagship events had exceptional attendance and interest from both presenters and attendees. Margins were better than expected, even as the company ramped up hiring of sales associates. The company increased guidance for EBITDA despite tougher currency headwinds. The company repurchased over $1 billion in shares during the year, retiring 11% of the outstanding shares. Tremendous performance and trends bode well for continued double-digit growth in free-cash-flow per share, the operable metric on which we value the business.

Vertiv Holdings, LLC, a leading provider of critical infrastructure solutions for data centers and communications networks, rose significantly in the quarter, after the company reported strong sales and much improved margins. The company demonstrated that it was able to price its products in excess of inflationary cost headwinds, which had led to disappointing earnings earlier in the year. The company expects margins to continue to improve going forward, as its price/cost ratio is now in balance and free-cash-flow is stronger. Management characterized demand as "robust," which we expect will drive strong organic growth. We increased our position early in the year believing that management could get on the right side of the pricing equation, which has played out, and the stock has rebounded nicely. We still see good upside in the stock based on our expectation of continued growth and a higher trading multiple.

DexCom, Inc. is a leading provider of continuous glucose monitoring (CGM) devices for people with diabetes. The stock rose in response to strong results in the third quarter and positive developments in reimbursement and product approvals. Revenues rose 20% on an organic basis in the quarter, and EBITDA margins approached 30%, both ahead of expectations. Medicare approved coverage of CGM for non-intensive Type 2 diabetes. Commercial insurance plans are expected to follow along. In December, the FDA granted clearance for the company's new and improved version of its product called G7. This unit is the smallest, most accurate, and most user-friendly device to be offered, and we believe it is an exciting update. We see a continued long runway of growth for DexCom.

Shares of **Planet Fitness, Inc.**, the leading franchiser and operator of low-cost fitness centers, rose after reporting strong results. The company reported system-wide same-store sales increased 8.2%, raised estimates for growth in net income, and authorized another large share repurchase. Membership grew to an all-time record, now fully recovered from the pandemic lows. New gym openings are somewhat constrained by availability of HVAC units, but we envision the pace of growth will accelerate and that the base of gyms can still double over time from 2,000 to 4,000. We believe that EBITDA can grow at a mid-teens rate long term on a declining share count and that the trading multiple can modestly expand, which will drive continued good stock performance.

Inspire Medical Systems, Inc. sells an implantable device that treats sleep apnea. Revenues grew an astounding 77% in the quarter, way ahead of expectations, and the stock popped. We believe Inspire sells a unique product that has great advantages to CPAP devices, the dominant therapy, and is gaining significant market share. Management is executing on all fronts-driving awareness through effective advertising, increasing procedures at existing centers, and adding new centers. They are also continuing to innovate. This quarter a new Bluetooth remote control device was introduced. The next generation device will come out in mid-2023, and we expect approval of new indications, which will expand the available market. We expect revenues to continue to grow rapidly, with sales potential well over $2 billion, which is five-fold higher than current revenue. We believe the company will be profitable in 2023 and margins will be high over time.

Other stocks that rose 20% or more in the quarter but contributed less to the Fund's performance this quarter were **Red Rock Resorts, Inc.**, **Madison Square Garden Sports Corp.**, **Mettler-Toledo International, Inc.**, **WEX Inc.**, and **IDEXX Laboratories, Inc.**

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Chart Industries, Inc.	–0.50%
Grid Dynamics Holdings, Inc.	–0.48
European Wax Center, Inc.	–0.38
ASGN Incorporated	–0.35
The Trade Desk	–0.28

Chart Industries, Inc. is a leading global manufacturer of highly engineered equipment servicing multiple applications in the clean energy and industrial gas markets. The company announced a large and transformational acquisition of Howden, a company of similar size to Chart, but the market hated the deal and the stock got hammered. The concerns were that Chart would have to take on lots of debt to do the deal, the acquired business is of lower quality, and the synergy estimates seemed aggressive. Our view, after much work and consideration, is that Howden is a fine business that fits very well with Chart, increasing its end-markets, expanding the geographic reach, and doubling the "nexus of clean" opportunities to address. We believe that the synergies are identified and significant, and that the deal will be accretive. We also believe that leverage will decline quickly from the free-cash-flow and asset dispositions we expect. Chart did a large equity raise near the end of the year at a depressed price, which we participated in and more than doubled our position in the stock. We believe Chart is a best-in-class industrial compounder focused on growing clean energy end-markets.

Shares of **Grid Dynamics Holdings, Inc.**, a fast-growing provider of digital transformation services, fell this quarter as the company trimmed its earnings guidance and shares of technology service companies declined in general, continuing the wild ride for the stock over 2022. With many of its engineers located in Ukraine, the stock got crushed when war broke out and concerns emerged as to whether Grid would be able to meet demand in the short term and maintain its clientele longer term. Well, management did an incredible job protecting and supporting its employees. We expect revenues to grow 40% organically in 2022, which is remarkable. However, this quarter demand for digital transformation services has softened along with a global macro slowdown in technology spending. This resulted in the company projecting slower growth in the near term. Also, the company sold stock during the quarter to have the capital to make acquisitions and expand its engineering base to new geographies, but it passed on some of the deals on the table after further diligence. We believe that Grid has strong technical capabilities, great management, and operates in a segment with great tailwinds. We buy into their goal of strong growth and becoming a $1 billion-plus revenue company, a three-fold increase from current levels.

European Wax Center, Inc. is a fast-growing franchisor and operator of out-of-home waxing services. The stock fell after the company reported that same-store-sales growth was slightly below estimates. Management explained that they saw customers slightly increased their average time between visits, which they attribute to a slowing economy. Makes sense, but not a big deal in our eyes. We like the franchise business model, which generates mid-30s EBITDA margins and requires little capital. We think management is terrific and capable of overseeing the growth of units from 950 to over 3,000 in time, especially with the high-quality franchisees the company is attracting. The stock has been a darling since its IPO on excitement over the business model and growth prospects. As it now trades at a more reasonable multiple, we think we can make strong compounding returns from these levels.

ASGN Incorporated is large staffing company providing IT workers and professional services to Fortune 500 companies. Shares fell this quarter over concerns about demand for future hirings in a slowing economy. The company had a strong third quarter, growing revenues 11.6% and EBITDA 9%. Its consulting segment, a relatively new venture, grew revenues 43% in the quarter and now is about a quarter of overall revenues. The government services segment was flat, but we expect growth going forward as bookings have been strong. The company announced a nice acquisition of a consulting business that will enhance its cyber capabilities. Its customers' technology initiatives are mission critical, so we expect business to be resilient even if the economy slows. We believe the stock is really cheap for this high-quality, fast-growing business, trading at under 12 times our estimate for 2023 earnings.

The Trade Desk is the leading demand side platform enabling advertising agencies to efficiently purchase digital advertising. The stock fell this quarter over concerns about the outlook for advertising spending. Trade Desk beat third quarter estimates, growing revenues 31% and posting 41% EBITDA margins. Connected TV was the fastest growing and largest channel and should continue to benefit from the new advertising inventory that is expected to enter the market, including Disney+ and the new Netflix free tier of service. The company continues to make progress on its UID 2 initiative, which, as adopted, would help grow the market opportunity for Trade Desk. We remain positive on Trade Desk as we believe the programmatic segment of advertising will grow significantly over time and that Trade Desk will remain the leading player with the best technology and solution. The pace of the economy and advertising spending will affect short-term results, but we still view this as a great long-term opportunity, so we plan to hold our position through current volatility.

Other stocks we own that fell 20% or more this quarter but had less effect on our performance were **The Beauty Health Company**, **Holley Inc.**, **Guardant Health, Inc.**, **DraftKings Inc.**, and **Membership Collective Group Inc.**

Portfolio Structure & Recent Activity

As of December 31, 2022, the Fund had $3.9 billion under management and held 66 stocks. The top 10 positions made up 32.6% of the Fund. The number of stocks held is down a bit from prior periods. We made fewer new investments in the period as we like what we own and there were many fewer companies coming public through IPOs or SPAC mergers. We also culled the portfolio more actively throughout the year, selling mostly smaller positions that we had less confidence in.

The top 10 holdings will be familiar to long-term investors or followers of the Fund. On a weighted average basis, we have held the stocks for eight years. All have been successful investments. As a group, they have appreciated 5.9 times since purchase, also on a weighted average basis. We have great experience and confidence in this group and believe there is significant opportunity for strong profit growth and stock returns in the future.

Table IV.
Top 10 holdings as of December 31, 2022

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$252.1	6.4%
ASGN Incorporated	2012	142.6	3.6
ICON Plc	2013	136.0	3.5
Kinsale Capital Group, Inc.	2019	130.8	3.3
SiteOne Landscape Supply, Inc.	2016	123.2	3.1
Red Rock Resorts, Inc.	2016	110.0	2.8
Installed Building Products, Inc.	2017	106.9	2.7
Vertiv Holdings, LLC	2019	104.5	2.7
Floor & Decor Holdings, Inc.	2017	97.5	2.5
Planet Fitness, Inc.	2018	78.8	2.0

At the end of the quarter, the Fund was most heavily invested in four sectors…. Industrials (27.1% of net assets), IT (22.0%), Consumer Discretionary (15.0%), and Health Care (13.8%). Compared to the Russell 2000 Growth Index, we were overweight in Industrials, Consumer Discretionary, and IT, and underweight in Health Care. We have no exposure to Energy or Utilities and are underweight in Materials and Consumer Staples, which hurt our relative performance, as those sectors outperformed in 2022. Our sector weightings are a by-product of our investment process, which focuses on identifying and investing in a diversified group of high-quality, unique, well-managed growth companies across different industry groups. It is not driven by a top-down view on how the market will perform over the short term.

We are long-term investors and believe we are investing in businesses that will be much larger and much more valuable in time. At the end of the year, 27.4% of our assets were in stocks we have held 10 years or more. 26.9% of the Fund has been held 5 to 10 years, and 41.6% was in stocks held under 5 years. We held cash of 4.1% at year end. The Fund is laden with "big winners," stocks that have doubled or more since their initial purchase.

At the end of the year, 24.3% of the Fund's holdings have appreciated five times or more. Another 36.5% of the Fund's holdings have risen two to five times. So over 60% of the Fund is in stocks that have more than doubled. The annualized returns of our long held and "big winners" has been over 22% a year on a weighted average basis, which we believe is a proof point that our approach to investing when executed well yields strong long-term results.

The three-year average portfolio turnover of our Fund is around 15%, which is an outgrowth of our long-term investing. This is considerably lower than most other small-cap growth funds. We don't need to reinvent the wheel each year by finding new stocks to replace the ones we own in search of short-term performance. We believe if we invest early in great, special companies they can grow their businesses and profits at strong compounding rates for a long time, and their stocks can perform for years. The key is to identify the right companies to invest in, to monitor their progress by being in close contact with the leadership, and to have a keen understanding of industry trends and developments enabling us to buy in at reasonable valuations. We seek to find a handful of new investments each year that meet our high standards, and to be decisive in selling out of investments that are not achieving or we are concerned won't achieve the outcomes we were expecting or selling stocks that have appreciated so much that there isn't sufficient growth in the stock anymore to justify holding it.

After declining in the most in the recent downturn (peak to trough), small caps, as an asset class, appear cheap relative to their historical average and relative to large caps, especially growth stocks. Relative valuations suggest now may be a good time to own small caps. Yet, the segment has become more speculative, with over a quarter of the small-cap stocks expected to lose money. We think successfully investing in small caps requires skilled active management.

Our new investments are only in small-cap companies. We do add to positions that have appreciated somewhat if we believe the position sizes are underweight the opportunity we see in those equities. We trim our larger market cap holdings to fund new small-cap investments and to regulate the overall market cap of the Fund. We seek to balance being true to our small-cap mandate and achieving the highest returns for our investors based on our long-term approach. Over the last few years, we have been successful in reducing the market cap of the Fund (lowering the "size score" of the Fund). The weighted geometric average market cap of the Fund is now $6.1 billion, and at one point during the year it hit $5.4 billion, representing a nearly 37% decline from peak levels. Unfortunately, some of the decline was from the large drawdown in stocks in the first half of the year. The market cap is now approaching levels it was at in 2018. It's nice to have a range of market caps and maturities of holdings in the Fund. Our smaller-cap holdings and newer investments performed worse last year, but we believe they offer the outsized upside from here.

Table V.
Top net purchases for the quarter ended December 31, 2022

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
Chart Industries, Inc.	2022	$4.9	$49.8
Neogen Corp.	2022	3.3	31.6
European Wax Center, Inc.	2021	0.8	6.7
Grid Dynamics Holdings, Inc.	2019	0.8	5.4
Sprout Social, Inc.	2022	3.1	5.4

We re-initiated a position in **Neogen Corp.**, a leading pure-play food security company with solutions across food safety, animal safety, and genomics. The company offers a wide array of products including indicator testing (Petrifilm), diagnostic test kits to detect dangerous or unintended substances in food, genetic testing, rodenticides, disinfectants, vaccines, veterinary instruments, laboratory services, and data analytics.

We have long admired Neogen, having been shareholders in the past, as recently as 2020. Our interest in the stock reignited with its recently completed merger with 3M Food Safety and valuation reset in 2022. The 3M Food Safety deal is transformational and creates a scaled global leader in the food security industry with a broader product portfolio and increased resources to invest in innovation and manufacturing efficiency. 3M Food Safety is a high-margin, consumables business that has grown sales at a 9% CAGR historically. With less than 35% customer overlap, Neogen expects to accelerate growth via cross-selling, especially in Petrifilm, 3M Food Safety's leading indicator testing brand. On valuation, the stock pulled back meaningfully in 2022 due to a combination of broader macro-related weakness for small-cap growth companies and technical pressure in the stock related to the merger.

We believe the company is recession-resistant, well positioned to drive mid to high single-digit organic revenue growth through a combination of pricing and volume increases (especially in emerging markets). In fact, Neogen has failed to grow in only 6 quarters over the past 32 years! The market for food and animal safety solutions, and Neogen as a market leader, stand to benefit from several long-term secular trends around increasing food allergies, more incidents of food contamination, pathogen awareness, more health-conscious consumers, and an increasing focus from regulators. Beyond organic growth, the company has a long track record of completing successful acquisitions, which we expect to continue going forward.

Neogen's competitive advantage is derived from its pure-play focus on the food and animal safety markets, the breadth of their product portfolio, deep customer relationships, and efficient manufacturing processes that enable attractive price points and delivery times. The company has strong customer retention rates, as its products often become deeply embedded in daily workflows and around 95% of revenue comes from consumable products, which are recurring in nature. The 3M Food Safety merger integration process will somewhat distort near-term profitability but adjusted EBITDA margins should approach 30% over the next few years, with strong free-cash-flow generation. Once the merger integration is complete, we believe that Neogen will be well positioned to capitalize on resilient end-markets and leverage complementary capabilities to deliver compounding earnings and solid returns for the stock over a multi-year period.

We added to our position in **Chart Industries, Inc.** during the quarter. Chart is a leader in cryogenic technology, process, and storage equipment sold into industrial gas and clean and traditional energy end-markets. We took advantage of a significant drop in share price when the company announced a $4.4 billion merger with private company Howden, a global leader in compressors and blowers, that approximately doubles Chart's revenue and EBITDA. The stock sold off as the unexpected deal is the largest in the company's history, which added integration risk, increased leverage at a time of elevated rates, and required the company to issue equity, all in the face of heightened macroeconomic uncertainty heading into 2023.

We like the acquisition and believe the combination makes the company even more attractive longer term by expanding Chart's equipment portfolio and process technology offering for multiple molecules and applications across high-growth areas such as hydrogen, carbon capture and storage, and decarbonization. The transaction strategically makes Chart's business higher margin and more economically resilient by adding new capabilities in small-scale gas compression, increasing its aftermarket capabilities, and expanding its global footprint.

The company completed the required financing for the transaction in December, which removed a key area of uncertainty, and the company has several levers to bring leverage down quickly, including divestitures of non-core assets. Additionally, while not fully underwritten in our estimates, we believe management can realize a large portion of cost and revenue synergies leading to at least 500 basis points of margin improvement in the coming years. The more diverse manufacturing footprint gives Chart access to geographies it previously had trouble penetrating, and the combined companies expanded number of products increases content opportunities per project. Once the integration is complete, Chart will be a more resilient, globally balanced, industrial business with exposure to relatively higher-growth end-markets and top-tier margins and cash flow. With results that we believe will come in better than current expectations, the stock should be up multi-fold, even using a conservative multiple of EBITDA.

Table VI.
Top net sales for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Gartner, Inc.	2007	$2.2	$26.6	$33.7
Americold Realty Trust	2018	2.4	7.6	16.2
DexCom, Inc.	2012	1.0	43.7	14.3
Progyny, Inc.	2022	3.9	2.9	13.5
Installed Building Products, Inc.	2017	2.4	2.4	12.7

As part of our process, we reduced position sizes in higher market cap companies **Gartner, Inc.** and **DexCom, Inc.** to fund purchases of smaller-cap companies. We lowered our weightings in **Americold Realty Trust**, **Progyny, Inc.**, and **Installed Building Products, Inc.** for company and stock-specific reasons.

Outlook

The market is off to a good start in 2023, which is somewhat surprising after a miserable 2022 and a pervasive sense of pessimism. The reasons that the market is acting better are three-fold. First, the economy continues to be healthy, highlighted by low unemployment and stable and solid consumer spending. Second, inflation is declining. The CPI has now declined for six consecutive months, from a peak of 9.1% in June to 6.5% in December. Third, market participants believe that the Federal Reserve is near the end of its rate hiking cycle, with reductions in interest rates expected later in 2023. This is evidenced by the inverted yield curve and the 10-Year bond presently trading around 3.5%.

There is however a persistent headwind caused by the Federal Reserve's strident approach to fighting inflation. They have posited that short-term rates will rise to over 5% and remain there for an extended period. The Fed is focused on reducing "core" inflation, or the pace of wage growth, which will probably be hard to reverse since labor markets are tight. We expect the Fed Chair and Governors to continue to hijack the economic narrative in an effort to convince investors of their commitment to slow down the economy, to induce unemployment, and reduce wage pressure, which they view as necessary. What a perverse situation.

The economy is slowing. Higher interest rates will impact growth. Leading indicators point to a slowdown, and we hear that from the management teams of our investments. However, we do not know if the slowdown (recession?) will be short lived and shallow or longer and more severe. That's the $64,000 question. If it's the latter, we fear that it could be the catalyst for an unfortunate financial accident that may result in more severe economic contractions.

We continuously update our expectations of earnings for our holdings based on our conversations with managements and our take on the macroeconomic environment. Presently, we estimate that about 10% of our investments will have lower earnings in 2023. We believe the remainder of our companies will show nice growth, albeit slower than we would typically expect them to grow. This compares favorably to Street expectations for S&P 500 Index earnings, which assume that a quarter to a third of companies will have negative earnings growth in the next 12 months.

Our stocks trade at cheap multiples against our expectations for earnings. The reset in multiples of growth stocks has been severe. Many of our stocks were down a lot in 2022 without much fundamental change in performance. The multiple compression often felt indiscriminate, meaning that higher-quality businesses (higher margins and returns, better business models, more consistent results, strong and more durable organic growth) were not trading at the premiums at which they usually, and deservedly, trade. If our companies perform as we expect, and growth improves back to prior and expected trend lines go forward, we expect to make good returns from these levels. However, we must admit that the near-term outlook is murky and subject to change. If the economy is weaker than we expect or stays soft longer, than we would expect that the recovery in stock prices will be delayed.

We own a portfolio of well-managed, high-quality companies. They are leaders in their niches, with strong competitive advantages. We believe that they have great growth opportunities based on their positioning in their sectors and well-established business plans. The growth is evidenced by strong historic results. We underwrite significant long-term growth, which we do not believe is reflected in the trading prices of their stocks, as the market is presently focused, seemingly exclusively, on the near term. That will change.

Thank you, our fellow shareholders, for investing with us. We feel humbled but undaunted. We continue to believe in our approach to stay invested in special, high-quality businesses through tougher economic times. We believe that they will do better than most. As shareholders, we believe we will be rewarded with strong returns as we get closer to the next upcycle, as has been the case in the past.

Cliff Greenberg
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Specific risks associated with investing in smaller companies include that the securities may be thinly traded and 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Small Cap Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Opportunity Fund Shareholder:

Performance

During the fourth quarter, Baron Opportunity Fund (the "Fund") dropped 4.54% (Institutional Shares), underperforming the Russell 3000 Growth Index, which rose 2.31%, and the S&P 500 Index, which gained 7.56%. For the trailing one-year period, the Fund fell sharply, significantly trailing both indexes.

Table I.
Performance†
Annualized for periods ended December 31, 2022

	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]	(4.57)%	(4.54)%	2.31%	7.56%
One Year	(42.96)%	(42.83)%	(28.97)%	(18.11)%
Three Years	6.44%	6.71%	7.32%	7.66%
Five Years	12.82%	13.11%	10.45%	9.42%
Ten Years	12.83%	13.13%	13.75%	12.56%
Fifteen Years	9.51%	9.77%	10.10%	8.81%
Since Inception (February 29, 2000)	7.47%	7.63%	5.45%	6.64%

MICHAEL A. LIPPERT

PORTFOLIO MANAGER

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

Review & Outlook

Let me start by addressing the artificially intelligent elephant in the room. This letter was not drafted by ChatGPT, but by me. More on that later.

I apologize for beginning this letter with a bit of levity after a challenging and disappointing year. Growth stocks and the Fund significantly underperformed the broader market in 2022. It was the second worst year of my portfolio management tenure, with only 2008 – the Great Financial Crisis – being worse. As described below, we are sticking with our repeatable and consistent investment philosophy and processes – further honed by the relentless walk of experience and learnings – and doing the hard work to turn things around (the literal rallying cry "hard work" was emblazoned on the back of our practice shorts when I played basketball in college at Tufts University).

The entire year 2022 and the fourth quarter just concluded proved to be dominated by macroeconomics (with an overlay of geopolitics, including the war in Ukraine, U.S. midterm elections, and the end of China's Zero-COVID policy) – less business fundamentals or secular growth trends – and proved to be a bleak environment for the Fund and growth stocks, as well as the broader stock market. To combat spiking inflation, the Fed shelved its

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, 2022 was 1.31% and 1.05%, 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, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month-end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3-, 5-, and 10-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

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. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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.

"transitory" stance and hiked the Federal Funds rate by 425 cumulative basis points, the fastest pace in 40-plus years and has signaled rates still need to go higher and remain there for some time. The 2022 bear market was somewhat unique: over 100% of the year's Index declines were due to multiple compression, as earnings estimates increased despite the macro backdrop. This was primarily due to the pronounced spike in rates, although some part should also be attributed to concerns about forward earnings estimates being too high. According to Credit Suisse's U.S. return decomposition study for 2022 (I addressed the study in the second quarter letter), for the full-year P/E (price-to-earnings) multiple compression accounted for 113% of the S&P 500 Index's 2022 plunge and 103% of the drop in growth stocks (they used the Russell 1000 Growth Index). The S&P 500 Index fell 19.4% (on a price return basis), with EPS growth contributing +3.1% and P/E compression of -21.9%; the Russell 1000 Growth Index dropped 29.8% (also on a price return basis), with EPS growth contributing +1.3% and P/E compression of -30.7%. Such multiple compression over the course of one year is a long-tail event in the history of the markets.

As I write in mid-January, the market (i.e., human investors and traders that personify the market) continues to gyrate as it incessantly debates whether inflation has peaked and how fast or slow might it decline; how high the Fed will go and when it might pause and/or pivot; the likelihood of a soft landing versus how long and deep a recession might be; and whether Street 2023 earnings estimates for the S&P 500 Index and individual companies are low enough yet. The market bottomed in mid-October and rates (the U.S. Treasury 10-Year yield) topped around the same time. Are those inflections the hoped-for peak and valley? Inflation readings have been falling and the December core CPI reading yielded an annualized rate of 3.1% over the trailing three months. Will inflation continue to drop and when will it hit the Fed's 2% target?[1] The Fed dot plot and member rhetoric is pointing to further increases in the Fed Funds rate to a level over 5% and staying there through year end; yet the market is pricing in cuts later this year. What will the Fed do and what impact will it have on market rates and financial conditions? Current consensus from market participants and most economists is that a recession looms. But will the economy stick a soft landing, or will a recession be short and shallow or long and deep? We don't know the answers to these questions, and don't believe anybody does. We stay well informed of the analyses and forecasts of smart and experienced experts on these issues, but the range of plausible projections and outcomes is so wide you could drive the proverbial truck through them. We are not taking that drive. While in all candor I am on the more positive side of these issues for growth investors, we continue to discipline ourselves not to make portfolio decisions based on macro projections.

Instead, we manage the Fund based on what we can control: our long-term investment philosophy, processes, research, analysis, judgment, and portfolio management decisions. Our points of differentiation at Baron are our in-house research and time/duration. The second shapes and distinguishes the first, because the focus of our research and analyses is on long-term durable growth as opposed to near-term results. The second also enables us to prioritize long-term returns, rather than trying to predict and trade the short-term blowing of the market, economic, and geopolitical winds. Ron and our Firm have done this for 40 years, and I can cite the wisdom of other investor luminaries on this score. Warren Buffet, crediting his mentor Benjamin Graham, has observed "In the short run, the market is a voting machine, but in the long run, it is a weighing machine." In the same vein, Oaktree founder Howard Marks, addressing the current macro and market debates, recently warned (as we have) against trying to call "macro events" and engaging in short-term trading, stating: "[I]n the short term, the ups and downs of prices are influenced far more by swings in investor psychology than by changes in companies' long-term prospects. Because swings in psychology matter more in the near term than changes in fundamentals – and are so hard to predict – most short-term trading is a waste of time…or worse."[2] We subscribe to the weighing-machine approach, we believe stocks are properly viewed as ownership interests in businesses, we view time/duration as an advantage. We invest in durable growth businesses, which get larger and *gain weight* – revenues, earnings, cash flow – over time. We seek to find businesses that will grow faster for longer and generate *heavier* loads of earnings and cash flow as time goes by.

We continue to focus on undeniable and powerful underlying secular growth trends disrupting industries and driving significant growth opportunities for our investments. Our research confirms that the secular trends we emphasize are intact and will drive outsized growth even during this period of economic headwinds, but we recognize no secular trend, industry, or company is immune. So on top of our primary focus on long-term growth opportunities and durability,[3] we have also been scrutinizing how macro resilient our companies will be, as well as the likelihood their businesses will accelerate once the economy turns. We have been favoring companies with the best balance of sustainable long-term growth and macro resilience, as well as business models that will turn that growth into material free cash flow (FCF) and earnings. Moreover, we are carefully checking every aspect of our financial models and projections, including running downside scenarios. We are conservatively and prudently establishing price targets (now using multiples at the lower end of what we believe are appropriate ranges, rather than median/average multiples), calculating downside cases, and seeking stocks with compelling risk/reward balances. Based on these efforts, we believe our portfolio of secularly driven, rapidly growing, competitively advantaged, cash-flow generative businesses are attractively priced against their long-term opportunities. As I have explained about our price target work in these letters many times, I color code our price targets: blue for 15% to 20% internal rates of return and green for 20%-plus. Given the recent compression in valuations and decline in stock prices, our price target sheet is flashing blue and green. Even in our downside scenarios, we see many companies offering double-digit long-term annualized returns.

We have tactically responded to the sell-off by endeavoring to optimize our portfolio carefully and pragmatically by buying or adding to businesses that possess the key criteria described above and in our recent letters. Since we are not trying to find bottoms, we are buying or adding when our target companies are in our "buy zones" based on the price target work just described – we start buying or adding at the top of our buy zone and buy/add more aggressively if our targets fall lower in the zone. For example, this year we took advantage of the significant weakness in semiconductor stocks to materially build that part of our portfolio (we ended 2022 with a semiconductor sub-industry weighting of 8.4% vs. 5.4% last year), as we believe the secular trends around cloud computing, accelerated computing, IoT (Internet of Things, including automobiles), and artificial intelligence (AI)

---

1 Technically, the Fed's target is based on readings for PCE (the Personal Consumption Expenditures Price Index), not CPI (the Consumer Price Index).

2 See Howard Marks' memo to Oaktree Clients, entitled "What Really Matters?" I found this a great read and I recommend it to all long-term investors.

3 Our "faster-for-longer" based on our assessments of total addressable markets (TAM); low penetration of TAMs and/or multiple TAMs (second or third acts); sustainable/durable competitive advantages; favorable competitive environments; product-market fit; go-to-market efficiency; etc.

are only accelerating and the long-term demand for powerful and efficient chips extend as far as our research eyes can see. Moreover, in market and economic environments like these, we have observed and experienced that the strong get stronger, particularly for well-managed and well-capitalized companies that continue to invest in themselves. We constantly hear that enterprises are looking to consolidate their information technology spending with larger platforms (multi-product, multi-service offerings) and fewer vendors. We have been "feeding the strongest members of our herd" and sometimes reluctantly trimming or selling the weaker members, as part of our upgrade effort. We concentrated the portfolio significantly in 2022 and ended the year with 45 unique company investments (down from 63 at the beginning of the year). Among others, during the fourth quarter we initiated or added to:

Software: **Ceridian HCM Holding Inc.**, **GitLab Inc.**, **Datadog, Inc.**, **Guidewire Software, Inc.**, **HubSpot, Inc.**, **Cloudflare, Inc.**, and **Workday, Inc.**

Semiconductors: **Advanced Micro Devices, Inc.**, **indie Semiconductor, Inc.**, **ASML Holding N.V.**, **Monolithic Power Systems, Inc.**, and **NVIDIA Corporation**.

Electric Vehicles: **Tesla, Inc.**

Biotechnology/Pharmaceuticals: **Rocket Pharmaceuticals, Inc.**

In addition, we have persisted in our efforts to exploit market weakness in a second way: engaging in prudent tax management. By the end of the year, we had locked in $170 million of net tax-loss carryforwards, quite material given our current assets under management, which we will be able to use to shield taxable gains in more positive market environments. For non-taxable investors, our goal and discipline in this effort was to accumulate material net tax-loss carryforwards without impacting portfolio performance.

We're often asked whether this is a good buying opportunity for our Funds and growth stocks. Given our qualitative research, financial projections, and price target work discussed above, as I have addressed in my recent letters and Ron has done in his Letters from Ron, the answer we give is yes. The only caveat is "yes…for long-term investors," because we avoid even attempting to engage in market timing and have addressed its perils, and don't know whether improved returns will show this quarter, next quarter, in the second half, or next year. The bears in this debate point to the Fed, the recession, and earnings estimates still being too high. A couple of quick responses. First, while I have no view on S&P 500 Index earnings, the so-called technology industries we emphasize in our portfolio – software, electric vehicles (EVs), and now semiconductors – have been acting as if we've been in a recession for over a year now. Stocks have sharply retreated, multiples have compressed, and forward numbers (company guidance and Street estimates) have come down. Have multiples and numbers come down enough? Hard to say precisely. But across these technology industries, multiples have compressed below long-term average figures – before the pandemic and consistent with higher interest rates – on both absolute and growth-adjusted bases. And numbers have come down significantly – companies expected to be 50%-plus growers in 2023 are now projected to be in the low to mid-30% range; the 30% to 40% growers are now projected to be in the low to mid-20% range and even the high teens – and forward projections for 2024 and 2025 appear reasonable and even conservative. I will never call "the" bottom in short-term fundamentals or stock prices, but we have run fact-based and pragmatic scenarios across our investments, and believe we are much closer to the bottom, if not already there, and at stock-price levels where the risk/reward and upside-downside is in our favor, particularly over the long term (to be clear, by that I mean 2- to 3-year returns, not 5 or 10). Second, when you consume so-called expert opinions regarding market performance in relation to recessions, don't discount the fact that, if it happens, this recession is likely the most widely anticipated, predicted, and forecasted recession in human history, a lot is already priced into the market, and so this time might be different.

We are also often asked about our opinion on growth vs. value. First, growth has significantly underperformed value recently, particularly at the large-cap end of the spectrum. Last year, the Russell 1000 Growth Index lagged the Russell 1000 Value Index by almost 22%, and the Russell 3000 Growth Index trailed the Russell 3000 Value Index by 21%.[4] So the inevitable principle of "reversion to the mean" augurs well for growth.[5] Second, while market leadership inevitably cycles, we remain convinced that durable/secular growth will lead the market more often. Longer-term market and stock returns are driven by growth in earnings (and FCF) and dividends. Multiples fluctuate up and down, but always revert to the mean over time. So, you need sustainable (as opposed to cyclical or one-time) expansion of a company's "E" (earnings/FCF) to yield a reliably higher P, or price. Durable expansion of a company's earnings or cash flow power can only be driven by profitable top-line growth – our "faster-for-longer" dictum. Third, the tables below are comparisons I monitor on a regular basis – a select group of our higher-scaled digital transformation winners, which account for about 41.1% of our portfolio, versus a select set of large-cap Consumer Staples and less discretionary leaders that we do not own in the Fund. As you can see, the digital transformation leaders trade at lower enterprise value to FCF multiples despite higher growth and more profitable (cash generative) business models.

Table II.
Select Digital Transformation Leaders (portfolio holdings)

	2024 Street Estimates			
	Revenue Growth	FCF Growth	FCF Margin	EV/FCF Valuation
Microsoft Corporation	14%	20%	34%	20x
Alphabet Inc.	13%	19%	27%	13x
Amazon.com, Inc.	14%	117%	7%	25x
NVIDIA Corporation	21%	42%	37%	33x
Tesla, Inc.	30%	37%	11%	29x
ASML Holding N.V.	14%	9%	24%	35x
ServiceNow, Inc.	22%	28%	32%	25x
Workday, Inc.	18%	29%	24%	20x
Electronic Arts Inc.	7%	12%	28%	14x
Average	**17%**	**25%**[6]	**25%**	**24x**

Based on FactSet Estimate data as of 1/19/2023.

[4] In 2022, the Russell 1000 Growth Index fell 29.14% while the Russell 1000 Value Index dropped 7.54%; the Russell 3000 Growth Index fell 28.97% and the Russell 3000 Value Index dropped 7.98%.

[5] Credit Suisse found that the relative performance of the value factor in 2022 was "the greatest outperformance since 2000-01." The same report articulated three "major headwinds" for the value factor in 2023: (a) EPS growth for low P/E value stocks "are more depressed than normal relative to high P/E [growth] stocks"; (b) high P/E growth stocks "have corrected substantially, removing their premium valuation"; and (c) "interest rates – a major catalyst for last year's outperformance – are less likely to rise in the year ahead."

[6] Amazon is excluded from the FCF growth average shown in the table because it is an outlier and skews the calculation. The average including Amazon is 35%.

Table III.
Select Large Cap Consumer Staples/Less Discretionary Leaders

	2024 Street Estimates			
	Revenue Growth	FCF Growth	FCF Margin	EV/FCF Valuation
Procter & Gamble Company	4%	9%	18%	25x
Coca-Cola Company	5%	0%	23%	26x
PepsiCo, Inc.	5%	15%	11%	28x
NIKE, Inc.	9%	25%	11%	32x
Starbucks Corporation	11%	12%	10%	35x
Mondelez International, Inc.	3%	7%	12%	28x
Colgate-Palmolive Company	4%	–1%	14%	26x
Hershey Company	4%	27%	16%	28x
Constellation Brands, Inc.	7%	15%	16%	32x
Average	**6%**	**12%**	**15%**	**29x**

Based on FactSet Estimate data as of 1/19/2023.

The public release of ChatGPT shook the world and may prove to be a seminal/inflection point moment in the adoption of AI. Launched as a free prototype to the public on November 30, 2022, ChatGPT is a sophisticated chatbot from OpenAI, built on top of a family of large language models (LLMs), that responds to text inputs and provides articulate answers in a detailed, natural language manner never seen before by the wider public. Use cases include writing natural answers, writing "creatively" (e.g., poems in the style of your choice), auto- completing and debugging code, summarizing long text, having conversations, etc. LLM's like ChatGPT, as well as text-to-images models like DALL-E, also from OpenAI, are a type of AI referred to as Generative AI. Here is one example of what ChatGPT can do (you can find thousands more on the internet and social media):

SL Could you write an advertisement for renting the 49th floor of the GM building in NYC?

Looking for a prime office space in the heart of New York City? Look no further than the 49th floor of the GM building in NYC!

This stunning location offers panoramic views of the city, providing a breathtaking backdrop for your business meetings and a daily source of inspiration for you and your team. The floor boasts state-of-the-art infrastructure, including high-speed internet and modern amenities to ensure maximum productivity.

The GM building is centrally located in the heart of Manhattan, with easy access to public transportation options and ample parking nearby. The building also features a variety of on-site amenities, including a fitness center, coffee shop, and restaurants.

Don't miss this opportunity to elevate your business and make a statement with a prestigious address on the 49th floor of the GM building. Contact us today to schedule a tour and experience the space for yourself.

ChatGPT reached 1 million users faster than any digital service in history. Among other things, Generative AI will lower the barriers to creation, expression, worker productivity, software development, and access to understandable information. On the other side, schools and parents are already debating how to stop their children/students from using ChatGPT to write papers and help with homework, and ChatGPT could be a risk to Google if people start to enter queries on ChatGPT instead of search.[7]

We have been investing in AI for years. We acknowledge there might be a little hype around ChatGPT, but we have long been believers that AI is the next major secular tectonic shift, like mobile and cloud, and will be the most compelling force to power technology innovation and impact human life over the next decade. At its most basic, AI refers to computerized systems that mimic human intelligence, such as thinking, perception, acting, and reasoning.[8] We have all been benefiting from AI for the last decade.

[7] Google Search, however, is globally scaled and free to billions of users, while OpenAI's founder has described ChatGPT's cost-per-query as "eye watering;" search results are real-time not static; and only 20% of Google searches are commercial enough to be monetized; and Google is itself an AI innovator and will likely launch its own generative AI services. But we are watching and researching carefully.

[8] Other terms that you may have heard, such as machine learning and deep learning, are more advanced subsets of AI. Machine learning describes systems that apply algorithms to large data pools to perform specific tasks by learning from patterns in the data. Deep learning requires less human input to target relevant data sets; rather the computerized system automatically organizes and extracts intelligence from the raw data, improving results rapidly and iteratively without human intervention.

Well-adopted use cases include recommendations of search results on Google; videos to watch on YouTube, Netflix, TikTok, and Reels; products to buy on Amazon and other e-commerce sites; songs or podcasts to listen to on streaming services like Spotify; and what ads to show users on mobile applications, internet sites, and connected TV services. Autonomous driving systems, like Tesla's Autopilot and Cruise Automation's robo-taxi service, are also based on AI.

Below is a partial list of the secular megatrends we focus on:

- Cloud computing
- Software-as-a-service (SaaS)
- Artificial Intelligence
- Mobile
- Semiconductors
- 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

Table IV.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Gartner, Inc.	0.91%
NVIDIA Corporation	0.61
Microsoft Corporation	0.57
Mastercard Incorporated	0.49
Visa, Inc.	0.48

Shares of **Gartner, Inc.**, the world's largest provider of syndicated research, contributed to our results in the quarter. Gartner is a business that we have been investing in for over 15 years, counting among the Fund's longest tenured investments, and it ended the year as our largest overweight versus our primary benchmark. Over the course of our involvement, we have witnessed Gartner expand from exclusively providing insights on the technology sector to also addressing human resources, finance, sales, marketing, and legal professionals. As a result, we estimate that Gartner's research TAM now exceeds $100 billion of annual recurring revenue, at least 25 times larger than its current business. Gartner sells its research on a subscription basis with annual contract terms and upfront cash payments, creating valuable recurring revenue streams with high retention rates and verifiable pricing power. Its business model carries high incremental margins, as its research can be written once but resold indefinitely with minimal incremental costs. As a result, Gartner is extremely cash generative, which management has deployed to make acquisitions and to repurchase stock. In the quarter, Gartner shares responded positively to the company's sustained business momentum despite growing concerns over macroeconomic conditions. For the third quarter, Gartner grew its research contract value at 14.5%, including 12.7% growth in its Global Technology Services practice and 21.4% growth in its Global Business Services practice. Margins meaningfully exceeded expectations despite growing investments across the company, driven by Gartner's strong unit economics and high incremental margins. Finally, cash flow continued to meaningfully exceed net income, with the company allocating $1 billion to share repurchases through the first three quarters of the year.

NVIDIA Corporation is a fabless semiconductor mega cap that is a global leader in gaming cards and accelerated computing hardware and software. Despite the ongoing inventory correction in gaming, shares rose over 20% during the fourth quarter because of continued resilience in the company's data center segment, which beat expectations and grew more than 30% year-over-year, driven by robust demand for accelerating computing graphic processing units (GPUs) to power data-intensive, AI, and cloud workloads. Along these lines, the company announced an agreement with Microsoft and Oracle, in which it will go to market together with these cloud providers, getting a revenue share for the usage by Microsoft/Oracle end customers of NVIDIA GPUs in the cloud as well as NVIDIA's AI Enterprise software suite as a service. This strategic announcement should both reduce hurdles for AI adoption in vertical industries as well as drive incremental usage-based, high-margin revenues for NVIDIA. In addition, OpenAI's ChatGPT uses NVIDIA GPUs to train its models and runs on NVDIA GPUs in the Microsoft Azure cloud to provide its answers. We continue to believe that NVIDIA's end-to-end AI platform – both GPUs and increasingly high-margin software – and its leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, will enable the company to grow faster-for-longer for years to come.

Shares of mega-cap software company **Microsoft Corporation** outperformed despite a mixed fiscal first quarter due to macro challenges that negatively impacted results and guidance, including foreign exchange headwinds, weakening PC demand, and a cyclical slowdown in advertising spending. Total revenue beat Street expectations at 16% constant-currency growth (vs. estimates of 14%), but its Azure cloud computing business missed analyst projections by 1% for the second straight quarter, though it still grew a robust 42% year-over-year, as Microsoft helped its customers optimize existing workloads due to the macro backdrop. While the optimization of workloads is a short-term headwind, we believe it is the right thing to do and should help drive more consumption with customers over time. Our research continues to indicate that the longer-term secular trend of cloud computing remains healthy and intact. For example, in its fourth quarter CIO survey report, Morgan Stanley showed, among other things, that cloud computing was the second highest CIO spending priority (behind only security software), that cloud application workloads were expected to increase from 27% of total workloads today to 46% by the end of 2025, and that Azure was listed as the preferred cloud vendor and likely to take share over the short and long term.[9] Additionally, Microsoft is positioned to be a prime beneficiary of ChatGPT. Microsoft invested $1 billion in OpenAI in 2020 and is rumored to be considering investing an additional $10 billion for a 49% stake in the company. Moreover, ChatGPT runs on Microsoft's Azure platform, and Microsoft recently announced the general availability of its Azure OpenAI Service enabling Azure customers to access advanced AI models, including ChatGPT itself soon. We remain bullish on Microsoft's long-term opportunity in the cloud, and believe AI has the potential to be additive to growth for years to come.

[9] Microsoft Azure was the top vendor "you are using or likely to use in managing your hybrid cloud environment" at 46%; as well as the top "preferred public cloud vendor" today and for the next three years at 38% and 48%, respectively; and the top vendor "with largest gain or loss of incremental share of IT budget as a result of the shift to the cloud in 2023" at a net figure of 40%. Amazon was the second ranked vendor on all these surveys at 17%, 31%, 34%, and 24% net, respectively.

Shares of global payment network **Mastercard Incorporated** outperformed after reporting strong quarterly results with 15% revenue growth and 13% earnings growth, despite significant headwinds from currency movements and the suspension of operations in Russia. Payment volume grew 21% in local currency, excluding Russia, as consumer spending remained resilient and international travel continued to recover as border restrictions are lifted. Major foreign currencies strengthened toward the end of the quarter, which should support future growth. We continue to own the stock due to Mastercard's long runway for growth and significant competitive advantages.

Shares of global payment network **Visa, Inc.** outperformed after reporting strong quarterly results with 19% growth in revenue and earnings, despite currency headwinds and the suspension of operations in Russia. Payment volume grew 16% in local currency, excluding Russia and China, with notable strength in cross-border volumes as international travel rebounded. Management also provided encouraging guidance for the next fiscal year. We continue to own the stock due to Visa's long runway for growth and significant competitive advantages.

Table V.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Tesla, Inc.	–3.13%
Amazon.com, Inc.	–1.53
Rivian Automotive, Inc.	–1.10
ZoomInfo Technologies Inc.	–0.86
CrowdStrike Holdings, Inc.	–0.70

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Shares underperformed due to growing concerns regarding delivery volumes and vehicle pricing dynamics, as global demand appeared to be impacted by widespread macro weakness, COVID outbreaks in China, and higher interest rates (impacting vehicle financing). In addition, following the closing of CEO Elon Musk's acquisition of Twitter, Elon has dedicated a material portion of his time to that business, sold Tesla shares to fund the transaction, and attracted controversy regarding his public tweets and management of Twitter. Moreover, following a couple of years in which the industry, and Tesla, benefited from elevated prices due to robust demand in a supply-constrained environment, Tesla recently reduced prices across all key geographies. Despite these issues and concerns, which we take seriously and are carefully researching, our long-term investment conviction in Tesla remains intact, we believe Tesla's stock has been oversold and the current valuation is compelling, and we added to our position during the fourth quarter. Several points:

(1) We remain confident in Elon as Tesla's CEO and leader, and the highly capable and trusted management team working alongside him. While we don't align with everything Elon says and does, given our long-term investments in Tesla and SpaceX, we know him to be a leader and visionary, and to possess a unique skillset and mission-driven perspective to drive amazing innovations others thought impossible, across rocket launches and landings, EVs, battery storage, autonomous driving, robotics, and more.

(2) Tesla ended the third quarter with just under $22 billion of cash with effectively no recourse debt, it is expected (by the Street) to generate over $4 of run-rate earnings in the fourth quarter, it has generated $9 billion of FCF over the trailing 12 months, its near- and long-term earnings and cash flow power remains robust, and it has proven EV unit economics with its Model 3/Y line of vehicles achieving a high of $15,000 of gross profit per vehicle (ex all credits). Tesla will exit 2022 with a production rate of approximately 2 million vehicles and will end 2023 at a far higher level with the ramp of its new, localized, and more efficient factories in Texas and Berlin. In 2022 EV sales accounted for 10% of the global automotive market, and Elon's public target for Tesla is to sell 20 million EVs by 2030. With its scale, brand, direct-to-consumer model, unit level economics, balance sheet, superior product lineup, manufacturing efficiencies, Cybertruck launching later this year, and a lower-priced model with a $20,000 production cost launching next year, we think Tesla's management made the correct aggressive and disruptive move to lower prices and take market share, capitalizing on the relative weakness of its legacy automotive and far smaller EV competitors, as well as substantial consumer incentives in the U.S. under the Inflation Reduction Act (IRA). We always expected Tesla to reduce pricing as driving volume is a key strategy for the company, and the high-margin software (autonomous driving) and robo-taxi opportunities inside of a larger fleet are substantial. We believe Tesla should be able to sell approximately four to five million EVs by mid-decade. Already, reports from all around the world of spiking consumer orders for Tesla vehicles abound.

(3) We believe the IRA will materially benefit Tesla's U.S. operations. Tesla currently holds roughly 60% of the EV market share in the U.S., making it by far the largest EV producer in the region. The IRA will offer 10% to 15% price reductions (tax rebates) for eligible consumers on eligible vehicles, and potentially even more for commercial customers. On top of that, the IRA's production tax credit of $45 per kilowatt hour can imply a roughly 30% cost reduction in the battery, the most expensive component in Tesla's cost of production.

(4) Tesla has several long-term growth drivers viewed as not much more than options by the Street, including full self-driving, robo-taxis, commercial battery storage, and autonomous robots.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares of Amazon were down in the quarter, as the company guided to relative weakness in margins and its cloud business, due to the same macro headwinds and optimization trends impacting Microsoft Azure. We believe that Amazon is well positioned to improve profitability back to historical levels, particularly in its core North American retail division. We have already seen some of this play out with reports of Amazon's increased cost discipline and broad-based layoffs. Particularly within the internet and software sectors, we believe Amazon can sustain premium growth compared to the rest of the market, given its competitive strengths and scale. Longer term, Amazon has substantially more room to grow in e-commerce, where it has less than 15% penetration in its TAM, and cloud, where it is a clear leader in the vast and growing cloud infrastructure market.

Shares of **Rivian Automotive, Inc.**, a U.S.-based EV manufacturer, negatively impacted our results in the fourth quarter. Regardless of seven-fold growth in its monthly production rate between late 2021 and the fourth quarter, the stock remained under pressure. This was due, in part, to overall market dynamics, and Tesla's decline impacting recent trading across the entire EV category. Moreover, despite an attractive long-term opportunity and favorable product reviews by customers and industry experts, investors remain concerned about liquidity risks as the company burns cash during its early production stage while unit economics remains challenged. Vehicle sales through the end of 2023 will be at Rivian's legacy vehicle pricing, which was set before inflationary and supply-chain pressures emerged last year across the entire automotive space. New pricing and improved unit economics should be realized in 2024, and Rivian is slated to launch its R2 vehicle line in 2026. We have adjusted Rivian to a smaller position in our portfolio. Despite near-term macro and execution risks, we do believe that Rivian's current valuation offers attractive long-term returns. During the year, we will remain focused on Rivian's production ramp, vehicle demand, unit-level economics, cost controls, as well as progress on its R2 vehicle platform, its next-gen Enduro electric motor, and its battery system advancements.

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Shares of ZoomInfo detracted from performance after the company shared a weaker top-line outlook driven by meaningful macro weakness compounded by exposure to certain verticals, like software. We have researched and spoken to the company and industry experts in detail last quarter to assess short-term macro risks versus our longer-term growth thesis. We continue to closely monitor ZoomInfo's progress in overcoming elongated sales cycles in the current environment and test our conviction that they will be able to drive premium growth over time as it continues to innovate and make smart acquisitions to establish the company as the only broad platform vendor in its space.

CrowdStrike Holdings, Inc. is a market leading cloud-native cybersecurity vendor. Shares declined on the back of a weaker-than-expected earnings report, in which revenue beat Street expectations but net new annual recurring revenue (ARR) slightly missed consensus due to elongated sales cycles that impacted deals with small- and medium-sized businesses (SMB) and phased start dates with larger customers. For example, instead of 100,000 end-points starting on day 1, start 75,000 on day 1 and 25,000 six months later. For fuller context, in the fiscal third quarter, revenue grew 53%, ARR grew 54%, net new ARR was $198 million vs. expectations about $20 million higher, and the business generated 30% FCF margins. Accounting for the net new ARR miss, the company offered conservative initial guidance for fiscal year 2024 (ending January 2024), with ARR growth in the low 30s, subscription revenue growth in the low-to-mid 30s, and FCF margins around the 30% level. While this was a painful reset, CrowdStrike noted its SMB win rates had improved, enterprise win rates remained constant, its gross and net retention rates are at best-in-class levels, and its emerging products were experiencing rapid adoption. Despite short-term weakness, Morgan Stanley's fourth quarter CIO survey showed security software projects remained the top CIO priority, and our research continues to indicate that CrowdStrike is one of the few true platforms in the security space.

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 U.S. Large Growth by Morningstar. As of the end of the fourth quarter, the largest market cap holding in the Fund was $1.8 trillion and the smallest was $866 million. The median market cap of the Fund was $31.8 billion.

To end the year, the Fund had $762.7 million of assets under management. The Fund had investments in 45 unique companies. The Fund's top 10 positions accounted for 53.1% of net assets.

Given the market backdrop, fund flows were negative for the year, a reversal from 2020 and 2021.

Table VI.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$1,787.7	$107.9	14.1%
Alphabet Inc.	1,145.2	49.6	6.5
Amazon.com, Inc.	856.9	40.8	5.3
Gartner, Inc.	26.6	39.5	5.2
NVIDIA Corporation	359.5	33.2	4.3
argenx SE	21.0	30.6	4.0
Visa, Inc.	442.2	27.3	3.6
CoStar Group, Inc.	31.4	26.1	3.4
Tesla, Inc.	389.0	25.9	3.4
Mastercard Incorporated	334.3	24.3	3.2

Recent Activity

Table VII.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Tesla, Inc.	$389.0	$9.4
Rocket Pharmaceuticals, Inc.	1.5	7.2
Advanced Micro Devices, Inc.	104.4	6.0
indie Semiconductor, Inc.	0.9	5.2
X Holdings I, Inc.	–	5.0

For **Tesla, Inc.** see our discussion above.

Rocket Pharmaceuticals, Inc. is a biotechnology company focused on the treatment of non-oncological genetic diseases via gene therapy. We are bullish on the company for the four clinical programs in Danon disease, LAL-D, Fancomi Anemia, and Pyruvate Kinase Disorders. We think each program has a high probability of success and can underwrite a few billion in sales for the company during the next few years given the high unmet need for treatment of these diseases.

During the quarter, we added to our position in **Advanced Micro Devices, Inc.** (AMD), a global fabless semiconductor company focusing on high-performance computing technology, software, and products. AMD designs leading high-performance central and graphics processing units (known as CPUs and GPUs) and integrates them with hardware and software to build differentiated solutions for customers. While the company is seeing weakness in its PC business in the short term, we continue to believe AMD will be one of the lead beneficiaries of growing data center infrastructure spending driven by expanded use cases for AI and cloud computing across its product portfolio. AMD's largest share gain opportunity is in its data-center-server CPUs, which continue to take share from incumbent Intel given a superior total cost of ownership proposition driven by better performance per watt of energy consumption across many computing workloads. We also believe Xilinx, a recent acquisition, offers AMD diversification opportunities through which it can benefit from the broader proliferation of semiconductors into all aspects of the industrial and consumer economies.

Indie Semiconductor, Inc. is a fabless designer, developer, and marketer of automotive semiconductors for advanced driver assistance systems and connected car, user experience, and electrification applications. We added to our position in the quarter, taking advantage of a sell-off in the stock when the company announced a capital raise to fund future acquisitions. We continue to believe that the automotive semiconductor vertical is attractive as silicon content in cars increases over time and that indie remains on track to deliver profitability by the end of this year while sustaining its rapid pace of growth. Given their track record, we also trust indie's management to deploy its recently raised capital into an accretive acquisition that enhances the company's long-term growth prospects.

We acquired a small position in holding company **X Holdings I, Inc.** in connection with Elon Musk's acquisition of Twitter. We have been closely analyzing and investing in the digital and social media space for years and have interacted with prior Twitter management teams many times. We believe Twitter is a differentiated platform with the real opportunity to become the global (ex-China) "digital town square." We appreciate the current public debate and media discourse around Twitter and Elon. We do not view the investment opportunity in Twitter as short term in any way, but even longer term than our typical investments.

If the Twitter opportunity is executed upon correctly – and we appreciate the weight of that "if" – we believe Twitter should become a materially larger and significantly more profitable business.

Table VIII.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Alphabet Inc.	$1,145.2	$13.5
Gartner, Inc.	26.6	7.7
Microsoft Corporation	1,787.7	7.7
PAR Technology Corporation	0.8	6.9
argenx SE	21.0	6.6

Our sales of **Gartner, Inc.**, **Microsoft Corporation**, and **argenx SE** were all trims because these stocks performed relatively better than the rest of the portfolio for the year and increased in position size. As you can see in Table IV, each remains a top six position in the portfolio, with Gartner and Microsoft our top two overweights versus our primary index.

Alphabet Inc. remains the second largest position in the portfolio, and we continue to be positive on its growth opportunities with search, YouTube, and cloud computing, but we decided to slightly reduce the position size to fund other investments in software, semiconductors, and digital media, and because ChatGPT and/or similar AI-based services present a hard to measure risk to Google's virtual search monopoly.

We sold **PAR Technology Corporation** to fund other software investments.

To conclude, despite the current uncertain macroeconomic environment, I remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends. We continue to believe that non-cyclical, durable, and resilient growth should be part of investors' portfolios and that our strategy will deliver solid long-term returns for our shareholders.

Sincerely,

Michael A. Lippert
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Securities issued by small and medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Companies propelled by innovation, including technology advances and new business models, may present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Opportunity Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Price/Earnings Ratio (next 12-months): is a valuation ratio of a company's current share price compared to its mean forecasted 4 quarter sum earnings per share over the next twelve months. If a company's EPS estimate is negative, it is excluded from the portfolio-level calculation. **Enterprise value (EV)** is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. EV includes in its calculation the market capitalization of a company but also short-term and long-term debt as well as any cash on the company's balance sheet. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Partners Fund Shareholder:

Performance

2022 was a very difficult year. There was extreme volatility in most equity markets and consistent valuation pressures on many of the growth businesses that Baron Partners Fund (the "Fund") favors. The final quarter was particularly tough. That was because the share price of **Tesla, Inc.**, the Fund's largest holding, fell substantially. While the Fund had modestly outperformed the Russel Midcap Growth Index (the "Index") through the first nine months of the year, this final quarter caused both its absolute and relative annual performance to be meaningfully lower than our long-term average.

The Fund declined 19.94% (Institutional Shares) in the quarter and 42.41% for the calendar year. As mentioned, this performance is lower than the Index's quarterly and annual returns of 6.90% and (26.72)%, respectively. The S&P 500 Index increased 7.56% in the quarter while declining 18.11% for the year.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Partners Fund Retail Shares[1,2,3]	Baron Partners Fund Institutional Shares[1,2,3,4]	Russell Midcap Growth Index[2]	S&P 500 Index[2]
Three Months[5]	(19.99)%	(19.94)%	6.90%	7.56%
One Year	(42.56)%	(42.41)%	(26.72)%	(18.11)%
Three Years	23.33%	23.65%	3.85%	7.66%
Five Years	21.66%	21.98%	7.64%	9.42%
Ten Years	19.17%	19.49%	11.41%	12.56%
Since Conversion (April 30, 2003)	15.51%	15.72%	10.69%	9.71%
Since Inception (January 31, 1992)	14.22%	14.35%	9.43%	9.67%

MICHAEL BARON
CO-PORTFOLIO MANAGER

RON BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BPTRX
Institutional Shares: BPTIX
R6 Shares: BPTUX

Despite the most recent year's performance, the Fund maintains a stellar long-term absolute and relative record. Its 3-, 5-, and 10- year annualized returns are 23.65%, 21.98%, and 19.49%, respectively. These figures compare to only 3.85%, 7.64%, and 11.41% for the Index, respectively. And while we are disappointed with the year's returns, we are pleased with the Fund's longer-term appreciation.

Baron Partners Fund is a concentrated and levered portfolio invested in growth companies. Its top 10 positions account for 99.7% of net assets. In past quarterly letters, we discussed how we have attempted to reduce risk in

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2021 was 1.36% (comprised of operating expenses of 1.30% and interest expense of 0.06%) and Institutional Shares was 1.11% (comprised of operating expenses of 1.05% and interest expense of 0.06%). 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 may reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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.

3 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.

4 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.

5 Not annualized.

BARON FUNDS 1987

the portfolio despite this high concentration. We have written about how we segment the Fund's portfolio into four categories (**Disruptive Growth**, **Core Growth**, **Financials**, and **Real/Irreplaceable Assets**) and explained how each segment had performed in the unique environment. While we believe this format is beneficial for our clients' understanding the Fund's results and construction (and we intend to return to this format), it is important to address more thoroughly the Fund's largest position and this quarter's main detractor, Tesla.

Tesla declined 54% in the quarter and detracted 26.62% from the Fund's overall performance. We initiated our position in Tesla in February 2014 at a split-adjusted price of $11.91. Over the subsequent two years, we acquired 16.65 million shares for an average split-adjusted price of $14.22. At the time of our final purchase in February 2016, the stock represented 9.6% of the Fund's total investments.

Tesla produced approximately 35,000 vehicles in 2014, the year of our initial purchase. In 2022, it produced 1.37 million vehicles. Not only has its production grown tremendously, but it has also significantly increased profitability per vehicle. Tesla has expanded from producing high-performance electric vehicles for wealthy aficionados to a company that produces affordable luxury cars for a sizable audience. In turn, it has transformed its industry. Investors rewarded this expansion in both production and profits, and the stock price increased to $265.25 at the end of the third quarter. Since 2016*, we sold 4.5 million shares, or 27.0% of the original holding, at an average price of $218.39*.

Investors have recently become concerned about many external factors. Elon Musk is Tesla's founder and CEO. His purchase of Twitter has negatively impacted the perception of Tesla's brand in the short term. China's COVID policies and outbreak have paused purchases and production in the company's largest region. Global recessionary fears and upcoming Inflation Reduction Act incentives also caused some to delay new vehicle purchases in various markets.

We strongly believe Tesla's long-term growth objective remains intact and achievable. We are confident these current issues will eventually be remedied without a long-term impact to the business. Instead, we are focused on the next leg for the company in achieving its stated mission, "to accelerate the world's transition to sustainable energy." We believe the company is taking significant steps towards introducing a lower cost vehicle that will be much more accessible to the mass market, while still achieving enviable profits. We believe this product introduction in 2024 should give investors the reassurance needed to stabilize and stimulate the stock price. It should also lessen the impact of perceived competition, that we expect will be unable to match the new value proposition.

While Tesla remains the largest investment for the Fund, several of its other holdings performed well despite a challenging environment. The Fund's Financials, Core Growth, and Real/Irreplaceable Assets categories each garnered returns that exceeded its benchmark Index. Each was led by high-quality and unique growth companies that excel in their lines of business. **Arch Capital Group Ltd.**, **IDEXX Laboratories, Inc.**, and **Red Rock Resorts, Inc.**, all leaders in their respective fields, are currently well positioned. Each of these companies appreciated over 20%. We believe Arch, a property & casualty (P&C) insurance provider, is uniquely positioned to benefit from the hardening rate environment. Its conservative hurdles for new policies are now being met because of the improved landscape. P&C premiums rose 26% for the company in the quarter. While its mortgage insurance business declined because of lower residential real estate sales and higher interest rates, credit quality is strong given low unemployment and high homeownership equity.

Investors are also seeing a favorable pricing dynamic for IDEXX. The veterinary diagnostic company expects to raise prices in early 2023 on top of increases made in 2022. While veterinary visits have been lumpy given a spike in new pet adoption in the early days of the pandemic and variations in clinic staffing levels due to COVID surges, the company has placed more premium tests. It is a good leading indicator for continued growth and margin expansion.

Red Rock, the operator of Las Vegas gaming properties, is extremely well positioned in the resilient locals casino market. Despite a tough inflationary environment, the company was able to expand margins. Customer traffic is returning to pre-COVID levels. It is utilizing this cash flow for various projects and expects to double its portfolio by 2030.

This combination of high-growth companies with steadier leaders in their industries had been rewarding for the Fund's shareholders. While this ballast was unable to overcome current depreciation in a large holding, we anticipate this portfolio construction to perform better in the future.

Table II.
Total returns by category for the three months ended December 31, 2022

	% of Net Assets (as of 12/31/2022)	Total Return (%)	Contribution to Return (%)
Financials	**25.0**	**16.33**	**2.41**
Arch Capital Group Ltd.	8.5	37.86	1.65
The Charles Schwab Corp.	7.1	16.17	0.74
Brookfield Asset Management Ltd.	0.1	14.40	0.01
MSCI, Inc.	1.9	10.59	0.12
Cohen & Steers, Inc.	0.7	3.91	0.02
FactSet Research Systems, Inc.	6.0	0.47	–0.08
Brookfield Corporation	0.7	–9.89	–0.05
Core Growth	**26.8**	**15.14**	**2.18**
IDEXX Laboratories, Inc.	6.8	25.22	0.89
Gartner, Inc.	4.9	21.49	0.55
Adyen N.V.	1.7	11.31	0.12
CoStar Group, Inc.	11.8	10.95	0.67
HEICO Corporation	0.7	5.80	0.03
Illumina, Inc.	0.3	5.19	0.01
StubHub Holdings, Inc.	0.5	–9.80	–0.04
Krispy Kreme, Inc.	0.3	–10.34	–0.04
Real/Irreplaceable Assets	**16.5**	**12.44**	**1.16**
Red Rock Resorts, Inc.	1.0	20.11	0.11
Gaming and Leisure Properties, Inc.	2.0	19.36	0.22
Vail Resorts, Inc.	5.2	12.42	0.35
Hyatt Hotels Corp.	6.2	11.72	0.37
Marriott Vacations Worldwide Corp.	2.0	11.04	0.14
Douglas Emmett, Inc.	0.2	–11.28	–0.03
Russell Midcap Growth Index		**6.90**	
Disruptive Growth	**51.9**	**–38.86**	**–25.28**
Shopify Inc.	0.6	26.52	0.15
Space Exploration Technologies Corp.	12.3	22.58	1.54
Iridium Communications Inc.	4.3	15.84	0.41
Guidewire Software, Inc.	1.0	1.53	0.02
Northvolt AB	0.2	–5.33	–0.01
Spotify Technology S.A.	0.3	–10.02	–0.12
Figs Inc.	1.0	–18.42	–0.18
Airbnb, Inc.	0.1	–18.63	–0.03
X Holdings I, Inc.	0.9	–29.78	–0.23
Tesla, Inc.	31.0	–53.56	–26.62
Velo3D, Inc.	0.2	–54.65	–0.21
Cash	**–20.2**	**–**	**0.00**
Fees	**–**	**–0.49**	**–0.43**
Total	**100.0***	**–19.97****	**–19.97****

Sources: FactSet PA, BAMCO, and FTSE Russell.
* Individual weights may not sum to displayed total due to rounding.
** Represents the blended return of all share classes of the Fund.

Table III.
Top contributors to performance for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Arch Capital Group Ltd.	2002	$0.6	$ 23.2	37.86%	1.65%
Space Exploration Technologies Corp.	2017	–	–	22.58	1.54
IDEXX Laboratories, Inc.	2013	4.7	33.8	25.22	0.89
The Charles Schwab Corp.	1992	1.0	155.4	16.17	0.74
CoStar Group, Inc.	2005	0.7	31.4	10.95	0.67

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares increased due to favorable pricing trends in the P&C insurance market. During the quarter, the company reported earnings that beat consensus despite significant losses from Hurricane Ian. The stock also benefited from inclusion in the S&P 500 index, which prompted buying from passive funds. We continue to own the stock due to Arch's strong management team and our expectation of strong growth in earnings and book value.

Space Exploration Technologies Corp. (SpaceX) is a high-profile private company founded by Elon Musk that designs, manufactures, and launches rockets, satellites, and spacecrafts. Its long-term goal is to enable human beings to inhabit Mars. We believe SpaceX is creating substantial value through the expansion of its Starlink broadband service. It also reliably provides reusable launch capabilities, including crewed space flights, and is making progress on its largest rocket, Starship. We value SpaceX using prices of recent financing transactions and a proprietary valuation model.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** detracted from performance. Veterinary visits are still being adversely impacted by tight labor markets and challenging comparisons after a surge of pet adoptions during the pandemic. However, the rate of decline seems to have stabilized, and we see increasing evidence that long-term secular trends around pet ownership and pet care spending have been structurally accelerated. IDEXX's competitive trends are outstanding, and we expect new proprietary innovations and sales force expansion to be meaningful contributors.

Shares of online brokerage firm **The Charles Schwab Corp.** rose in the quarter on rising interest rates, which should generate increased profits on Schwab's more than $600 billion of interest-earning assets. Moreover, despite turbulent markets, the company attracted over $400 billion of net new client assets over the past 12 months. We remain shareholders. In addition to strong organic growth, we believe operating expenses per client assets will drop to record lows once the equity markets improve.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. Shares increased on solid third quarter results and raised guidance. We think CoStar is well positioned to benefit from the migration of real estate market spend to online channels. CoStar is investing aggressively to build out its residential marketing platform, which offers dramatic upside potential, in our view. The company has over $4.7 billion of cash on its balance sheet, which we expect it to begin to deploy for opportunistic M&A.

Table IV.
Top detractors from performance for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$21.9	$389.0	–53.56%	–26.62%
X Holdings I, Inc.	2022	–	–	–29.78	–0.23
Velo3D, Inc.	2022	0.8	0.3	–54.65	–0.21
Figs Inc.	2022	1.6	1.1	–18.42	–0.18
Spotify Technology S.A.	2020	22.6	15.2	–10.02	–0.12

Tesla, Inc. manufactures electric vehicles, related software and components, and solar and energy storage products. Shares fell due to growing investor concerns regarding volume and pricing dynamics as demand appeared to be pressured by a potential recession and higher interest rates. In addition, following Twitter's acquisition, CEO Elon Musk dedicated a material portion of his time to the company and sold Tesla shares to fund the transaction, driving investors' concern regarding his dedication to Tesla. We remain confident in Tesla's fundamentals and management team.

X Holdings I, Inc. is a holding company used by Elon Musk to acquire social media company Twitter in October 2022. Twitter's mission is to become a "digital town square" that enhances the dialogue among users by enabling more transparent operations and allowing discussions as broad as the law permits. In addition, the company is expanding its revenue streams by offering new products including verified subscriptions and revenue sharing with content creators. We value the shares of this privately owned company based on a multi-aspect proprietary model.

Shares of **Velo3D, Inc.**, a 3D printing manufacturer providing a full-stack hardware and software solution to enable support-free printing, fell during the quarter on a slightly lowered 2022 financial outlook due to timing of shipments and supply chain challenges. Despite this setback, the company is committed to achieving profitability by the end of 2023. We believe Velo's unique technology and software solutions will drive strong growth, especially as the Sapphire XC system, with its larger print volume, continues to penetrate the market for complex metal parts.

Figs Inc. is a leading direct-to-consumer health care apparel brand. Shares declined following disappointing guidance for the remainder of the year. While Figs remains the favorite brand for many health care professionals, the company now expects growth to be slower than it had previously forecast, as its customers are cutting back on purchases given the challenging macroeconomic environment. We retain conviction due to Figs' strong brand, superior product and merchandising, and direct-to-consumer business model.

Spotify Technology S.A. is a leading global digital music service offering on-demand audio streaming through paid premium subscriptions and an ad-supported model. Shares of Spotify were down on weakness in the company's fourth quarter gross margin guide. We still view Spotify as a long-term winner in music streaming with potential to reach more than one billion active monthly users. Subscriber additions remain strong, price increases seem likely, and cost discipline has become a bigger focus.

Investment Strategy and Portfolio Structure

Baron Partners Fund seeks to invest in businesses that we believe can double in value within five or six years. The Fund invests for the long term in a focused portfolio of appropriately capitalized, well-managed growth businesses at attractive prices across market capitalizations. We attempt to create a portfolio of approximately 30 securities diversified by GICS sectors, but with the top 10 positions representing a significant portion of net assets. These businesses are identified by our analysts and portfolio managers using our proprietary research. We think these well-managed businesses have durable competitive advantages and strong, long-term growth opportunities. We use leverage to enhance returns, which increases the Fund's volatility.

As of December 31, 2022, Baron Partners Fund held 32 investments. The median market capitalization of these growth companies was $16.8 billion. The top 10 positions represented 99.7% of net assets. We closed the year with leverage of 20.2%.

Portfolio leverage has slowly returned to historical levels. We have traditionally managed the portfolio with 20% to 25% leverage (the average leverage over the prior 10 years was 21.5%). At the start of 2020, leverage was 27.0%. However, due to a combination of a rapidly rising market, higher market volatility, and increased concentration in our top holdings, we managed risk by reducing leverage. Quarterly leverage bottomed at 3.3% at the end of March, 2021 and has remained below average. Coupled with a few new investments and modest outflows, we now feel the return to historical leverage position puts the portfolio in a good position to perform from these levels.

The long-term absolute and relative performance of the Fund has been very good. The Fund has returned 14.35% annualized since inception as a private partnership on January 31, 1992, beating its benchmark Index by 4.92% per year.

The Fund's performance has also exceeded its Index over the prior 3-, 5-, 10-, 15-, and 20-year periods. In addition to viewing the Fund's returns over various trailing periods, we believe it is helpful to understand how the Fund has performed over an economic cycle.

The Fund has appreciated considerably in good times…

There have been two distinct periods over the life of the Fund with significant economic growth. The nearly 8-year period from the Fund's inception through the Internet Bubble (1/31/1992 to 12/31/1999) and the more recent 11-year period Post-Great Recession to the start of the COVID Pandemic (12/31/2008 to 12/31/2019). During both periods, the Index had strong returns; however, the Fund's returns were even better. Baron Partners Fund's annualized return during the most recent robust economic 11-year period was 17.44% compared to the Index's 16.84%.

Table V.
Performance in Good Times: Outpacing the Index

	Fund's Inception to Internet Bubble 1/31/1992 to 12/31/1999		Post-Financial Panic to Macro Downturn 12/31/2008 to 12/31/2019	
	Value $10,000	Annualized Return	Value $10,000	Annualized Return
Baron Partners Fund (Institutional Shares)	$49,685	22.45%	$58,586	17.44%
Russell Midcap Growth Index	$40,316	19.26%	$55,380	16.84%
S&P 500 Index	$42,945	20.21%	$45,104	14.68%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

The Fund has retained value in challenging times…

We believe what sets the Fund apart from other growth funds is its historic ability to outperform in more challenging economic periods. The nine-year period from the Internet Bubble collapse through the Great Recession (12/31/1999 to 12/31/2008) saw lower returns for the Fund. It had annualized returns of 1.54%. However, the Index declined substantially. $10,000 hypothetically invested in the Fund at the start of this period would have been worth $11,479 after those nine years. A $10,000 hypothetical investment in funds designed to track the Index would be worth only $6,488, more than a 35% cumulative decline. The Fund preserved (and slightly grew) capital during this difficult economic time because its investments in a diverse set of high-quality growth businesses were able to weather the environment and enhance their competitive positioning.

Today's environment is also challenging. The COVID-19 pandemic and its lingering macroeconomic issues have caused great volatility. In just under three years, there have been two sizable market corrections each with an approximate 33% decline in major indexes. But so far, the Fund has performed admirably in both, protecting and growing clients' capital. Since the start of the COVID pandemic through this quarter (12/31/2019 to 12/31/2022), the Fund has an annualized return of 23.65%. The Index has a modest annualized return of 3.85%. We do not know how long this challenging period will persist, but, despite the most recent quarter's performance, we are pleased with how the Fund has performed so far.

During periods of strong economic expansion, investors often disregard these more challenging periods. Losing capital during those periods, we believe, makes it nearly impossible to have exceptionally strong returns over the long term. Baron Partners Fund has shown a prior ability to grow capital during those challenging periods. We believe the high-quality growth portfolio should be able to perform well again in future difficult economic periods, although there is no guarantee that will be the case.

Table VI.
Performance in Challenging Times: The Impact of Not Losing Money

	Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Macro Downturn to Present 12/31/2019 to 12/31/2022	
	Value $10,000	Annualized Return	Value $10,000	Annualized Return
Baron Partners Fund (Institutional Shares)	$11,479	1.54%	$18,903	23.65%
Russell Midcap Growth Index	$ 6,488	(4.69)%	$11,200	3.85%
S&P 500 Index	$ 7,188	(3.60)%	$12,479	7.66%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

Over the longer term, this combination has been rewarding for clients. A $10,000 hypothetical investment at the inception of the Fund on January 31, 1992, would have been worth $631,611 on December 31, 2022. That same $10,000 hypothetical investment in a fund designed to track the Index would now be worth $162,235, only about 26% of what it would have been worth if invested in the Fund.

Portfolio Holdings

Table VII.
Top 10 holdings as of December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
Tesla, Inc.	2014	$21.9	$389.0	$1,496.6	25.8%
Space Exploration Technologies Corp.	2017	–	–	592.7	10.2
CoStar Group, Inc.	2005	0.7	31.4	568.0	9.8
Arch Capital Group Ltd.	2002	0.6	23.2	411.2	7.1
The Charles Schwab Corp.	1992	1.0	155.4	341.4	5.9
IDEXX Laboratories, Inc.	2013	4.7	33.8	326.4	5.6
Hyatt Hotels Corp.	2009	4.2	9.7	300.7	5.2
FactSet Research Systems, Inc.	2007	2.7	15.3	288.9	5.0
Vail Resorts, Inc.	2008	1.6	9.6	250.3	4.3
Gartner, Inc.	2013	5.7	26.6	235.3	4.1

Thank you for joining us as fellow shareholders in Baron Partners Fund. We continue to work hard to justify your confidence and trust in our stewardship of your hard-earned savings. We remain dedicated to providing the information we would like to have if our roles were reversed. We hope this letter enables you to make an informed decision about whether this Fund remains an appropriate investment.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager
December 31, 2022

Michael Baron
Co-Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Fund is non-diversified which means, in addition to increased volatility of the Fund's returns, it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 49% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Partners Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

DEAR BARON FIFTH AVENUE GROWTH FUND SHAREHOLDER:

PERFORMANCE

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

We had a terrible quarter, which led to the worst year since the inception of Baron Fifth Avenue Growth Fund (the "Fund").

The Fund was down 7.1% (Institutional Shares) during the fourth quarter, compared to a gain of 2.2% for the Russell 1000 Growth Index ("R1KG") and a gain of 7.6% for the S&P 500 Index, the Fund's benchmarks. For the year, the Fund was down 50.5% compared to declines of 29.1% and 18.1% for the benchmarks, respectively.

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(7.14)%	(7.06)%	2.20%	7.56%
One Year	(50.62)%	(50.49)%	(29.14)%	(18.11)%
Three Years	(6.25)%	(6.01)%	7.79%	7.66%
Five Years	2.22%	2.48%	10.96%	9.42%
Ten Years	9.12%	9.39%	14.10%	12.56%
Fifteen Years	6.28%	6.53%	10.32%	8.81%
Since Inception (April 30, 2004)	6.87%	7.06%	10.05%	9.04%

There is a saying among investors that "markets take the stairs up and the elevator down." After an almost uninterrupted 13-year climb, we were on the express elevator down in 2022. The details behind our underperformance follow, but the short of it is we were in all the wrong places (software, electric vehicle (EV) manufacturers, Consumer Discretionary), without being in any of the right ones (Energy, Utilities, Consumer Staples, insurance). Almost every investment we owned was down, and most of them were down a lot. While avoiding several costly mistakes (which we will go into below) would have helped on the margin, the rapid and dramatic shift in the market regime left us exposed to a severe correction with few tools at our disposal with which to protect shareholder capital given our philosophy, process, and style-related factors.

Baron Fifth Avenue Growth Fund is designed to invest in Big Ideas. We think of them as competitively advantaged businesses that are either leading or benefiting from disruptive change and have an opportunity to become significantly larger in the future. That means that they are in the earlier stages of their growth lifecycles and are overinvesting and underearning in the present. These are _long-duration_ investments. As a sidebar, all equities are long-duration assets. A company with a 10% current free-cash-flow

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2022 was 1.03% and 0.76%, but the net annual expense ratio was 1.00% and 0.75% (net of the Adviser's fee waiver). 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 Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3-, 5-, and 10-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

1 The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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.

yield (FCFY), assuming no growth, will earn its market cap in 10 years, but a company with a 2% FCFY… will take 50 years to earn its market cap. Long-duration assets are particularly sensitive to changes in interest rates. In response to the housing/financial crisis of 2008-2009, the Fed implemented an unprecedented quantitative easing program (QE). Zero Interest Rate Policy, or ZIRP, was supposed to be a short-term remedy (while Europe, not to be outdone, implemented a negative interest-rate policy), but 10 years later… it was still with us and going strong. Well… a low interest-rate environment is conducive to underearning and overinvesting and is a strong tailwind to investing in Big Ideas. Then COVID-19 hit, and we were introduced to free money. Not just loan (and rent) forgiveness and extended unemployment benefits that often exceeded actual earnings, but actual free money directly deposited into consumers' checking accounts not once, not twice, but three times. "Have you been properly stimulated by your government today?" was the running joke among the college kids during their Zoom sessions. Well, when money is free and you're discounting future cash flows back at really low interest rates, Big Ideas look particularly attractive. We weren't terribly comfortable with what was going on and responded by not allocating fresh capital to about a third of our portfolio due to high valuations and increasing the number of holdings in the Fund from the high 20s to the low 40s.

As we were exiting 2021, the environment started to change. QE appeared to have finally run its course and the Fed was messaging about tapering and gradually starting to normalize interest rates back to their historical averages over the next few years. Then in February, a war broke out in Europe, geopolitical tensions, particularly between U.S. and China hit a new high, and a new surge of COVID-19 further disrupted the global supply chain causing inflation in the U.S. (as measured by CPI) to hit 9.1% in July–the highest inflation rate in over 40 years. By then, QE had turned into a full QT (Quantitative Tightening). From June 16 through November 2, the Fed implemented an unprecedented four consecutive 75bps hikes. Those four hikes were bookended by additional 50bps hikes on both sides. *In less than 9 months*, the interest rate as set by the Fed (the Fed Funds rate) went from 0.00% – 0.25% on March 16 to 4.25% – 4.50% on December 14. There was no way our companies were going to hold up well in this kind of calamity.

This painful experience brings an important psychological phenomenon to the forefront. We think it is important to understand the possible psychological impact of the last year on decision making. Loss aversion often leads investors to buy and sell at exactly the wrong times. The story usually goes something like this: an investor buys a stock expecting the price to go up. When it goes down instead, initially the investor would sweat it out and occasionally even double down (this buy-the-dip mentality works well during bull markets but obviously does not in bear markets). As losses grow, loss aversion kicks into high gear, making past gains seem like a distant memory. At some point the pain becomes too difficult to bear and the investor capitulates. This is also usually the sign of a bottom. Despite the fact that this is exactly the wrong time to sell, many investors do just that. This psychological aversion to loss is one of the reasons why the average equity fund investor earns 350bps less than the market over long periods of time[1].

Similarly, psychology dramatically alters an investor's time horizon and risk appetite. During bull markets it feels good to be invested. Every dip has proven to be a buying opportunity and the confidence in our decision making and in the future is sky high. We don't wait for the next pullback because we are in it for the long haul and if prices go down, we will simply buy more. Stock market volatility is perceived as healthy, time horizons stretch, and no multiple is high enough when our time horizon is forever. On the other hand, in years like 2022 when the *elevator* is going down fast, investors sell every rally **and** every dip. The confidence in our ability and that of others shrinks. We see the future as inherently uncertain, loss aversion kicks in and our time horizons shrink to the point of here and now. In the here and now, no prospects are high enough and no multiple is low enough. That's a terrible environment for long-duration assets and this is the story of 2022 as we see it.

So, what now? Psychology aside, how have the companies' intrinsic values (IVs) changed and where are they relative to their stock prices?

At any point in time the price of a stock reflects a combination of the business' estimated IV and investor psychology. Analysts calculate IVs by underwriting company-specific assumptions such as growth rates, profitability/margins, cost of capital, and the ability to generate returns on invested capital, as well as macro factors such as interest rates and the growth of the economy. Well-managed companies with strong competitive advantages generally retain and often enhance their ability to grow profitably and to generate healthy returns on invested capital over full economic cycles. While few businesses are immune to recessions or significant economic slowdowns, their prospects often remain positive and growth in earnings and cash flows is likely to be reinvigorated once the macro environment improves. The change in long-term interest rate assumptions (terminal interest rate) is certainly a headwind to companies' IVs but it is both far less dramatic than the change in short-term interest rates and is largely offset by the corresponding changes in the companies' terminal growth rates – inflation works both ways. Regardless, these assumptions are formulaic and are based on a range of outcomes and our assessment of their respective probabilities and consequences. The impact of psychology or the degree of optimism or pessimism with which investors sometimes perceive these assumptions and range of outcomes often has a disproportionate impact on stock prices. When investors are optimistic, they drive stock prices above IVs and when they are pessimistic, below. The decline in the stock prices of long-duration assets in 2022 was partially driven by objective factors such as the rise in interest rates, which reduced the present value of long-duration assets, but also by the rapid and dramatic shift in investor psychology.

Over the long run, stock prices will follow and approximate a business' IV. But at any given snapshot in time, they tend to swing around the IV trend line based on investor psychology and their time horizons. We have often pointed out that prospective returns are inversely correlated to current or recent results. The commercialization of the internet and the resultant bull market in the late 1990s led to a dot-com bubble, which ended abruptly in March of 2000. From then until late in 2002 the R1KG lost 64%, while the tech-heavy NASDAQ Composite Index declined 78%. It was then up 97% in 2003-2005, and 155% until the next peak in late 2007, while the R1KG gained 55% and 93%, respectively. During the global financial crisis that followed, the R1KG lost 52%. It then recovered 89% in 2009/2010 and gained an incredible 534% until COVID-19 hit in early 2020, at which point it proceeded to decline 32% over the next five-plus weeks and then rally 133% until the end of 2021. Surely, the change in IVs of the underlying businesses was far more gradual with little resemblance to the wild ride of their stock prices.

[1] Dalbar QAIVB 2022 study – https://michaelryanmoney.com/time-in-the-market-beats-timing-the-market-dalbar-study/

It seems to us that investors do not feel great today. They are not focused on companies' long-term prospects or earnings power, especially with respect to long-duration assets, and so stock prices are likely to be significantly below businesses' IVs. Our bottom-up, company-specific models suggest that on average, the discount to IVs is the highest we have seen since at least 2014.

Even so, given the regime change and the new realities with increased uncertainties and wider ranges of outcomes, will companies' IVs continue to grow and compound the way they did in the past?

Over the long run, of course they will. While some of the recent tailwinds like ZIRP or even globalization may no longer be drivers of growth, innovation, progress, and disruptive change will continue to drive value creation. Understanding whether the disruption is real, material, and durable, and whether it will create and reinforce businesses' competitive advantages or cause them to be left behind will remain as important as ever. As a matter of fact, disruptive change and the rate of innovation have only been accelerating – it took 46 years for electricity to be adopted by 25% of the U.S. population, 35 for the telephone, 25 for television, 16 for PCs, 7 for cell phones, and only 5 for the internet.[2] It is easier to start a business in 2023 than ever before – an entrepreneur can easily rent computing power and storage from Amazon Web Services (AWS), Azure, or Google Cloud Platform instead of having to spend millions of dollars buying hardware before having the product-market fit. Application Programming Interfaces and open-source software can be used to efficiently release products faster, then use the internet to commercialize it effectively. Distribution used to be a bottleneck. Without scale it is hard to convince distributors to sell your product, cementing the competitive advantages of large incumbents. Market leaders can also iterate and innovate faster, working on different features in parallel and with dynamic, real-time customer feedback loops thanks to the visibility enabled by the cloud. Organizational and architectural structures such as micro-services and single-threaded teams enable continuous improvement with hundreds or thousands of annual software releases being the norm today compared to just a handful per year in the past. This enables the best companies of today to achieve profitability levels that were not possible in the past.

The advancements in the fields of Artificial Intelligence (AI) and Deep Learning are profound examples of the innovation era we live in today. It took 32 years from being able to recognize digits[3] (Neocognitron, 1980) to being able to identify a cat from a dog (AlexNet, 2012) and only 10 years from AlexNet to ChatGPT, which is OpenAI's AI-powered chatbot capable of answering complex questions, writing essays in a way that is often indistinguishable from humans (causing havoc in high schools and universities alike) and even generating sophisticated programming code. ChatGPT reached *1 million users a mere five days after it was released* in December of 2022. It is based on OpenAI's GPT 3 algorithm that has 175 billion parameters. GPT 4.0, which we expect to be released this year, is rumored to be even more capable with over 1 trillion parameters. We believe AI will prove to be a real tailwind for many of our businesses in the years to come. From **NVIDIA**, a key enabler of AI with its GPUs and CUDA ecosystem, to **GM Cruise** and **Tesla**, the leading enablers of autonomous driving, and to **Snowflake**, **CrowdStrike**, and **Cloudflare**, companies that are solving big data problems in order to make their customers more productive, efficient, and secure.

Now briefly, back to performance attribution. Stock selection was responsible for 663bps of our 926bps of underperformance in the fourth quarter. Sector allocation detracted 263bps largely due to not owning any Consumer Staples, Financials, Energy, or Materials and not owning enough Industrials. Overweights in Consumer Discretionary and Communication Services, which were the only sectors in the R1KG with negative returns in the quarter, also detracted. From a stock-specific perspective, while the quarter was relatively balanced with 13 contributors against 17 detractors, too many of our detractors were larger positions such as **Amazon**, which detracted 210bps on the back of growing concerns over a slowdown in the economy leading to headwinds in cloud and consumer spending; and Tesla, where Elon Musk's acquisition of Twitter and broader economic concerns led to a remarkable 54% decline in the price of the stock. We take the long-term view on these best-in-class disruptive businesses. While few companies will be immune from broad economic slowdowns, let alone recessions, we believe their IVs will continue to compound (even if at slower rates in the short term) and the recent declines in their share prices are extremely unlikely to result in a permanent loss of capital.

From a full-year perspective, all but three of our investments were down for the year, with the exceptions being **argenx**, the leading auto-immune focused biotechnology company, **Mobileye** a leading ADAS and autonomous driving supplier, and **SpaceX**, a private company that designs, manufactures, and launches rockets, satellites, and spacecraft. Our trading in shares of **Mastercard** resulted in the stock being a modest contributor despite the stock declining 2.7% in 2022. On the other side of the performance spectrum, we had 20 holdings that detracted at least 100bps from results each, 10 of which detracted at least 200bps each, and 2 of them (**Rivian** and Amazon) detracting 400bps or more.

Despite brutal recent results, the conviction in our investment philosophy and process has not changed. We believe the companies in which we have invested are resilient and will come out of this economic slowdown stronger than they were before. We do not expect this pullback to result in a significant permanent loss of capital over the long term. We have no insight into how long the current bear market will go on for or what needs to happen in order for the investor psychology to change. However, we do believe that now will prove to be a good entry point for investors.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Intuitive Surgical, Inc.	$ 93.8	1.38%
Mastercard Incorporated	334.3	1.20
ASML Holding N.V.	217.4	0.75
NVIDIA Corporation	359.5	0.71
Shopify Inc.	37.5	0.56

Intuitive Surgical, Inc. is a medical device company that sells the da Vinci robotic surgical system. The stock rose 41.6% during the fourth quarter in response to solid third quarter financial results, highlighted by 20% procedure growth, well ahead of investor expectations. The company also completed another $1 billion accelerated share repurchase program, signaling management's and the board's view that the stock is undervalued.

[2] https://www.pewresearch.org/fact-tank/2014/03/14/chart-of-the-week-the-ever-accelerating-rate-of-technology-adoption/
[3] https://www.rctn.org/bruno/public/papers/Fukushima1980.pdf

We continue to believe Intuitive Surgical has a long runway for growth as more procedures are performed using the da Vinci robotic surgical system.

Shares of global payment network **Mastercard Incorporated** outperformed, appreciating 22.3% in the quarter after the company reported strong quarterly results, with 15% revenue growth and 13% EPS growth despite significant headwinds from currency movements and the suspension of operations in Russia. Payment volume grew 21% in local currency (excluding Russia), as consumer spending remained resilient and international travel continued to recover as border restrictions were lifted. Major foreign currencies strengthened toward the end of the quarter, which should also support near-term growth. We continue to own the stock due to Mastercard's long runway for growth underpinned by the continued migration from cash to card/digital, and significant competitive advantages, operating in a duopoly with Visa.

ASML Holding N.V. designs and manufactures semiconductor production equipment and has a leading market share in photolithography. Shares rose 31.9% during the quarter after the company maintained its strong near-term outlook despite expected industry weakness and increased its longer-term outlook, with sales expected to grow to €30 billion to €40 billion in 2025 and €44 billion to €60 billion by 2030 (from €18.6 billion in 2021). ASML has a monopoly in Extreme-Ultra-Violet equipment, which is critical for advanced semiconductor chip manufacturing, and remains well positioned as its customers continue to build out capacity to support growing demand for leading-edge semiconductors.

NVIDIA Corporation is a fabless semiconductor mega cap that is a global leader in gaming cards and accelerated computing hardware and software. Despite the ongoing inventory correction in gaming, shares rose 20.4% during the fourth quarter as a result of continued resiliency in the company's data center segment, which beat Street expectations. In addition, the company announced an agreement with Microsoft and Oracle that will enable it to sell together with the cloud providers, getting a revenue share for the usage of their GPUs by end customers in exchange for providing access to NVIDIA's Enterprise Software stack–this strategic announcement should reduce hurdles for AI adoption in vertical industries as well as drive incremental usage-based, high-margin revenues for NVIDIA. We continue to believe that NVIDIA's end-to-end AI platform and its leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, will enable the company to benefit from durable growth for years to come.

Shopify Inc. is a cloud-based software provider for multi-channel commerce. Shares rose 28.6% in the fourth quarter, reversing some of the declines from earlier in the year, as preliminary holiday results suggested a rebound in e-commerce activity. The company also reported solid third quarter financial results showing an increase in take rates, which points to a deeper adoption of its platform by merchants. We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth (it has less than 2% share of global commerce spending).

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Tesla, Inc.	$389.0	–2.91%
Amazon.com, Inc.	856.9	–2.10
CrowdStrike Holdings, Inc.	24.9	–1.82
Rivian Automotive, Inc.	17.0	–1.06
ZoomInfo Technologies Inc.	12.2	–0.98

Tesla, Inc. manufactures EVs, related software and components, and solar and energy storage products. Shares fell 53.5% during the quarter due to growing investor concerns regarding the impact of a potential economic slowdown on demand, volume, and pricing. CEO Elon Musk sold part of his Tesla stake to fund his Twitter acquisition and then dedicated a significant amount of his time to Twitter's business, causing investors to question his dedication to Tesla. We remain confident in Tesla's fundamentals and management team and believe that with still less than 2% market share, the company remains well positioned to enjoy a long runway of growth as the market shifts to EVs.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares of Amazon were down 25.7% in the quarter, as the company guided to relative weakness in margins and a slowdown in AWS as a result of the weakening economy. Despite the increased near-term uncertainty and the potential macro headwinds, Amazon remains one of our largest holdings due to its durable competitive advantages, with a leadership position in multiple trillion-dollar markets that exhibit durable growth characteristics. According to the U.S. Census Bureau, domestic e-commerce was only 14.8% of retail (as of the third quarter of 2022)[4]. Internationally, the opportunity is even earlier as Amazon still has less than 5% market share of international retail spending. Its advertising share is roughly 5% and growing, underpinned by its structural closed loop, which enables accurate targeting and measurement. AWS remains the leading cloud provider, while cloud computing is still only 11% of the $4.4 trillion market for global IT spending according to Gartner in 2022[5]. Areas such as logistics and health care present additional optionality.

CrowdStrike Holdings, Inc. provides cloud-delivered, next generation security solutions via its Falcon platform consisting of end-point protection, advanced persistent threat, security information, event management, and cloud workload protection. Shares declined 36.1% during the quarter after the company reported net new Annual Recurring Revenues that missed Street expectations as a result of elongated sales cycles that impacted deals with small- and medium-sized businesses (SMBs) and phased subscription billing terms with customers opting for delayed start dates. While the macro slowdown is impacting near-term results, the business remains resilient with gross retention rates still at record levels, net retention rates at the highest level in seven quarters, and the company's competitive positioning improving with increasing win rates in SMB and consistent win rates in its enterprise segment. With more workloads migrating to or starting in the

[4] https://www.census.gov/retail/ecommerce.html

[5] https://www.gartner.com/en/newsroom/press-releases/2022-10-31-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-reach-nearly-600-billion-in-2023
https://www.gartner.com/en/newsroom/press-releases/2022-10-19-gartner-forecasts-worldwide-it-spending-to-grow-5-percent-in-2023

cloud, we believe CrowdStrike is well positioned to compound at high growth rates for years given its unique product platform and attractive business model.

Shares of **Rivian Automotive, Inc.**, a U.S.-based EV manufacturer, fell 44.0% during the fourth quarter as a result of growing investor concerns around the potential headwinds from a slowing economy. Rivian is still in the early stages of a production ramp, which requires significant cash outflows. In addition, the uncertainty around unit economics and execution remains top of mind for investors, especially in this environment. We retain conviction. Despite supply-chain complexities, Rivian's monthly production rate has grown seven-fold since late 2021. Positive product reviews, a vertically integrated technology approach, and unique partnerships are key for an attractive long-term opportunity, in our view, and hence we remain shareholders.

ZoomInfo Technologies Inc. operates a cloud-based business-to-business (B2B) platform that provides sales, marketing, and HR teams with comprehensive business intelligence, enabling shorter sales cycles and higher win rates. Shares of ZoomInfo declined 27.7% during the fourth quarter after the company shared a weaker top-line outlook for 2023. While ZoomInfo is seeing near-term headwinds due to increased deal scrutiny by customers and longer sales cycles as a result of the macro environment, we believe that its competitive positioning is as strong as it has ever been and that our long-term thesis remains intact. We remain shareholders and believe that ZoomInfo will benefit from long duration growth, as it has only about 35,000 customers out of a 700,000 B2B opportunity. Additionally, new products continue building momentum, and we believe ZoomInfo can become a much larger company over time as it grows into its $100 billion total addressable market.

PORTFOLIO STRUCTURE

The Fund's portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level determining the size of each investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view." As of December 31, 2022, our top 10 positions represented 54.5% and our top 20 represented 86.2% of the Fund, respectively. This compares to weightings of 51.6% and 78.0%, respectively, as of December 31, 2021. While some investors will try to mitigate the impact of volatility by diversifying their portfolio, we believe that over-diversification is alpha-destructive over the long term, especially in an efficient asset class such as large cap, and therefore, we took advantage of market volatility in order to further consolidate the portfolio in our highest conviction ideas.

Information Technology, Health Care, Consumer Discretionary, and Communication Services made up 98.3% of net assets. The remaining 1.7% was made up of SpaceX and GM Cruise, our two private investments classified in Industrials.

The Fund's turnover was 30.3% in 2022, compared to average turnover of 21.2% over the last three years, and 19.8% average turnover over the last five years.

Table IV.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$856.9	$24.2	7.4%
Mastercard Incorporated	334.3	24.1	7.3
ServiceNow, Inc.	78.4	21.3	6.5
Intuitive Surgical, Inc.	93.8	19.4	5.9
Snowflake Inc.	46.2	18.7	5.7
NVIDIA Corporation	359.5	18.2	5.5
argenx SE	21.0	14.6	4.4
Datadog, Inc.	23.3	14.0	4.2
Veeva Systems Inc.	25.1	12.5	3.8
ASML Holding N.V.	217.4	12.3	3.7

RECENT ACTIVITY

During the fourth quarter, we bought one new investment – the leading driving ADAS and autonomous driving supplier, **Mobileye**. We also added to nine existing positions, including continuing to build our newer position in the connected TV (CTV) leader, **Trade Desk**, while also adding to **Meta Platforms**, which we thought became oversold on near-term concerns and its long-term risk-reward profile had skewed positively. In addition, in order to meet investor redemptions and further consolidate the portfolio in our highest conviction ideas, we reduced six positions and sold our investment in **Alphabet** (the owner of Google). Our exit from Alphabet is an instructive example for one of the main reasons we would sell a stock. While we still view Alphabet as a great business (and continue holding it in our Baron Durable Advantage Fund), the company, as it has evolved and progressed along its growth S-Curve, has become more mature and less of a Big Idea, and we saw better risk-reward in other ideas to which we reallocated.

Table V.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Mobileye Global Inc.	$ 28.1	$3.0
The Trade Desk	21.9	2.3
Meta Platforms, Inc.	315.6	2.0
Block, Inc.	37.6	1.9
Cloudflare, Inc.	14.9	1.1

During the fourth quarter, we participated in **Mobileye Global Inc.**'s IPO. Mobileye is a leading ADAS and autonomous driving technologies and solutions provider with over 125 million vehicles across 800 models that have incorporated its products to date across 50-plus vehicle manufacturers (OEMs) including 13 of the top 15 global OEMs. The company was founded in 1999 and effectively pioneered the ADAS market introducing its first EyeQ system-on-chip (SoC) in 2007, enabling the vehicle to gain ADAS capabilities (such as real-time detection of vehicles, pedestrians, and lane markings) for a price of around $50. While the company remains a leader in ADAS today (with an approximate 70% market share), we believe the bigger opportunity is in leading the autonomous driving revolution. This would, in our view, significantly improve safety; meaningfully increase the vehicle utilization rate, which today is only around 4%; and dramatically grow the company's content per vehicle. Mobileye's SuperVision, a fully operational point-to-point assisted driving navigation solution, is the next step in the company's progress towards autonomous driving, and it has a price tag of over 20 times that of its basic ADAS SoC. At the last Consumer Electronics Conference, the company announced a $3.5 billion backlog for its SuperVision solution across six OEMs and nine vehicle models. In addition, the company announced a $1.5 billion design win for its consumer AV program and a $3.5 billion backlog for its Mobility-as-a-Service or robotaxi solution. CEO and Founder, Amnon Shashua discussed his long-term vision in the company's shareholder letter[6]:

"More than two decades ago, I founded Mobileye on the belief that computer vision technology could help prevent automobile crashes and save lives. From that simple idea, a global industry was born... By 2030, we expect Mobileye driver-assistance systems to be deployed in another 270 million vehicles globally... We believe that we will be positioned to deliver an autonomous driving solution that can enable the mass adoption of AVs [Autonomous Vehicles] including both Mobileye-powered robotaxis and consumer-owned autonomous driving vehicles. And Mobileye will be well on the way to delivering the future I first envisioned more than two decades ago."

During the fourth quarter, we also continued building our newer position in **The Trade Desk**. Trade Desk is the leading internet advertising demand-side platform, enabling agencies and companies to buy and track digital advertising. The company is benefiting from the growth in advertising on CTV and advertisers' desire to work with Trade Desk, as a neutral provider, as opposed to Google that also purchases ads for its own publishers (such as YouTube). While the company is likely to see headwinds in a tough macro environment, driven by a broad slowdown in advertising spending, it continues executing at the highest level with 31% year-over-year revenue growth and 41% EBITDA margins for its most recently reported quarter. We believe Trade Desk's founder-led executive team has historically managed the business well and expect the company to continue benefiting from the growth in programmatic and CTV for years to come.

We also added to **Meta Platforms, Inc.** in the fourth quarter. Foreign currency movements and the weakening macro environment have impacted Meta's revenue growth rates in the near term (revenues declined 4% year-over-year in the most recently reported third quarter), while investors continue to be focused on the company's growing expenses and capital expenditures, which create a double-whammy impact on margins and free-cash-flow. This hyper-focus on the near term (driving the stock down 25% the day after earnings) overlooks the company's long-term prospects, in our view. First, Meta has 2.9 billion daily active users and is growing (it was up 4% year-over-year). Second, Meta is already seeing significant user engagement for its Reels product that competes with TikTok. Reels reached 140 billion daily views across Facebook and Instagram, a 50% increase over the last 6 months, and, as importantly, Reels engagement has been incremental to time spent on the platform. Third, Reels is rapidly scaling its monetization, hitting a $3 billion revenue run-rate during the third quarter, up from $1 billion in the second quarter, and, based on rumored numbers for TikTok in 2022, likely already has a 15% to 25% market share since its standing start in 2021. Fourth, while the company continues growing its expenses, we are encouraged by the recent cost cutting announcements and believe that continued investment in AI-infrastructure will pay off, as the company works to regain the lost signal from Apple's IDFA and ATT changes. Lastly, the sell-off in the shares resulted in a deeply undervalued stock for those investors willing to look out a few years, with its next-12-months earnings yield climbing above 9% during the quarter. This yield also compares to about 6% for the S&P 500 Index.

Lastly, we added to seven additional holdings in which we saw a more heavily skewed risk/reward opportunity for the long term, as we continued consolidating the portfolio in our highest conviction ideas.

Table VI.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Alphabet Inc.	$1,145.2	$28.9
Mastercard Incorporated	334.3	3.4
Amazon.com, Inc.	856.9	2.4
EPAM Systems, Inc.	18.8	2.0
argenx SE	21.0	0.5

Our biggest sale during the fourth quarter was **Alphabet Inc.** As mentioned above, while we continue to view the company as a great business, we decided to sell our shares because it is no longer as big of an idea as it was in the past when digital advertising penetration was at an earlier stage. Additionally, in order to reallocate to our highest conviction ideas and fund redemptions, we reduced six existing holdings including: **Mastercard Incorporated**, **Amazon.com, Inc.**, **EPAM Systems, Inc.**, and **argenx SE**.

Outlook

This is the time of the year when our inboxes get filled with e-mails from different strategists, analysts, and market experts regarding their outlooks for next year. The following is a random sampling of quotes from some of their predictions for 2023:

- *A Hard Landing Is Coming In Late 2023 ... And It's Not Priced In!*
- *Valuations to remain under pressure in 1H23 as fundamentals trough and consensus cut numbers further.*
- *Expect software to outperform in 2H23, driven by focus shifting to reacceleration at some point in '24 on easier comps and compressed multiples.*
- *We project a U.S. recession is likely to start around the beginning of 2023 and last through mid-year.*
- *We see a sustained deterioration in earnings, which is associated with the worst bear markets across history.*
- *Earnings revisions will push stocks lower in the first quarter, before seeing the S&P 500 Index rally back to current levels by year end.*

[6] As appears in the company's S-1 filling.

It would seem that the majority of "expert" forecasts range from pretty bad to really bad. Be that as it may, the quote that resonated the most with us is attributed to John Kenneth Galbraith:

"There are two kinds of forecasters: those who don't know, and those who don't know they don't know."

Unfortunately for us, the volume of requests for near-term predictions seems to be inversely correlated with our performance, so we've been getting a lot of these lately. The problem is that we have a lot more conviction in trying to predict the next 5 and 10 years (we are quite optimistic) than we have in trying to predict the next 3 to 6 months. This has always been the case, and the current level of market uncertainty has little to do with that.

So instead of trying (and likely failing) to provide a useful outlook, we offer several observations instead for the reasons behind our long-term optimism:

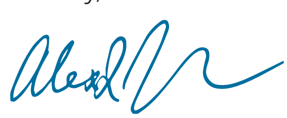
- The businesses we own are resilient. While it is likely that most companies will be impacted by a slowing economy, our businesses have favorable characteristics that make them more resilient in a downturn – most have little or no leverage, are capital-light, have recurring revenues, and sell critical products or services to their customers, which makes them difficult to replace.
- Disruptive change and innovation have been accelerating. The enablers and beneficiaries of disruptive change sometimes turn into the Big Ideas of tomorrow. While out of favor today, many of these companies present truly compelling long-term opportunities at attractive valuations. They continue to innovate, introduce new offerings, enter new product categories and geographies, and increase their "end-games."
- Successful platform businesses under the Power Law distribution will continue to accrue the majority of the economic value (winner-take-most dynamic) – we believe we own a collection of these from **Veeva** to **Shopify** to **CrowdStrike**.
- Terminal growth rates are as important as discount rates in calculating IVs – were inflation to remain higher for longer, companies with pricing power will see an increase in their terminal growth rates. Many of our companies are leaders in their industries and critical to their customers and have a proven ability to pass on the cost of inflation (**Adyen** is a great example, as its revenues are directly tied to the payments volume going through its platform, therefore inflationary pressures are directly passed on).
- We expect many of our companies to experience market share gains coming out of the slowdown – leading businesses with durable competitive advantages tend to expand their lead over competitors during times of stress as customers consolidate spending on their best, most important vendors. Examples of commentary from recent earnings calls:
  - Veeva: *"Times like these are long-term positives for high-quality and profitable companies like Veeva, as we continue to benefit from a flight to quality both competitively and in hiring. This is a great time for us to invest to address our large and growing market opportunity."*
  - CrowdStrike: *"We're seeing consistent win rates, they remain high and in fact, in the smaller customers, we've actually seen them significantly improve."*
  - Cloudflare: *"Organizations are looking for strategic partners who can help them consolidate their spend. They don't want 70, 80, 100 vendors setup. They were saying, hey, how do we reduce the number of vendors? How do we do more? How do we consolidate our costs? Absolutely, we hear that all the time…we will increasingly take share…to become the network for our customers."*
- The margin of safety or the discount to our estimate of business' IVs has expanded significantly – the weighted average multiple of our portfolio is 53% from last year and many more of our companies now have a near-term free-cash-flow valuation support.

We therefore have a lot of confidence that once the environment turns, our businesses will come out of the downturn in stronger market positions, driving a recovery in their stock prices as investors' psychology improves and their time horizons expand again.

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

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe target companies are trading at attractive prices relative to their IVs.

Sincerely,



Alex Umansky
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. 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. There is no guarantee that these objectives will be met.

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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Fifth Avenue Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** explains common variation in stock returns due to different stock sensitivities to market or systematic risk that cannot be explained by the US Country factor. Positive exposure indicates high beta stock. Negative exposure indicates low beta stock. **Free cash flow yield** is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Focused Growth Fund (the "Fund") decreased 4.52% (Institutional Shares) in the quarter ended December 31, 2022. The Fund's primary benchmark, the Russell 2500 Growth Index (the "Index"), increased 4.72%. The S&P 500 Index, which measures the performance of domestic large-cap companies, increased 7.56%. For the full year, the Fund somewhat trailed the Index, depreciating 28.14% compared to a decline of 26.21% for the Index.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Focused Growth Fund Retail Shares[1,2,3]	Baron Focused Growth Fund Institutional Shares[1,2,3,4]	Russell 2500 Growth Index[2]	S&P 500 Index[2]
Three Months[5]	(4.57)%	(4.52)%	4.72%	7.56%
One Year	(28.30)%	(28.14)%	(26.21)%	(18.11)%
Three Years	23.71%	24.02%	2.88%	7.66%
Five Years	20.63%	20.94%	5.97%	9.42%
Ten Years	15.10%	15.39%	10.62%	12.56%
Fifteen Years	10.96%	11.21%	8.39%	8.81%
Since Inception (May 31,1996)	12.70%	12.84%	7.65%	8.80%

This modest underperformance in 2022 was principally due to the decline in **Tesla, Inc.**'s share price. Tesla's stock price fell 65% for the year and 54% in the fourth quarter. This decline was mostly offset by stronger performance across approximately half of our portfolio where our consumer and business services companies benefited from strong demand. Robust demand enabled those businesses to achieve greater pricing power, while still maintaining strong customer retention rates. Among those companies were **CoStar Group, Inc.**, **Arch Capital Group Ltd.**, **Iridium Communications Inc.**, and **Hyatt Hotels Corp.**

DAVID BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BFGFX
Institutional Shares: BFGIX
R6 Shares: BFGUX

We were obviously disappointed by the stock price performance of Tesla in 2022 and in the fourth quarter. Regardless, we believe the company's fundamentals remain attractive. Chinese production and deliveries were both impacted last year by shutdowns of its plant and less demand from Chinese consumers due to COVID. Also negatively impacting demand in the U.S. in December were purchasing deferrals due to consumer tax incentives starting in early 2023. As a result, Tesla cut prices for its electric vehicles (EVs) in the period which created investor concerns about demand and the impact on gross margins. In January, Tesla experienced "unprecedented" demand, with orders about twice daily production! We believe the significant increase in demand for Tesla EVs will reduce the impact of lower prices.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021, was 1.32% and 1.05%, 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 cost. The Adviser may reimburse certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON

1 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The performance is only for the periods before the Fund's registration statement was effective, which was December 31, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The **Russell 2500™ Growth Index** measures the performance of small to medium-sized companies that are classified as growth and the **S&P 500 Index** of 500 widely the performance of small to medium-sized U.S. companies that held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The index 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.

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

4 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.

5 Not annualized.

Tesla is the lowest cost provider for its high-quality EVs and is continuing to lower production costs. In addition, new manufacturing facilities in Berlin and Texas should ramp this year helping increase production capacity and eliminate margin drag from start-up costs.

The company will also benefit from the Inflation Reduction Act, which we expect will boost Tesla's profits and volumes. Starting on January 1, 2023, most consumers will receive a $7,500 credit to buy an EV, and Tesla will benefit from a $3,500 tax incentive. Combining its strong 50% EBITDA to cash conversion rate and its strong balance sheet, with over $22 billion in cash and nominal debt, we think the company is in a strong position to weather the current volatile environment.

We remain steadfast in our commitment to long-term investments in competitively advantaged growth businesses with large growth opportunities that are taking share and are managed by exceptional executives. We believe such investments are an effective way to protect and increase the purchasing power of our savings in a focused fund. In the past, after wars, pandemics, financial panics, higher-than-normal inflation, and significant market declines, as interest rates stabilize and are ultimately reduced, equity stock prices have increased substantially. We believe that will happen again although timing remains uncertain.

The Fund continued to outperform its Index for the 3-, 5-, 10-, and 15-year periods, as well as since its inception as a private partnership on May 31, 1996. Since its inception over 26 years ago, the Fund has increased 12.84% annualized. This compares to a 7.65% annualized return for the Index and an 8.80% annualized return for the S&P 500 Index.

While the Fund's fourth quarter and 2022 annual performance were weak on both an absolute and relative basis, we remain confident in our portfolio holdings and expect stronger performance ahead though this cannot be guaranteed. We believe many of our stocks have already priced in significant declines in earnings this year. Investors obviously remember operating declines seen in the 2008/2009 Global Financial Crisis and are pricing in similar declines today. Hence, we believe if we do not go into a deep recession this year or if the slowdown and/or declines in earnings are not as bad as feared, we should see significant upside near term in our investments. We believe our stocks are cyclically depressed, not secularly challenged and should recover over the next 18 to 24 months. Thus far, most of our companies haven't experienced a slowdown in sales or earnings growth, and their outlooks remain strong. In addition, we believe that even if a downturn were to occur, our companies would still be operating above pre-pandemic levels. Our businesses' balance sheets have been strengthened compared to pre-COVID levels. As a result, our businesses should be better able to withstand whatever slowdown or decline in earnings growth occurs.

Our portfolio holdings continue to have strong competitive advantages with large market opportunities. Despite market volatility, our companies continue to invest in their businesses to accelerate revenue growth, while using excess cash to return capital to shareholders through increased buybacks and dividends. That's a key differentiator for the Fund. The current weighted average return on invested capital for the Fund's holdings is 10.5% versus just 6.4% for the companies in the Index. One of the reasons we believe our companies should continue to grow through any market environment is that they invest for growth through any market environment. In addition, many are starting to accelerate their return of capital to shareholders through increased buybacks and dividends. Those are signs to us that management teams see significant value in their stocks and are confident in their business prospects despite the uncertain macro environment.

Fourth quarter performance was led by companies that continue to see strong demand for their products and services despite the uncertain economic environment. They remain price leaders while maintaining high retention rates. These include CoStar, Iridium, Hyatt, and Arch. These gains were offset by the underperformance of our higher-growth companies, whose multiples continued to contract given concerns about the Fed's aggressive rate hikes and the underperformance of their businesses, such as **Figs Inc.** and Tesla (as mentioned above).

Real estate data and marketing platform CoStar increased 11.0% in the quarter and helped performance by 55 bps. CoStar's share price increase was due to strong new bookings with continued strength in retention rates despite implementing price increases across its suite of products. CoStar continues to invest in its residential platform and is starting to benefit. We believe this investment should meaningfully accelerate CoStar's revenue growth through the expansion of its addressable market. We believe the stock market is attributing negative equity value to this growth opportunity. Over the next five years, this investment could add as much as $1 billion or more to annualized revenue at a significantly accretive margin. This would result in a 50% increase to today's $2 billion of revenue and an approximate 75% increase in EBITDA. Longer term, we believe this investment opportunity is several multiples of $1 billion of revenue.

Iridium, a leading mobile voice and data communications services vendor offering global coverage via satellite, increased 15.8% and added 58 bps to performance in the quarter. It increased 24.2% for the year and helped performance by 106 bps. The stock outperformed as the company's revenue growth accelerated, leading to strong profitability and cash flow, which the company used to buy back its stock. The company continues to benefit from its $3 billion investment in its satellite constellation, which is a technologically and capital-intensive effort and a strong barrier to entry. Iridium continues to generate consistent and growing revenue and cash flow, which should lead to a return of capital to shareholders for at least the next 10 years. That is since its satellites last longer than its competitors' satellites, and they offer stronger broadband given its low-earth orbit positioning.

Hyatt increased 11.7% and helped performance by 59 bps in the quarter. The company continues to achieve strong revenue-per-available-room as business travel recovers from pandemic lows and leisure travel remains strong. The company also benefited from its Apple Leisure Group acquisition, which has made the business more asset light and improved cash flow generation. Leisure rates remain strong and are still well above pre-COVID levels. This strength combined with continued improvement in business transient travel and group bookings are leading to higher margins and increased cash flow that Hyatt is using to buy back its shares. We believe Hyatt shares are significantly undervalued. While there remains investor concern that a possible recession will result in slower or even negative growth, we believe most of this is being priced into the stock at current levels. We clearly think the risk/reward for the stock skews positively. Thus far, the company has seen no material slowdown in occupancy levels or rates and continues to increase prices, especially on the leisure side. While leisure may be experiencing peak demand levels, management believes any slowdown in growth would be offset by the continued recovery of group and business customers. Volumes in these segments are rapidly returning to pre-pandemic levels. Hyatt's balance sheet and cash flow profile remain strong, which, combined with additional owned hotel asset sales, should result in more consistent earnings. This should expand the stock's multiple over time.

Shares of property & casualty (P&C) insurer Arch increased 37.9% in the quarter and helped performance by 193 bps and increased 41.2% for the year and helped annual performance by 193 bps. This was as the company increased premiums written and raised prices. This strong pricing is resulting in robust returns on investments, with increased earnings and cash flow that the company is using to repurchase its shares. We believe that Arch will continue to generate mid-teens returns on capital and that Arch's valuation remains attractive.

Shares of Figs, the largest direct-to-consumer supplier of scrubs to the medical industry, declined 18.4% in the quarter and hurt performance by 73 bps. The decline was due to customers pulling back on their frequency of purchases as they are being hurt by the current inflationary macro environment. Management now expects to have an increased promotional environment to clear excess inventory, although they indicated it should be similar to pre-COVID levels. However, the company continues to innovate offering new styles, colors, and sizes. It continues to add active customers despite the challenging macro environment with record customer reactivations. Non-scrubs continue to grow at a brisk pace and should be accretive to margins as this product line scales. The company also continues to expand awareness, by leveraging digital and out-of-home marketing and remains profitable on a first order basis. Its international business is in its very early days with strong results so far in the U.K. and Canada. We believe its direct-to-consumer model, strong brand, and superior product remain durable competitive advantages and should help the company take share as it continues to penetrate the $80 billion global health care apparel market. We continue to believe the company could double its revenue over the next three years and almost triple its EBITDA.

For 2022, **FactSet Research Systems, Inc.**, a financial intelligence provider to the investment community, declined 16.8% and hurt performance for the year by 59 bps. FactSet shares declined as investors were worried about decelerating earnings growth with the company making accelerated investments in new tools and technology to spur revenue growth. However, the company is starting to see stronger revenue growth with improved margins, as recent investments start to generate returns. This has led to increased pricing power and new use cases without any change in retention rates. We expect further revenue and earnings growth in 2023 and beyond, as well as improved cash flow from its recent CUSIP acquisition. FactSet will likely use its increased cash flow for additional acquisitions and share repurchases. FactSet's prospects remain favorable due to its large addressable market, strong financial technology expertise, and consistent execution on both new product development and financial results.

For 2022, shares of P&C insurance software vendor **Guidewire Software, Inc.** fell 44.9% and hurt performance by 189 bps. We believe this is due to continued multiple compression in high-growth cloud technology stocks. However, the company continues to accelerate its investment in its cloud computing growth opportunity. Guidewire has now crossed the midpoint of its cloud transition, which should correlate to dramatically improving financial results. We believe Guidewire has tripled its addressable market to $20 billion through new products and cloud delivery. We believe the company is the critical software vendor to the global P&C insurance industry, which remains significantly underpenetrated. Guidewire could ultimately capture 30% to 50% of its $15 billion to $25 billion total annual addressable market. If that is the case its margins could exceed 40%. This resultant strong cash flow could be used to continue to invest in new products and services for its customers and buying back stock. It recently instituted a $400 million share repurchase program.

In 2022, shares of ski resort owner and operator **Vail Resorts, Inc.** declined 25.2% and negatively impacted performance by 93 bps. The decline was due to investor concerns that a possible recession will result in a slowdown or decline in growth and would negatively impact season pass sales and earnings. Thus far, Vail has seen no material change in its visitation or visitor spending levels. It continues to generate robust earnings and free cash flow. Season pass sales this season increased at a mid-single-digit rate, enabling the company to be assured of almost a third of its annual revenue before the season even started. Vail continues to invest in its people and resorts. This year it raised its minimum wage to $20 from $15. It also increased its investment budget for all its resorts from $170 million per year to $320 million. This is to increase lift capacity and open acreage to make skiing at Vail an even more outstanding experience. Vail's strong balance sheet and well-covered dividend should enable it to weather any downturn and allow for further acquisitions and pursuit of other growth opportunities.

Shares of gaming company **PENN Entertainment, Inc.** declined 42.7% in 2022 and penalized performance by 110 bps. This was due to investor concerns about a potential recession. Thus far, the company has seen no material change to visitation or spending levels. PENN is generating strong cash flow, which it continues to use to invest in its digital growth opportunity, while using excess cash to buy back its stock. PENN is well positioned to weather a slowdown or recession, and we believe that if one does occur, the company would likely still generate revenue and EBITDA above pre-pandemic levels. We regard the $80 million of startup costs in 2022 from its digital business to be modest in relation to PENN's over $1 billion of EBITDA casino earnings. The losses from its digital business represent customer acquisition costs incurred as additional states legalize online gambling. Since it is far less expensive to retain existing customers than to acquire new ones, we expect marketing costs to decline as PENN builds its customer base. PENN's core bricks and mortar casino businesses remain strong. Its healthy regional casino business and strong balance sheet should enable it to continue to easily absorb its digital losses whether or not a recession should occur.

Performance for 2022 was led by our **Financials** investments, which performed better than the Index. Rising interest rates help such businesses. These stocks increased 1.83% in the year and represented 17.5% of net assets. The outperformance was led by our investment in P&C insurer Arch.

Companies we categorize as **Core Growth** businesses can generally to grow revenue and earnings steadily, while returning excess cash flow to investors through dividends and share repurchases. They declined less than the Index in 2022. These stocks decreased 10.3% in 2022 and represent 12.4% of net assets. The better performance was due to CoStar's strong performance in the period. CoStar declined 2.2% for the year vs. the Index, which was down 26.2%. This was as CoStar accelerated its investment in its residential business. This investment will penalize earnings in the short term but should significantly expand CoStar's addressable market longer term. We believe the investment should yield high returns and enhance the company's growth and free cash flow.

Our **Real/Irreplaceable Assets** are those companies with assets that generally have strong pricing power and are a hedge against inflation. They also held up better than the Index despite falling 21.0% in 2022. These holdings represent 25.0% of net assets as of year-end. The declines were due to our investments in Vail and PENN (as noted above), as investors were concerned about a potential global recession and its impact on these companies' earnings and cash flow. However, both companies continue to generate strong results as consumer spending remains robust. Visitation and spending patterns have not been materially impacted by higher interest rates or the inflationary environment. We believe these stocks are unusually attractively priced with strong brands and future growth opportunities. With strong balance sheets, all should still be able to generate earnings above pre-pandemic levels even if a recession were to occur. Most are already discounting that one will occur in the next 12 months.

Our **Disruptive Growth** investments, rapid, earlier-stage growth businesses that are disruptive to their industries, failed to outperform the Index after decreasing 43.4% for the year. The group accounted for 37.4% of net assets as of December 31, 2022. The decline was due to our investments in Tesla(as mentioned above) as well as digital music service provider **Spotify Technology S.A.**, which we discuss in further detail below.

Table II.
Total returns by category for the quarter ended December 31, 2022

	% of Net Assets (as of 12/31/2022)	Total Return (%)	Contribution to Return (%)
Financials	**17.5**	**17.53**	**2.36**
Arch Capital Group Ltd.	7.8	37.86	1.93
MSCI, Inc.	4.8	10.58	0.43
FactSet Research Systems, Inc.	5.0	0.47	0.01
Real/Irreplaceable Assets	**25.0**	**11.50**	**2.06**
Red Rock Resorts, Inc.	3.3	20.11	0.53
Vail Resorts, Inc.	5.2	12.35	0.50
Hyatt Hotels Corp.	6.2	11.72	0.59
Marriott Vacations Worldwide Corp.	2.3	11.04	0.24
PENN Entertainment, Inc.	1.9	7.96	0.12
Manchester United plc	1.3	6.82	0.07
Choice Hotels International, Inc.	2.4	3.07	0.08
Alexandria Real Estate Equities, Inc.	0.7	0.96	0.01
Douglas Emmett, Inc.	0.7	–0.87	–0.01
American Homes 4 Rent	1.0	–7.63	–0.07
Core Growth	**12.4**	**6.98**	**0.37**
CoStar Group, Inc.	6.2	10.95	0.55
Verisk Analytics, Inc.	3.3	2.66	0.06
IDEXX Laboratories, Inc.	1.6	–6.69	–0.10
Krispy Kreme, Inc.	1.4	–10.25	–0.14
Russell 2500 Growth Index		**4.72**	
Disruptive Growth	**37.4**	**–21.39**	**–9.12**
Shopify Inc.	1.0	29.01	0.19
Space Exploration Technologies Corp.	11.9	22.58	2.03
Iridium Communications Inc.	4.5	15.84	0.58
Guidewire Software, Inc.	3.0	1.59	0.02
BioNTech SE	–	0.97	0.00
ANSYS, Inc.	2.0	0.12	0.00
Spotify Technology S.A.	1.1	–9.79	–0.14
Figs Inc.	3.5	–18.45	–0.73
Tesla, Inc.	10.4	–53.56	–11.09
Cash	**7.7**	**–**	**0.07**
Fees	**–**	**–0.28**	**–0.28**
Total	**100.0***	**–4.53****	**–4.53****

Sources: FactSet PA, BAMCO, and FTSE Russell.

* Individual weights may not sum to displayed total due to rounding.

** Represents the blended return of all share classes of the Fund.

Table III.
Performance
Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/1998 to 3/9/2000	12/31/2013 to 12/31/2016
Baron Focused Growth Fund (Institutional Shares)	41.77%	0.45%
Russell 2500 Growth Index	126.53%	5.45%
S&P 500 Index	32.29%	8.87%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

From 2014 through 2016, the Fund invested in several companies whose stocks underperformed while they were investing in their businesses to enable them to grow. CoStar and Iridium were among those businesses. Their stocks outperformed in 2021 and 2022, as those investments began to generate strong returns.

We believe the Fund's underperformance from 2014 through 2016 is analogous to instances when, after brief periods of underperformance, the Fund subsequently outperformed for an extended period. For example, in the 18-month period from October 1998 through March 2000, at the height of the Internet Bubble, the Fund, which owned no internet stocks, increased 41.77% annualized, while the Index increased 126.53% annualized. This was immediately prior to the Internet Bubble bursting. The Index fell materially over the next eight years. The Fund increased in value during that period. (Please see Tables III and IV.)

Similar to the Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund to perform well over the next several years. This is despite our expectation that there will be periods when value stocks outperform the growth stocks in which we have invested as was the case in 2022. We can certainly give no assurance this will be the case. So, despite unusually strong balance sheets and favorable growth prospects, we believe the market is giving these businesses little credit for future earnings growth. We believe, even if a recession were to occur, these businesses would still be generating earnings above pre-pandemic levels and most of their stocks are already discounting that a decline in earnings will occur next year.

Since its inception as a private partnership on May 31, 1996 through December 31, 2022, the Fund's **12.84% annualized performance** has **exceeded** that of its Index by **519 bps per year**!

The Fund's beta has averaged 0.83 since inception. This means the Fund has been 83% as volatile as the Index. As a result of the Fund's strong absolute and relative returns and lower risk since inception, the Fund has achieved 6.70% annual alpha, a measure of risk-adjusted performance.

Table IV.
Performance
Millennium to COVID-19 Pandemic. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 12/31/2022		Millennium Internet Bubble to Present 12/31/1999 to 12/31/2022		Inception 5/31/1996 to 12/31/2022	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Focused Growth Fund (Institutional Shares)	$12,732	2.72%	$80,750	16.09%	$102,811	10.66%	$248,085	12.84%
Russell 2500 Growth Index	$ 6,931	–3.99%	$57,233	13.27%	$ 39,667	6.17%	$ 70,918	7.65%
S&P 500 Index	$ 7,188	–3.60%	$56,284	13.14%	$ 40,457	6.27%	$ 94,142	8.80%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

We did not make much money from December 31, 1999 to December 31, 2008 (amid the highs of the Internet Bubble and the lows of the Financial Crisis). But…we did make something…which gave investors a much better outcome than if they had hypothetically invested in a passive index fund mirroring either the Index or the S&P 500 Index. Both indexes lost a material amount of money during that period. (Please see Table IV.)

Due to the power of compounding and of not losing money from the Millennium Internet Bubble to the Financial Panic period and outperforming the market during upswings from the Financial Panic to Present, $10,000 hypothetically invested in Baron Focused Growth Fund at the Fund's inception on May 31, 1996, was worth $248,085 on December 31, 2022. That is 3.5 times the value of a hypothetical investment of the same amount in funds designed to track the Russell 2500 Growth Index, and over 2.6 times the value of a hypothetical investment of the same amount in funds designed to track the S&P 500 Index. (Please see Table IV.)

Table V.
Top contributors to performance for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Space Exploration Technologies Corp.	2017	–	–	22.58%	2.03%
Arch Capital Group Ltd.	2003	0.9	23.2	37.86	1.93
Hyatt Hotels Corp.	2009	4.2	9.7	11.72	0.59
Iridium Communications Inc.	2019	3.1	6.5	15.84	0.58
CoStar Group, Inc.	2014	6.2	31.4	10.95	0.55

Space Exploration Technologies Corp. (SpaceX) is a high-profile private company founded by Elon Musk that designs, manufactures, and launches rockets, satellites, and spacecrafts. Its long-term goal is to enable human beings to inhabit Mars. We believe SpaceX is creating substantial value through the expansion of its Starlink broadband service. It also reliably provides reusable launch capabilities, including crewed space flights, and is making progress on its largest rocket, Starship. We value SpaceX using prices of recent financing transactions and a proprietary valuation model.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares increased due to favorable pricing trends in the P&C insurance market. During the quarter, the company reported earnings that beat consensus despite significant losses from Hurricane Ian. The stock also benefited from inclusion in the S&P 500 index, which prompted buying from passive funds. We continue to own the stock due to Arch's strong management team and our expectation of strong growth in earnings and book value.

Shares of global hotelier **Hyatt Hotels Corp.** increased in the quarter, driven by steady spending at its leisure properties and improvement in its business transient and group bookings. Strong revenue growth resulted in improved margins versus pre-pandemic levels. Continued progress in Hyatt's transformation into an asset-light business based on management and franchise fees is generating increased cash flow that the company is using to buy back shares and make accretive acquisitions. Its solid balance sheet should allow it to withstand a possible downturn or recession.

Shares of **Iridium Communications Inc.**, a leading mobile voice and data communications services vendor offering global satellite coverage, rose after announcing its first cash dividend as part of its shareholder return program. Expectations for smartphone compatibility remained robust, with record quarterly results showing double-digit growth in commercial service revenue and solid profitability. Initiatives including aircraft tracking system Aireon and enterprise broadband service Certus are maturing. Lastly, Iridium won a $324 million contract from the Space Development Agency.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. Shares increased on solid third quarter results and raised guidance. We think CoStar is well positioned to benefit from the migration of real estate market spend to online channels. CoStar is investing aggressively to build out its residential marketing platform, which offers dramatic upside potential, in our view. The company has over $4.7 billion of cash on its balance sheet, which we expect it to begin to deploy for opportunistic M&A.

Table VI.
Top detractors from performance for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$389.0	–53.56%	–11.09%
Figs Inc.	2022	1.5	1.1	–18.45	–0.73
Krispy Kreme, Inc.	2021	2.4	1.7	–10.25	–0.14
Spotify Technology S.A.	2020	45.4	15.2	–9.79	–0.14
IDEXX Laboratories, Inc.	2022	36.5	33.8	–6.69	–0.10

Tesla, Inc. manufactures EVs, related software and components, and solar and energy storage products. Shares fell due to growing investor concerns regarding volume and pricing dynamics as demand appeared to be pressured by a potential recession and higher interest rates. In addition, following Twitter's acquisition, CEO Elon Musk dedicated a material portion of his time to the company and sold Tesla shares to fund the transaction, driving investors' concern regarding his dedication to Tesla. We remain confident in Tesla's fundamentals and management team.

Figs Inc. is a leading direct-to-consumer health care apparel brand. Shares declined following disappointing guidance for the remainder of the year. While Figs remains the favorite brand for many health care professionals, the company now expects growth to be slower than it had previously forecast, as its customers are cutting back on purchases given the challenging macroeconomic environment. We retain conviction due to Figs' strong brand, superior product and merchandising, and direct-to-consumer business model.

Krispy Kreme, Inc. is a manufacturer and retailer of branded fresh doughnuts and packaged sweet treats sold through an omni-channel model in the U.S. and abroad. Despite initial gains following third quarter earnings results, shares fell after the company's Investor Day. While generally positive, management highlighted the negative impact of inflation, FX headwinds, and the U.K. macro environment on near-term performance. We see opportunity for growth and margin expansion as Krispy Kreme optimizes its hub and spoke model and view these challenges as temporary.

Spotify Technology S.A. is a leading global digital music service offering on-demand audio streaming through paid premium subscriptions and an ad-supported model. Shares of Spotify were down on weakness in the company's fourth quarter gross margin guide. We still view Spotify as a long-term winner in music streaming with potential to reach more than one billion active monthly users. Subscriber additions remain strong, price increases seem likely, and cost discipline has become a bigger focus.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc**. detracted from performance for the period held. Veterinary visits are still being adversely impacted by tight labor markets and challenging comparisons after a surge of pet adoptions during the pandemic. However, the rate of decline seems to have stabilized, and we see increasing evidence that long-term secular trends around pet ownership and pet care spending have been structurally accelerated. IDEXX's competitive trends are outstanding, and we expect new proprietary innovations and sales force expansion to be meaningful contributors.

Investment Strategy & Portfolio Structure

Despite current market volatility and investor angst, we have continued to manage the Fund the same way we have historically, searching for companies with large addressable market opportunities that have the potential to disrupt industries and take market share given strong competitive advantages inherent in their businesses. We search for companies with strong pricing power that have the ability to be a price leader and can raise prices every year without impacting retention rates such as with FactSet, CoStar, MSCI, or Arch. We also look for those companies that are able to be a cost leader and can produce goods and provide services at the lowest possible cost such as with Tesla and Figs.

In the fourth quarter, we added new positions in **ANSYS, Inc.**, the market leader in simulation driven product development, and **IDEXX Laboratories,**

Inc., the leading provider of diagnostics to the veterinary industry, and sold two-thirds of our position in **Spotify Technology S.A.** to take advantage of losses in the stock for tax purposes. We expect to repurchase these shares.

ANSYS is the leader in the simulation industry that its clients use for new product development. New technologies are creating goods and services that are significantly more complex. These companies need ANSYS's software for product testing that they cannot do themselves. Accordingly, ANSYS generates strong recurring revenue through contracts that last three to five years and retention rates at 95% or higher. ANSYS has a $20 billion addressable market that is underpenetrated today. ANSYS' stock declined 40% last year. We also believe its current valuation and growth prospects are attractive.

IDEXX is the market leader in animal health diagnostics, with more than 50% market share across all modalities. It is benefiting from strong long-term secular trends in the veterinary health market, including growth in the pet population, the humanization of pets, and the growing intensity of diagnostic utilization. IDEXX generates recurring revenue, underpinned by 5- to 6-year contracts and annual retention rates of between 97% and 99%. The stock declined 38% last year, and we believe its valuation and growth are attractive at current levels.

While we have made other changes on the margin, the Fund's strategy remains the same. We continue to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, competitively advantaged, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of between 20 and 30 securities diversified by GICS sectors that will be approximately 80% as volatile (as measured by beta) as the market. Since inception, the Fund has generated 98% of the upside when the market rises but just 80% of the downside when the market declines. Businesses in which the Fund invests are identified by our analysts and portfolio managers using our proprietary research and time-tested investment approach.

As of December 31, 2022, we held 25 investments. The Fund's average portfolio turnover for the past three years was 28.6%. This means the Fund has an average holding period for its investments of almost four years. This contrasts sharply with the average mid-cap growth mutual fund, which typically turns over its entire portfolio every 17 months. From a quality standpoint, the Fund's investments have stronger sales growth than holdings in the Index, higher EBITDA, operating, and free cash flow margins, and stronger returns on invested capital. We believe these metrics are important factors limiting risk in this focused portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Index. For example, we are heavily weighted in Consumer Discretionary businesses with 33.2% of net assets in this sector versus 12.2% for the Index. We have no exposure to Energy versus 6.2% for the Index and lower exposure to Health Care stocks (5.0%) versus 19.4% for the Index. We believe the performance of stocks in these sectors can change quickly, we believe it is undesirable to invest in these stocks in a concentrated portfolio for the long term. The Fund is further diversified by investments in businesses at different stages of growth and development as discussed above and shown below.

Table VII.
Disruptive Growth Companies as of December 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Space Exploration Technologies Corp.	11.9%	2017	431.96%
Tesla, Inc.	10.4	2014	637.87
Iridium Communications Inc.	4.5	2014	778.71
Figs Inc.	3.5	2022	–26.53
Guidewire Software, Inc.	3.0	2013	35.35
ANSYS, Inc.	2.0	2022	–0.81
Spotify Technology S.A.	1.1	2020	–67.01
Shopify Inc.	1.0	2022	–0.29

Disruptive Growth firms accounted for 37.4% of the Fund's net assets. On current metrics, these businesses may appear expensive; however, we think they will continue to grow significantly and, if we are correct, they have the potential to generate exceptional returns over time. Examples of these companies include EV leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, and systems software provider to the insurance industry **Guidewire Software, Inc.** All of these companies have large underpenetrated addressable markets relative to the current size of these competitively advantaged businesses.

Table VIII.
Investments with Real/Irreplaceable Assets as of December 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corp.	6.2%	2009	229.71%
Vail Resorts, Inc.	5.2	2013	360.49
Red Rock Resorts, Inc.	3.3	2017	111.71
Choice Hotels International, Inc.	2.4	2010	456.10
Marriott Vacations Worldwide Corp.	2.3	2022	2.29
PENN Entertainment, Inc.	1.9	2019	41.50
Manchester United plc	1.3	2022	10.00
American Homes 4 Rent	1.0	2018	52.23
Alexandria Real Estate Equities, Inc.	0.7	2022	0.00
Douglas Emmett, Inc.	0.7	2022	–0.88

Companies that own what we believe are **Real/Irreplaceable Assets** represented 25.0% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corp.**, and the largest U.S. regional casino gaming company **PENN Entertainment, Inc.**, are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power over time. PENN's state-granted licenses for its regional casinos provide important protection from competitors. Online sports betting and internet-casino gaming offer large opportunities for future growth.

Table IX.
Financials Investments as of December 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Arch Capital Group Ltd.	7.8%	2003	1,624.20%
FactSet Research Systems, Inc.	5.0	2008	816.24
MSCI, Inc.	4.8	2021	–28.09

Financials investments accounted for 17.5% of the Fund's net assets. These businesses generate strong recurring earnings through subscriptions and premiums that generate highly predictable earnings and cash flow. Those businesses use cash flows to continue to invest in new products and services, while returning capital to shareholders through share buybacks and dividends. These companies include **Arch Capital Group Ltd.**, **FactSet Research Systems, Inc.**, and **MSCI, Inc.** Arch, one of the leading P&C insurers, continued to increase premiums written and raise prices. This strong pricing is resulting in robust returns on investments, with increased earnings and cash flow that the company is using to repurchase its shares. We continue to believe that Arch will continue to generate mid-teens returns on capital. Arch's valuation remains attractive.

FactSet, which offers one of the leading financial intelligence systems for the asset management industry, continues to grow into new areas via fixed income, risk management, and, most recently, private equity. This should enable the company to grow and generate a steady stream of recurring cash flow that it uses for acquisitions, dividends, and buybacks. MSCI is a leading provider of investment decision support tools for the global investment community. The company's underlying business largely continued to perform well despite the negative impact of broader market weakness on asset-based fee revenue. We retain long-term conviction, as MSCI owns strong, "all weather" franchises and remains well positioned, in our view, to benefit from numerous secular tailwinds in the investment community.

Table X.
Core Growth Investments as of December 31, 2022

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	6.2%	2014	261.12%
Verisk Analytics, Inc.	3.3	2022	2.10
IDEXX Laboratories, Inc.	1.6	2022	–7.55
Krispy Kreme, Inc.	1.4	2021	–26.34

Core Growth investments, steady growers that continually invest in their businesses for growth and return excess free cash flow to shareholders, represented 12.4% of net assets. An example would be **CoStar Group, Inc.** The company continues to add new services in the commercial and residential areas of real estate, which have grown its addressable market and enhanced services for its clients. This has improved client retention and cash flow. CoStar continues to invest its cash flow in its business to accelerate growth, which we believe should generate strong returns over time.

Portfolio Holdings

As of December 31, 2022, the Fund's top 10 holdings represented 65.4% of net assets. A number of these investments have been successful and were purchased when they were much smaller businesses. We believe they continue to offer significant further appreciation potential, although we cannot guarantee that will be the case.

The top five positions in the portfolio, **Space Exploration Technologies Corp.**, **Tesla, Inc.**, **Arch Capital Group Ltd.**, **Hyatt Hotels Corp.**, and **CoStar Group, Inc.**, all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior industry expertise, or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth and returns over time.

Table XI.
Top 10 holdings as of December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Space Exploration Technologies Corp.	2017	–	–	$86.5	11.9%
Tesla, Inc.	2014	31.2	389.0	75.8	10.4
Arch Capital Group Ltd.	2003	0.9	23.2	56.5	7.8
Hyatt Hotels Corp.	2009	4.2	9.7	45.2	6.2
CoStar Group, Inc.	2014	6.2	31.4	44.8	6.2
Vail Resorts, Inc.	2013	2.3	9.6	38.1	5.2
FactSet Research Systems, Inc.	2008	2.5	15.3	36.1	5.0
MSCI, Inc.	2021	53.9	37.2	34.9	4.8
Iridium Communications Inc.	2014	0.6	6.5	32.7	4.5
Figs Inc.	2022	1.5	1.1	25.2	3.5

Thank you for investing in Baron Focused Growth Fund. We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also continue to try to provide you with information we would like to have if our roles were reversed. This is so you can make an informed judgment about whether Baron Focused Growth Fund remains an appropriate investment for your family.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager
December 31, 2022

David Baron
Co-Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Fund is non-diversified which means, in addition to increased volatility of the Fund's returns, it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 27% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with investing in small and medium-sized companies include that the securities may be thinly traded and more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Focused Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition. **Alpha:** measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron International Growth Fund Shareholder:

Performance

Baron International Growth Fund (the "Fund") gained 14.85% (Institutional Shares) during the final quarter of 2022, while its principal benchmark index, the MSCI ACWI ex USA Index, returned 14.28%. The MSCI ACWI ex USA IMI Growth Index gained 12.73% for the quarter. In a year when growth stocks suffered under rising interest rates and deteriorating liquidity conditions, the Fund declined 27.29%, the MSCI ACWI ex USA Index retreated 16.00%, and the MSCI ACWI ex USA IMI Growth Index lost 23.49%. The Fund slightly outperformed its principal benchmark index while more notably outperforming the all-cap growth proxy during a strong fourth quarter for international equities. In our previous letter, we surmised that we were likely passing through peak hawkishness; and as suggested, the fourth quarter featured a moderation in sentiment regarding inflation expectations and anticipated central bank aggression, which was a primary catalyst for the global rally. Volatility remained elevated, as international and emerging equity markets, particularly those most sensitive to China, experienced a wave of selling early in the quarter over the country's unpopular adherence to the zero-COVID policy as well as unexpected changes to the Politburo standing committee, which abruptly reversed as the government's new leadership rolled out significant easing and stimulus measures and began to dismantle its zero-COVID measures. In our view, this vector change leaves China as the global jurisdiction with the highest likelihood of earnings expansion and outperformance relative to expectations as we enter 2023, while China's reopening would also marginally offset deteriorating global growth. We believe that evolving macroeconomic conditions, relative valuations, and relative earnings prospects suggest that international and emerging market (EM) equities are likely positioned for a multi-year phase of outperformance. As always, we are confident that we have invested in many well-positioned and well-managed companies on a bottom-up basis that are poised to benefit from long-term and attractive investment themes.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BIGFX
Institutional Shares: BINIX
R6 Shares: BIGUX

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[4]	14.81%	14.85%	14.28%	12.73%
One Year	(27.47)%	(27.29)%	(16.00)%	(23.49)%
Three Years	1.25%	1.49%	0.07%	(0.26)%
Five Years	1.92%	2.17%	0.88%	1.39%
Ten Years	6.24%	6.50%	3.80%	4.77%
Since Inception (December 31, 2008)	8.77%	9.04%	6.13%	7.04%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.23% and 0.96%, but the net annual expense ratio was 1.20% and 0.95% (net of the Adviser's fee waivers), 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3- and 5-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 **MSCI ACWI ex USA Index** is designed to measure the equity market performance of large and mid cap securities across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. The **MSCI ACWI ex USA IMI Growth Index** is designed to measure the performance of large, mid and small cap growth securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets (DM) countries (excluding the United States) and 24 Emerging Markets (EM) countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign 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 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 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.

4 Not annualized.

For 2022, we underperformed our principal benchmark, the MSCI ACWI ex USA Index, though we more moderately trailed our all-cap international growth proxy in a very difficult period for growth stock performance worldwide. During the year, international equities were marked with increased volatility, primarily driven by economic and geopolitical uncertainties arising from Russia's invasion of Ukraine, and stubbornly high global inflation readings, which forced central bankers to tighten aggressively. In addition, challenges pertaining to China's zero-COVID policy also weighed on EM equities. From a sector or theme perspective, adverse stock selection effect in the Communication Services sector, driven by our digitization-related investments (**Future plc**, **S4 Capital plc**, **Z Holdings Corporation**, and **Spotify Technology S.A.**), was a key detractor for the year. In addition, poor stock selection effect in the Industrials sector, due to holdings in our sustainability/ESG (**Ceres Power Holdings plc**, **China Conch Environment Protection Holdings Limited**, **Befesa S.A.**, **Aker Carbon Capture AS**, **Korea Shipbuilding & Offshore Engineering Co., Ltd.**, and **Techtronic Industries Co. Ltd.**), Japan staffing (**Recruit Holdings Co., Ltd.** and **SMS Co., Ltd.**), and China value-added (**Zhejiang Dingli Machinery Co., Ltd.** and **Han's Laser Technology Industry Group Co., Ltd.**) themes also weighed on relative results. Finally, weak stock selection in the Financials sector, relating to positions in our fintech (**TCS Group Holding PLC** and **Sberbank of Russia PJSC**) and EU mutualization (**UniCredit S.p.A.**, **Credit Suisse Group AG**, and **BNP Paribas S.A.**) themes adversely impacted relative performance. Partially offsetting the above, our cash position in a weak market environment was a positive contributor to relative performance during the year.

From a country perspective, for calendar year 2022, poor stock selection effect in the U.K., Japan, China, and Spain drove the majority of relative underperformance. In our view, the weakness in China was primarily attributable to near-term earnings disruption triggered by the country's zero-COVID policy, which we believe will reverse in the year ahead. Partially offsetting the above was positive stock selection effect in the Netherlands, Korea, and Switzerland, along with our cash position in a down market and favorable allocation effect in the U.S. and Taiwan.

For the fourth quarter, we modestly outperformed our principal MSCI ACWI ex USA Index, while also comfortably outperforming our all-cap international growth proxy. Favorable stock selection effect in the Information Technology sector was the key contributor to relative results. Partly offsetting the above was adverse stock selection and allocation effect in the Communication Services sector, once again led by some of our digitization-related investments. In addition, our cash position in a period of strong absolute market returns was also a detractor. From a country perspective, solid stock selection in the U.K. and Switzerland together with our active exposure to the U.S. contributed the most to relative results during the quarter. We are encouraged by our recent performance and expect to recoup prior period losses for many of our investments, particularly within our digitization, sustainability/ESG, and China value-added themes. There is no guarantee that these objectives will be met.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Arch Capital Group Ltd.	0.97%
Meyer Burger Technology AG	0.87
AMG Advanced Metallurgical Group N.V.	0.64
AstraZeneca PLC	0.61
BNP Paribas S.A.	0.52

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares increased due to favorable pricing trends in the property & casualty insurance market. During the quarter, the company reported earnings that beat consensus despite significant losses from Hurricane Ian. The stock also benefited from inclusion in the S&P 500 Index, which prompted buying from passive funds. We continue to own the stock due to Arch's strong management team and our expectation of strong growth in earnings and book value.

Meyer Burger Technology AG is a Swiss-based supplier of solar modules. Shares increased on strong order momentum and the recently passed Inflation Reduction Act that provides incentives for manufacturing solar modules in the U.S. Meyer Burger's next generation heterojunction solar modules are more efficient, command premium prices, and generate higher margins. We believe Meyer Burger is a long-term beneficiary of greater localization of energy supply chains and reduced reliance on China. The company is ramping up capacity at both its German and U.S. facilities.

AMG Advanced Metallurgical Group N.V. is a European specialty metals and minerals company. An increase in vanadium prices in advance of China's reopening and property stimulus drove up the share price. We remain investors as demand is being driven by environmental regulations to reduce hazardous waste. We also like AMG's growth opportunity in lithium, an essential metal used in electric vehicle batteries and energy storage. AMG is currently planning its own lithium hydroxide refining plant in Europe, which we think should lead to a better margin profile for this business.

AstraZeneca PLC is a global pharmaceutical company focused on oncology, respiratory, cardiovascular, and metabolism drugs. Shares increased given incremental positive news flow surrounding the oncology franchise at medical meetings and some mean reversion after lagging in the prior quarter. We retain conviction in AstraZeneca given its best-in-class growth profile among its pharmaceutical peers combined with its strong pipeline and commercial launch characteristics. We highlight Enhertu and Dato-Dxd as two new exciting near-term drug opportunities.

BNP Paribas S.A. is a France-based universal bank. During the quarter, BNP's shares appreciated in line with the broader index of European banks as rising inflation prompted the European Central Bank to start raising short-term interest rates, boosting the outlook for banks' net interest income. Third quarter results included beats in revenues, costs, and provisions, prompting an increase in near-term earnings expectations. We see a favorable outlook given BNP's diversified revenue base, cost control, and capital optionality from the sale of its U.S. operations.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
DLocal Limited	-0.20%
Bajaj Finance Limited	-0.19
Baidu, Inc.	-0.19
China Conch Environment Protection Holdings Limited	-0.15
Hapvida Participacoes e Investimentos S.A.	-0.11

DLocal Limited is a Uruguay-based company that facilitates cross-border payments in EM. Shares declined after a prominent short seller published a report alleging the company was engaged in fraudulent activity. After conducting our own research and speaking extensively with management, we concluded the report's allegations were baseless and its conclusions contained factual errors. The company has since issued a formal rebuttal and announced a share buyback program. We retain conviction in DLocal's ability to deliver strong earnings growth.

Bajaj Finance Limited, a leading non-bank financial company in India, detracted from performance largely as a result of anticipated weakness in near-term earnings growth owing to a broad slowdown in consumer discretionary spending. We retain conviction in Bajaj due to its best-in-class management team, robust long-term growth outlook, and conservative risk management frameworks. We think the company is well positioned to benefit from growing demand for consumer financial services such as mortgages, personal and credit card loans, among other related products.

Shares of **Baidu, Inc.**, a leading Chinese artificial intelligence company, fell in the fourth quarter due to geopolitical uncertainties and COVID-related lockdowns. We retain conviction that Baidu will deliver strong earnings growth over the next several years, driven by the secular growth in digital advertising, market share gains in cloud computing, continued progress in autonomous vehicle development, and improving operational efficiency.

China Conch Environment Protection Holdings Limited is an emerging leader in hazardous/solid waste treatment through cement co-processing projects in China that recently spun off from China Conch Venture Holdings. Shares were down for the period held due to a decline in margins and investor concerns about weaker demand. We sold China Conch Environment as part of our effort to concentrate our holdings where we have highest conviction around their quality and return potential.

Hapvida Participacoes e Investimentos S.A. is Brazil's largest vertically integrated HMO. Disappointing performance can be attributed to earnings weakness due to COVID-related headwinds and anemic growth in new member lives. We retain conviction. The company is benefiting from rising penetration of health care services in the country, and we believe it will gain market share by offering cost-effective plans nationwide. We expect earnings to sustain mid-teens growth over the next three to five years.

Portfolio Structure

Table IV.
Top 10 holdings as of December 31, 2022 – Developed Countries

	Percent of Net Assets
Arch Capital Group Ltd.	2.9%
AstraZeneca PLC	2.8
argenx SE	2.5
Linde plc	2.4
Meyer Burger Technology AG	2.2
Keyence Corporation	1.8
BNP Paribas S.A.	1.7
Pernod Ricard SA	1.7
Constellation Software, Inc.	1.7
Industria de Diseno Textil, S.A.	1.7

Table V.
Top five holdings as of December 31, 2022 – Emerging Countries

	Percent of Net Assets
Reliance Industries Limited	1.6%
Taiwan Semiconductor Manufacturing Company Limited	1.6
Bajaj Finance Limited	1.5
Suzano S.A.	1.4
Korea Shipbuilding & Offshore Engineering Co., Ltd.	1.4

Table VI.
Percentage of securities in Developed Markets as of December 31, 2022

	Percent of Net Assets
United Kingdom	14.2%
Japan	9.4
France	8.6
Netherlands	6.5
Switzerland	5.8
United States	4.5
Spain	3.5
Germany	2.9
Canada	2.9
Italy	2.5
Hong Kong	1.5
Denmark	1.5
Sweden	1.2
Israel	1.1
Ireland	1.0
Norway	0.9
Australia	0.6

Table VII.
Percentage of securities in Emerging Markets as of December 31, 2022

	Percent of Net Assets
China	10.4%
India	6.9
Brazil	3.2
Korea	2.7
Poland	2.3
Taiwan	1.6
Peru	0.9
Mexico	0.7

The table above does not include the Fund's exposure to Uruguay (0.1%) and Russia (less than 0.1%) because these countries fall outside of MSCI's developed/emerging/frontier framework.

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. At the end of the fourth quarter of 2022, the Fund's median market cap was $13.2 billion. We were invested 63.7% in large- and giant-cap companies, 20.5% in mid-cap companies, and 13.0% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the fourth quarter, we added a few new investments toward existing themes, while also increasing exposure to several positions that were established in earlier periods. We continue our endeavor to add to our highest-conviction ideas.

We initiated a position in **Japan Airport Terminal Co., Ltd**. (JAT), which constructs, manages, and maintains passenger terminals and airport facilities at the Haneda airport in Japan. The company operates parking lots, souvenir shops, and duty-free stores in both Haneda and Narita airports. JAT also manages in-flight meal services. In our view, the company is well positioned to benefit from a sharp recovery in international tourism following a significant yen depreciation as well as the removal of COVID-related border restrictions in Japan towards the end of the year. Prior to the pandemic, international passengers accounted for roughly 80% of gross profit with foreign visitors to Japan having tripled this past decade. In addition to higher fees related to passenger volumes, we expect a solid rebound in duty-free merchandise sales, which provide a higher-value proposition to customers due to a severely weakened yen. The recent relaxation of China's zero-COVID policy should further support an earnings recovery as Chinese tourists accounted for nearly a third of international traffic prior to the pandemic.

During the quarter, we added to our EU mutualization theme, most notably by initiating a position in **Bank of Ireland Group plc**, one of the largest banks in the Republic of Ireland and Northern Ireland. The company offers a full range of banking services to corporate and retail clients including loans, insurance, credit and debit card processing, and investment consulting. In our view, Bank of Ireland will sustain a strong improvement in profitability driven by higher net interest income growth and stable asset quality. The bank is among the most positively geared to rising policy rates in Europe given a liquid balance sheet and a benign competitive environment for deposits following the recent consolidation in the Irish banking industry. Therefore, we believe Bank of Ireland will see a significant uplift in its net interest margin and return on equity, which should drive a re-rating in its valuation multiple and stock price.

As part of our China value-added theme, we initiated an investment in **Jiangsu Hengli Hydraulic Co., Ltd**. The company is China's largest manufacturer of hydraulic components such as cylinders, pumps, and valves. These are mission critical components of construction machinery with high barriers to entry. We were impressed with Hengli's success in displacing foreign competition in China to become the dominant supplier of hydraulic cylinders for excavators commanding more than a 50% market share. The company has successfully competed with international brands both domestically and abroad due to its high-quality products at lower costs, while historically generating a more than 30% return on invested capital. Recently, Hengli has expanded into hydraulic pumps and valves as well as non-excavator construction machinery segments that represent large addressable markets. We expect Hengli to replicate its success in gaining market share from foreign competition in these new verticals and maintain double-digit earnings growth for several years.

During the quarter, we also increased exposure to our EM consumer theme by initiating a position in **Galaxy Entertainment Group Limited**, one of six licensed owner/operators of integrated gaming resorts in Macau. In our view, the Macau gaming industry will be a key beneficiary of the reopening of China's consumer economy in 2023 after three years of lockdowns and restrictions on leisure travel. Beyond 2023, the industry should continue to experience structural demand growth as the Chinese middle class grows and infrastructure links between Macau and the mainland improve. In our view, Galaxy has the highest quality assets and balance sheet, and the largest growth pipeline among the six Macau operators. In addition, recent announcements on concession renewals for all six operators without any punitive changes to financial terms removed a key overhang on the industry.

Adding to our sustainability/ESG theme, we initiated an investment in **Norsk Hydro ASA**, a global producer of aluminum and other related products. The company is vertically integrated with operations across all major aspects of the aluminum value chain, from bauxite and alumina mining to smelting and production. Norsk Hydro is strategically positioned as an upstream producer of aluminum with a very low carbon footprint due to its captive hydro-electricity generation. This, in our view, is a growing competitive advantage as we expect prices of carbon emissions to rise over time as global economies strive to achieve their carbon net-zero targets. We are optimistic over longer-term aluminum prices and expect a multi-year supply deficit driven by capacity constraints due to decarbonization commitments in China and elsewhere. In addition, we expect structural demand growth from electric and lighter weight vehicles.

Finally, we added to several of our existing positions during the quarter, most notably **China Tourism Group Duty Free Corporation Limited**, **Shenzhen Mindray Bio-Medical Electronics Co., Ltd.**, **Epiroc AB**, **Meyer Burger Technology AG**, **AMG Advanced Metallurgical Group N.V.**, **Midea Group Co., Ltd.**, **JD.com, Inc.**, and **Taiwan Semiconductor Manufacturing Company Limited**.

In our endeavor to concentrate our holdings where we have highest conviction in quality and return potential, we also exited several positions during the quarter, including **Hua Hong Semiconductor Limited**, **Spotify Technology S.A.**, **WuXi Biologics Cayman Inc.**, **Han's Laser Technology Industry Group Co., Ltd.**, **China Conch Environment Protection Holdings Limited**, **China Conch Venture Holdings Ltd.**, **XP Inc**., and **Naspers Limited**.

Outlook

In our third quarter letter, we suggested that Fed hawkishness was likely reaching a zone of practical constraint, as, in our view, investors believed that the Fed's impatience with backward-looking and elevated inflation readings would manifest as a policy error and/or trigger financial instability. We suggested that a peak in the U.S. dollar, real interest rates, and sovereign bond yields would likely signal the passing of peak hawkishness and result in moderating in equity risk premia and a trough in earnings multiples. We believe the fourth quarter of 2022 has likely confirmed the prediction above, and as we stated in our last letter, these conditions suggest to us that we are entering a sustainable period of international and EM equity outperformance. While a global earnings contraction remains a possibility, we believe the combination of macroeconomic conditions, relative valuation, and relative earnings prospects warrant that forward-looking investors should begin to rebalance portfolios. In our view, now is the time to take a contrarian view of ex-U.S. investments.

While the fourth quarter concluded with solid global equity returns, the quarter was nonetheless characterized by high volatility, particularly in international and EM. Early in the quarter, disappointment with China's adherence to its zero-COVID policy, as well as unexpected changes to the Politburo standing committee, triggered a second capitulation in equities, only to be fully reversed when authorities abruptly unveiled aggressive easing and stimulus measures and signaled the dismantling of zero-COVID. We believe this market capitulation quite likely represents a very important bottom in China and related equities. Because many international jurisdictions are more sensitive to global rather than local conditions, a bottom in China's economic and credit cycle, particularly when coupled with a peak in the U.S. dollar, suggests to us a vector change in relative earnings potential for international equities. From the end of October to year end, international equities, defined as the MSCI ACWI ex USA Index, outperformed the S&P 500 Index by more than 11%, and this outperformance has continued into the new year. In the near term, we believe China, the third largest weight in our primary index, is the global jurisdiction with the greatest likelihood of earnings recovery and outperformance, triggered by the previously mentioned post-COVID economic reopening and coincident large-scale easing and stimulus measures. We believe international equities have a higher correlation to China's economic activity than U.S. equities, which are predominantly geared to domestic activity and consumption. Although the U.S. economy is likely moving through peak hawkishness and a coincident peak in the U.S. dollar, we expect an extended period of slowing economic growth and earnings vulnerability, while awaiting the next Fed easing cycle. In other words, while the global economy is likely passing through a trough in earnings *multiples,* we are now entering a period of elevated uncertainty for U.S. and global ex-China earnings power, and the unresolved question will shift to whether the Fed will wait too long to pivot to an easing bias. As we have witnessed since the recent near-parabolic peak in the dollar, a transition to a weaker dollar tends to favor returns on international assets.

Notwithstanding the recent outperformance noted above, we enter 2023 with U.S. equities trading at a near record high relative to international equities and face an elevated risk of earnings disappointment, while international equities are trading near a 25-year low relative to U.S. equities and, in our view, stand poised for an improving relative economic and earnings outlook. Over the intermediate and longer term, while a mean reversion in relative valuation is enough to suggest material outperformance, it is a marked improvement in earnings expectations that will trigger sustained and unexpected outperformance. As we have outlined in previous communications, we believe the principal catalysts for improving international and EM earnings expectations will be the global capital investment cycle, which is required to fund deglobalization, supply-chain diversification, sustainability, energy, commodity, and agricultural security; India's productivity initiatives reaching escape velocity and driving a virtuous investment cycle; and China's pivot to value-added economic activity. As noted above, we believe we are at or near a final top in the extended U.S. dollar bull market and expect that a subsequent period of stronger international currencies and stable or moderating bond yields will prove stimulative to consumption and investment in these jurisdictions. In short, we reiterate that we believe now is a time to take a contrarian view of the international equity asset class.

Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. 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. 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron International Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Real Estate Fund Shareholder:

Performance

The Baron Real Estate Fund (the "Fund") increased 6.17% (Institutional Shares) in the fourth quarter of 2022, outperforming the MSCI US REIT Index (the "REIT Index"), which increased 4.90%, but underperforming the MSCI USA IMI Extended Real Estate Index (the "MSCI Real Estate Index"), which increased 8.71%.

For the full year, the Fund declined 28.44%, underperforming the MSCI Real Estate Index, which declined 23.84%, and the REIT Index, which declined 25.37%.

Despite a challenging and disappointing 2022, we are pleased to report that as of December 31, 2022, the Fund has maintained its:

- **#1 real estate fund ranking for each of its 10-year, 5-year, and 3-year performance periods**
- **5-Star Morningstar Rating for each of its 10-year, 5-year, and 3-year performance periods**
- **5-star Overall Morningstar Rating™**

We will address the following topics in this letter:

- Big picture thoughts regarding 2022 and 2023
- The prospects for real estate in the public markets (preview: we are bullish)
- A comparison of actively managed public real estate funds versus non-traded REITs/private real estate and passively managed real estate ETFs
- Our portfolio composition and key investment themes
- A review of recent activity managing the Fund
- Concluding thoughts on the prospects for real estate and the Fund

JEFFREY KOLITCH

PORTFOLIO MANAGER

Retail Shares: BREFX
Institutional Shares: BREIX
R6 Shares: BREUX

As of 12/31/2022, the Morningstar Ratings™ were based on 233, 210, 152, and 233 share classes for the 3-year, 5-year, 10-year, and Overall periods, respectively. The Baron Real Estate Fund received 5 stars for each period. The Morningstar Ratings are for the Institutional Share Class only; other classes may have different performance characteristics. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

As of 12/31/2022, the Morningstar Real Estate Category consisted of 252, 233, 210, and 152 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Real Estate Fund Institutional Share Class in the 86th, 1st, 1st, and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund Institutional Share Class as the 212th, 1st, 2nd, and 1st best performing share class in its Category, for the 1-, 3-, 5-, and 10-year periods, respectively.

As of 12/31/2022, Morningstar ranked Baron Real Estate Fund R6 Share Class in the 86th, 1st, and 1st percentiles, for the 1-, 3-, and 5-year periods, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund R6 Share Class as the 212th, 2nd, and 1st best performing share class in its Category for the 1-, 3-, and 5-year periods, respectively.

Morningstar calculates the Morningstar Real Estate 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 do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The **Morningstar Rating™** for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10- year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

BARON FUNDS® 1987

OUR BOTTOM-LINE MESSAGE:

1. Though we are mindful of key risks to the equity and real estate market outlook, we are optimistic about the near-term and long-term prospects for public real estate.
2. We believe there is a strong case to include an allocation to an actively managed public real estate strategy with a strong long-term track record in a diversified investment portfolio.
3. We believe the Baron Real Estate Fund – with the demonstrated merits of our broader, more flexible, and actively managed investment approach – is a compelling real estate mutual fund choice.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Real Estate Fund Retail Shares[1,2]	Baron Real Estate Fund Institutional Shares[1,2]	MSCI USA IMI Extended Real Estate Index[1]	MSCI US REIT Index[1]
Three Months[3]	6.09%	6.17%	8.71%	4.90%
One Year	(28.61)%	(28.44)%	(23.84)%	(25.37)%
Three Years	8.40%	8.69%	2.72%	(1.16)%
Five Years	7.38%	7.65%	4.73%	2.48%
Ten Years	9.99%	10.28%	8.59%	5.20%
Since Inception (December 31, 2009) (Annualized)	12.66%	12.94%	10.20%	7.75%
Since Inception (December 31, 2009) (Cumulative)[3]	370.74%	386.47%	253.31%	163.87%

BIG PICTURE THOUGHTS REGARDING 2022 AND 2023

One year ago, in our year-end 2021 shareholder letter, we stated that we believed 2022 would be arduous to navigate in part due to the prospects of a more hawkish Federal Reserve, higher interest rates, and the possibility of moderating growth and valuation compression in segments of commercial and residential real estate.

Additional factors that contributed to an unusually challenging investment environment included the unexpected Russia/Ukraine war and the spillover effects of even higher inflation for food, wheat, crude oil, natural gas; further COVID-19-related lockdowns in China and ongoing supply-chain bottlenecks; and multi-decade high inflation, a portion of which may remain elevated for an extended period, particularly wages and home prices.

Despite 2022's sharp decline in stocks, bonds, and most investable assets, we are mindful that there are valid reasons to remain cautious about the 2023 outlook:

- The continuation of central bank tightening into a slowing global economy with, perhaps, a global recession on the horizon
- Persistently high wage and shelter inflation in part due to structural supply issues
  - wage inflation: an increase in early retirement and restrictive immigration policies are limiting the number of potential workers and contributing to elevated wages
  - home price inflation: several years of underinvestment in new home construction relative to demographic needs and a lack of inventory of existing homes for sale may keep home prices elevated
- The inflationary impact of deglobalization that may contribute to structurally higher interest rates
- The ongoing war in Ukraine and other geopolitical risks

As we peer into 2023 – though we anticipate ongoing stock and bond market volatility and perhaps further near-term declines in the stock market – we are optimistic about the full-year prospects for the stock market, public real estate securities, and the Baron Real Estate Fund, and notably bullish with a two- to three-year view.

We believe 2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 reverse course and become tailwinds in 2023, thereby contributing to solid full-year returns.

We believe prospective two- to three- year returns could be strong should a severe economic slowdown be avoided, and 2024 emerges as a rebound year for economic and corporate profit growth.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.31% and 1.05%, 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

[1] The **MSCI USA IMI Extended Real Estate Index** is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The **MSCI US REIT Index** is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. 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] Not annualized.

The Prospects For Real Estate in the Public Markets

We believe the near-term and long-term prospects for real estate in the public markets are compelling.

Near-Term Case for Real Estate

Share prices and valuation multiples have corrected.

Following 2022's sharp correction in real estate share prices – in many cases by 30% to 60% – and contraction in valuation multiples, we believe several real estate companies have largely repriced for a higher cost of capital, and, more recently, for expectations of slowing growth. At this stage, we believe two- to three-year return prospects are compelling.

Historically, real estate has rebounded sharply following periods of large declines.

		Cumulative Returns (%)			
		MSCI US REIT Index	iShares U.S. Home Construction ETF	MSCI USA IMI Extended Real Estate Index	S&P 500 Index
Global Financial Crisis	Drawdown Period (1/31/2007 to 2/28/2009)	-70.20	-81.93	-64.67	-46.43
	Recovery Period (2/28/2009 to 4/30/2013)	256.73	235.94	206.80	137.49
COVID-19 Pandemic	Drawdown Period (10/31/2019 to 3/31/2020)	-29.00	-34.96	-27.94	-14.16
	Recovery Period (3/31/2020 to 4/30/2021)	47.04	154.29	74.66	64.70
Inflation Induced Rate Hike Economic Slowdown	Drawdown Period (12/31/2021 to 9/30/2022)	-28.86	-36.80	-29.94	-23.87
	Current Recovery Period (9/30/2022 to 12/31/2022)	4.90	16.69	8.71	7.56

Several real estate companies are cheap.

We believe the correction in real estate share prices in 2022 has created several compelling investment opportunities. Real estate companies that we consider best-in-class are rarely valued at discounted prices, but now is one of those rare occasions.

We are identifying real estate companies that offer prospects for both valuation multiple expansion (or cap rate compression) and two- to three-year earnings or cash flow growth. We prioritize real estate companies that have this two-pronged return profile because they have the potential to generate better returns.

A few examples of best-in-class companies that we believe are attractively valued with strong long-term growth prospects include:

Brookfield Corporation is a leading global owner and operator of real assets such as real estate and infrastructure. We believe the company's global reach, capital, and the synergies among its businesses provide significant opportunities for growth.

We believe the shares are unsustainably cheap. Brookfield's management, who in our opinion is highly credible and conservative, believes the company is worth $74/share today – more than double its year-end 2022 price of $31.46/share!

Brookfield's ownership interests in four publicly listed Brookfield companies (Brookfield Asset Management, Brookfield Infrastructure Partners, Brookfield Renewable, and Brookfield Business Partners) are currently valued in the public market at $32 per share or the same public price as the entire company. The public market is currently ascribing zero value to Brookfield's unlisted investments, which we believe are also worth at least $32 per share. The total book value of the company's unlisted investments is $24 per share and the company's estimate of the value of its carried interest is $8 per share for a total value of Brookfield's non-listed business (most at only book value) also of $32!

Toll Brothers, Inc. is the leading luxury homebuilder in the U.S. with a capable management team as well as a large and valuable owned land portfolio. Toll Brothers is more insulated than its peers from elevated mortgage rates because 20% of the buyers of Toll homes pay 100% in cash.

At its year-end 2022 price of only $49.92/share, the company is valued at only 0.83 times our estimate of 2023 tangible book value of $60/share. Historically, Toll Brothers' shares have been valued, on average, at 1.4 times book value and a peak multiple of approximately 2.0 times tangible book value. If the shares recover in the next few years and trade only to the company's long-term average multiple of 1.4 times book value, Toll Brothers' share price would increase 82% to $91 per share.

CBRE Group, Inc. is the largest commercial real estate services firm in the world. It maintains a #1 worldwide market share position in each of its key business lines and has a pristine balance sheet.

It is currently valued at only 13 times our estimate of 2023 earnings per share versus a long-term average valuation multiple of 15 to 16 times earnings per share.

The current real estate environment is far superior relative to prior real estate cycles.

In the past, trouble for real estate surfaced following the excessive use of leverage and overbuilding (i.e., the historical curse of real estate). This occurred in the 1980s, which then precipitated the recession in the 1990s with a severe correction in real estate occupancy and rents. The housing crash of 2008 was triggered by cheap credit, lax lending standards, extreme use of leverage, and overbuilding.

Today, real estate is in a good place relative to prior economic slowdowns and recessions:

In most cases, the use of debt has been disciplined relative to history. Companies, households, real estate landlords and developers, banks, and other financial institutions generally maintain balance sheets that are liquid with appropriate levels of leverage, fixed-rate debt, and staggered debt maturities. According to Citi Research, REITs have leverage ratios (net debt divided by cash flow) of only 5.5 times, on average, versus a peak of more than 8.5 times during the Great Financial Crisis of 2008-2009.

Commercial and residential real estate are not overbuilt, and expectations for new supply are not concerning. Expectations for construction activity are modest due to elevated land, material, and labor costs and expectations for a slowdown in economic growth.

According to data provided by Green Street Advisors, expectations for commercial real estate construction (annual construction completions as a percent of existing inventory) from 2023 to 2026 are expected to be only 1.5% for apartments, 1.0% for wireless towers and hotels, 0.8% for office buildings, 0.3% for shopping centers, and 0.1% for retail malls. In December 2022, the Chairman of **Lennar Corporation**, a premier U.S. homebuilder company, stated that he expects U.S. new home construction in 2023 will decline by 25% to 33%.

Based on research by Green Street Advisors, **recent occupancy rates for several real estate categories compare favorably relative to prior periods.** For example, industrial real estate occupancy is currently 96%, on average, versus 88% in 2009. Self-storage facilities average occupancy levels are 94% versus 81% in 2009. The average occupancy rate for manufactured housing is 97% versus 87% in 2009.

Given the broadly favorable relationship between demand and supply of commercial and residential real estate, we expect declines in commercial occupancy and rents and most residential home prices, should a recession unfold, to be modest and short lived.

Substantial private capital is still in pursuit of real estate ownership.

We believe that real estate merger and acquisition activity will reemerge when the debt market stabilizes and economic prospects improve.

According to *Preqin Pro*, more than $400 billion of capital has been raised by private equity sources to invest in real estate. This amount equates to more than $1.3 trillion of total real estate purchasing capacity, assuming typical 70% financing. The aggregate buying potential of $1.3 trillion is more than 85% of the enterprise value of all publicly traded U.S. REITs!

We anticipate that large amounts of capital from private equity investors such as Blackstone and Brookfield Corporation, sovereign wealth funds, endowments, pension funds, and others will look for opportunities to step in and capitalize on the opportunity to buy quality public real estate when it is valued at a discount relative to the private market. This embedded put scenario should limit further downside for public valuations and stock prices.

Long-Term Case for Real Estate

Real estate has generated solid historical long-term returns, and we believe it can continue to do so.

For the 25-year period ended December 31, 2022, U.S. equity REITs have delivered a better cumulative return than the S&P 500 Index, fixed income alternatives, international equities, and commodities.

Since the Fund's inception on December 31, 2009 through December 31, 2022, Baron Real Estate Fund, which owns REITs and non-REIT real estate companies, has delivered a cumulative return of 386% (Institutional Shares), more than double the 164% return of the REIT Index.

We remain optimistic about the potential for real estate to continue to generate solid long-term absolute and relative performance.

Real estate continues to offer diversification benefits.

According to FactSet, over the last 25 years (through 12/31/2022), REITs have provided diversification benefits due to their modest correlation versus stocks (0.63 versus S&P 500 Index) and low correlation versus bonds (0.25 versus Bloomberg Barclays U.S. Aggregate Index).

Real Estate offers valuable inflation protection.

Historically, certain real estate has had the ability to raise prices to provide inflation protection.

Real estate property owners in supply-constrained areas are often able to pass along higher operating costs by raising rents in periods of rising inflation. Some leases include annual fixed upward lease rent escalators. Real estate owners with short-lease durations in supply-constrained markets are well equipped to raise rents to combat inflation.

Additionally, the price of a property can be measured in relation to the current cost of land, materials, and labor that would be required to build a replacement. Since replacement costs tend to rise with inflation, real estate is often viewed as a partial hedge against inflation and a good store of value.

A Comparion Of Actively Managed Publicly Traded Real Estate Versus Non-traded REITs/Private Real Estate And Passively Managed Real Estate

Those who choose to invest in real estate have several options including investing in actively managed publicly traded real estate mutual funds (e.g., Baron Real Estate Fund or Baron Real Estate Income Fund), non-traded REITs such as Blackstone Real Estate Income Trust (BREIT), direct private real estate investments, and passive real estate exchange traded funds such as the Vanguard Real Estate ETF (VNQ).

Currently, we believe the case for investing in select actively managed publicly traded real estate mutual funds with strong long-term track records is compelling relative to certain private non-traded REITs, direct private real estate investments, and passively managed real estate exchange traded funds.

The evaluation of actively managed publicly traded real estate funds versus non-traded REITs / private real estate

Recently, non-traded REITs such as BREIT and Starwood Real Estate Income Trust (SREIT) have received unfavorable press that has cited:

- The hard-to-explain large gap in 2022 performance between non-traded REITs and publicly listed REITs
- The challenges for investors who seek to redeem some or all of their investments in non-traded REITs but are constrained by liquidity gates that cap redemptions at 2% of net asset value per month or 5% of net asset value per quarter

On December 27, 2022, a *Wall Street Journal* article said the following:

> "In recent weeks, private property funds like Blackstone's non-traded, semi-liquid BREIT vehicle have had to explain their jarringly strong performance relative to listed stocks. BREIT has reported returns of 8.4% so far this year, compared with around minus 25% for publicly traded U.S. real estate investment trusts. The fund was forced to freeze redemptions after a number of clients asked to cash out at its seemingly rosy valuations. Another big non-traded fund, Starwood Real Estate Income Trust, has also closed its gates."

To be clear, we are big fans of both Blackstone and Starwood. We believe Blackstone and Starwood are world-class real estate asset managers. Further, their non-traded REITs have a strong track record of performance in large part due to owning high-quality real estate assets and prioritizing compelling investment themes. We also believe their real estate portfolios are likely to continue to perform well over a multi-year period.

We believe our Baron Real Estate Fund and our Baron Real Estate Income Fund are complementary real estate investment alternatives to non-traded REITs such as BREIT and SREIT as well as other private real estate alternatives. Our Baron real estate funds invest in publicly traded real estate businesses and REITs and are listed mutual funds. Non-traded REITs, on the other hand, tend to prioritize the private real estate market and are not listed investment vehicles.

Currently, however, we believe the near-term case for investing in Baron Real Estate Fund and Baron Real Estate Income Fund is superior to investing in non-traded REIT alternatives because investments in our real estate funds are more attractively valued than investments in non-traded REITs and perhaps private real estate more broadly. A significant number of publicly listed real estate including many in our Funds corrected meaningfully in 2022 while the valuations of private real estate, which often lag public real estate, has been slower to reprice.

In our opinion, the following should be considered when evaluating actively managed mutual funds invested in publicly traded equities versus non-traded REITs and private real estate:

Valuation

- *Public real estate*: Assessments of relative attractiveness and portfolio decisions can be based on real-time data
- *Non-traded REITs / private real estate*: Monthly valuations may be based on lagging data

Value Transparency

- *Public real estate*: Transparent daily valuation in a highly liquid public market
- *Non-traded REITs / private real estate*: Valuations derived from estimates of net asset values that are derived from appraisals and internal 10-year cash flow models that are subject to a multitude of assumptions

Liquidity

- *Public real* estate: Daily liquidity allows investors to make real-time asset allocation decisions
- *Non-traded REITs / private real estate:* Limited liquidity restricts investor access to capital should better investment opportunities present themselves

Diversification

- *Public real estate:* Ability to emphasize and de-emphasize real estate categories depending on evolving business fundamentals
- *Non-traded REITs / private real estate:* At times, may be highly concentrated with constraints to modify the portfolio composition

Leverage/Capital Structure

- *Public real estate:* Most publicly traded real estate companies are conservatively capitalized and seldom forced sellers of assets
- *Non-traded REITs / private real estate*: Typically employ more leverage than publicly traded real estate companies

Fees

- *Public real estate:* Fees tend to be substantially lower than private real estate fees (e.g., Net annual expense ratios for Baron Real Estate Income Fund and Baron Real Estate Fund are 80 and 105 bps, respectively)
- *Non-traded REITs / private real estate:* Typically, higher fees, which may include higher base management fees (1.25%), performance-based fees (e.g., 12.5% fee above a minimum performance return), and sometimes additional fees (e.g., load and other fees)

Performance

Public and non-traded real estate perform differently through market cycles.

- *Public real estate:* Baron Real Estate Fund outperformed non-traded REITs in both 2019 and 2020 when our Fund generated returns of more than 44% in both years
- *Non-traded REITs / private real estate:* Non-traded REITs outperformed in 2018, 2021, and 2022

The evaluation of actively managed public real estate versus passively managed real estate exchange traded funds

We believe the case for investing in an actively managed publicly traded real estate mutual fund is compelling – more so than ever.

In recent years, cross currents have developed in real estate – partly due to COVID – some of which may persist in the years ahead.

Consequently, the public real estate universe has evolved into a narrower set of compelling investment opportunities.

In our opinion, some segments of real estate are likely to offer compelling long-term business prospects. Examples include industrial warehouse companies, wireless tower and data center companies, residential homes for sale, single-family home rentals, apartment rentals, manufactured housing, and life science real estate.

Certain segments of real estate may face headwinds and a slowdown in long-term growth. The shift to e-commerce shopping continues to negatively impact retail malls and some shopping centers, and this trend may fast track the pace and number of retail store closings. Working from home, or anywhere, and the rise of video teleconferencing are likely to pressure occupancy and rents for office and to a lesser degree urban apartment landlords and may weigh on business travel.

A passive real estate strategy replicates a specific real estate benchmark or index. It owns the entire universe of public real estate companies – the companies benefiting from operating tailwinds and the companies facing multi-year operating headwinds.

An actively managed real estate strategy, such as the Baron Real Estate Fund and Baron Real Estate Income Fund, can be discerning by prioritizing companies with attractive long-term prospects while de-emphasizing companies with unappealing long-term prospects.

The investment case for Baron Real Estate Fund – an actively managed and differentiated real estate fund

We launched Baron Real Estate Fund 13 years ago on December 31, 2009. At that time, we noted that we expected the Fund's more flexible investment approach to be a key competitive advantage over the long term.

Our investment philosophy and strategy has been to structure and maintain a more expansive and actively managed real estate fund – one that contains REITs, but also invests in various non-REIT companies that operate within or provide services or products to the real estate industry.

In our opinion, the Fund's flexibility is a critical competitive advantage.

Unlike passively managed real estate strategies and most REIT funds, we are free to pick our spots and pivot away from real estate categories that are likely to face long-term occupancy, rent, and/or cash flow pressures.

We tend to prioritize companies with:

- Unique competitive advantages that limit competition and enable outsized reinvestment returns
- Long runways for non-cyclical cash-flow growth
- Capital efficient business models

We de-emphasize companies with:

- Secular growth headwinds
- Oversupplied conditions
- Highly uncertain medium-term demand prospects

At times, we may acquire shares opportunistically in companies facing near- to medium-term headwinds if we determine that the return profile is attractive and risk profile is acceptable. However, opportunistic purchases of companies facing headwinds is not a portfolio management and risk management priority.

Our actively managed approach to investing in real estate has yielded strong results. Since the launch of the Fund 13 years ago on December 31, 2009, the Fund has increased 386.47% (Institutional Shares) cumulatively (net of fees) which compares favorably to the performance of the largest real estate passive strategy, the Vanguard Real Estate ETF (VNQ) which increased 205.68%. More recently, with the onset of certain real estate headwinds, the Fund's relative performance has improved. In the last 5 years for example, the Fund has increased 44.59% cumulatively (net of fees) which compares favorably to the performance of VNQ which increased 19.68%.

If we are correct regarding the evolving real estate landscape, the merits of Baron Real Estate Fund's broader and more flexible investment approach and actively managed methodology may become even more apparent in the years ahead.

Portfolio Composition and Key Investment Themes

The Fund currently has investments in REITs, plus seven additional real estate-related categories. Our percentage allocations to these categories vary, and they are based on our research and assessment of opportunities in each category (See Table II below).

Table II.
Fund investments in real estate-related categories as of December 31, 2022

		Percent of Net Assets
REITs		28.5%
Non-REITs		60.5
Building Products/Services	18.1%	
Real Estate Service Companies	12.1	
Homebuilders & Land Developers	11.7	
Real Estate Operating Companies	7.3	
Casinos & Gaming Operators	5.9	
Hotels & Leisure	4.3	
Unclassified	1.0	
Cash and Cash Equivalents		11.0
Total		100.0%*

* *Individual weights may not sum to the displayed total due to rounding.*

A few notable observations regarding the composition of the Fund include:

Cash: We have remained patient and maintained an elevated cash position due to the highly unusual macroeconomic and geopolitical environment and in preparation to capitalize on the emerging opportunity to buy fine companies at highly discounted prices. For the period ended December 31, 2022, cash and cash equivalents stood at 11.0% of the Fund's net assets. We will continue to look for opportunities to deploy this cash given the sharp correction in the share prices of certain real estate companies and as other special buying opportunities emerge.

Number of Fund holdings: Since June 2021, we have decreased the number of real estate companies held in the Fund from a peak of 61 companies on June 30, 2021, to 39 companies on December 31, 2022. During this period, we have further prioritized our highest conviction best-in-class real estate companies. Conversely, we have trimmed or exited holdings in certain real estate companies that maintain more leveraged balance sheets, are small and less liquid, or exposed geographically to real estate markets that may face business headwinds.

Secular growth real estate companies: Real estate companies that benefit from secular tailwinds where cash-flow growth tends to be durable and less sensitive to a slowdown in the economy are a long-term focus of the Fund. Examples include the Fund's investments in wireless tower, data center, industrial logistic, and life science REITs.

Short-lease duration real estate with pricing power: We have continued to emphasize real estate companies that are able to raise rents and prices on a regular basis to combat inflation. Examples include the Fund's investments in self-storage, single-family home rental, manufactured housing, hotel, and casino real estate companies.

Cyclical real estate companies: Despite expectations for a further slowdown in economic growth and a recession, we are maintaining an allocation to economically sensitive and cyclical real estate companies. The share prices of several of these types of real estate companies have corrected sharply in advance of the economic slowdown and are now attractively valued. Examples include the Fund's investments in certain homebuilding and travel-related real estate companies.

Investment Themes

We have continued to prioritize four investment themes or real estate categories:

1. REITs

2. Residential-related real estate companies

3. Other real estate-related companies

4. Travel-related real estate companies

REITs

Since the Fund's inception on December 31, 2009, REITs have been an important part of our real estate-related portfolio. We have tended to limit the Fund's REIT allocation to 25% to 35% of the portfolio so that the Fund is differentiated from most REIT funds.

Following a 25% correction in the REIT Index in 2022, we believe the valuations of several REITs are attractive. Business fundamentals and prospects for many REITs remain solid although slower growth is expected in 2023. Balance sheets are in good shape. Several REITs have inflation-protection characteristics. Dividend yields are well covered by cash flow and are growing.

Should the contraction in economic growth evolve into no worse than a mild recession and the path of interest rates peaks in 2023 at levels not much higher than current rates, we believe the shares of certain REITs may perform relatively well given the contractual nature of cash flows that provide a high degree of visibility into near-term earnings growth and attractive dividend yields. Should long-term interest rates begin to decline and credit spreads compress, REIT return prospects may also benefit from an improvement in valuations as valuation multiples expand (e.g., capitalization rates compress).

We believe the Fund comprises compelling REIT companies and categories. A few examples include:

Technology-centric wireless tower and data center REITs that we believe have prospects for strong and enduring cash-flow growth driven by rising data consumption, the buildout of 5G, the growth in cloud computing, and other secular growth demand opportunities.

Examples: **American Tower Corp.**, **SBA Communications Corp.**, and **Equinix, Inc.**

Industrial REITs that we expect to benefit from ongoing robust warehouse demand and increased rents fueled by the growth in e-commerce and the buildout of logistics' supply chains.

Examples: **Prologis, Inc.** and **Rexford Industrial Realty, Inc.**

Residential-related REITs that provide partial inflation protection given the short duration of leases, relatively affordable shelter, and solid long-term growth prospects.

Examples: **Invitation Homes, Inc.**, **American Homes 4 Rent**, and **Equity Lifestyle Properties, Inc.**

For a more detailed discussion of the investment case for REITs and the various REIT categories, we encourage you to read our December 31, 2022, Baron Real Estate Income Fund shareholder letter.

As of December 31, 2022, the Fund had investments in eight REIT categories representing 28.5% of the Fund's net assets. Please see Table III below.

Table III.
REITs as of December 31, 2022

	Percent of Net Assets
Industrial REITs	8.2%
Wireless Tower REITs	7.0
Data Center REITs	3.9
Self-Storage REITs	3.6
Single-Family Rental REITs	1.6
Triple Net REITs	1.6
Life Science REITs	1.4
Manufactured Housing REITs	1.3
Total	28.5%*

* *Individual weights may not sum to the displayed total due to rounding.*

Residential-related real estate companies

Early in 2022, we lowered the Fund's exposure to certain residential-related real estate companies (homebuilders, building products/services companies, and home centers) from 23.5% of the Fund's net assets at year-end 2021 to only 11.7% on March 31, 2022.

At that time, we cut the Fund's residential-related exposure because many shares had appreciated significantly the last few years and were vulnerable to the possibility of an eventual temporary slowdown in housing-related purchase activity due to a combination of consumer affordability concerns driven by the sharp rise in home prices and higher mortgage rates, and a dearth of new housing inventory.

Recent commentary from Stuart Miller, Executive Chairman of **Lennar Corporation**, illuminates the concerns we had at the beginning of 2022. On December 15, 2022, he said the following:

"The very sudden movement in interest rates experienced over the past six months have very quickly affected both affordability and consumer confidence, resulting in a very rapid change in market conditions and demand."

So, what are our current thoughts regarding residential-related real estate companies and their investment prospects?

We remain cautious near term on housing fundamentals. We expect the dramatic spike in the 30-year mortgage rate since January 2022 from roughly 3% to 6.5% to 7.0% on top of an approximately 28% increase in home prices since 2020 and their collective impact on housing affordability in addition to the broader deterioration in consumer sentiment, in part due to multi-decade high inflation and expectations for a weakening labor market, will result in a **continuation of the recent homebuyers' "strike" and significant slowdown in the housing market in the months ahead.**

We remain bullish long term on the prospects for the U.S. housing market.

We believe the long-term structural underinvestment in the construction of residential real estate relative to the demographic needs of our country bodes well for long-term housing construction activity, sales, rentals, pricing, and repair and remodel activity.

Ever since the housing crisis from 2007 to 2010, housing supply has not kept pace with housing demand, household formation, and population growth leading to a structural shortage of housing. According to the U.S. Census, 12.3 million American households were formed from January 2012 to June 2021, but just 7 million new single-family homes were built during that time. The result? The U.S. is short more than 5 million homes.

A report published by *Evercore ISI Research* on October 4, 2022, further illuminates the constrained inventory of the U.S. housing market:

> "After briefly reaching above 2 million total (housing) starts way back in 2005, the U.S housing industry entered the longest sustained period of under-building since the modern homebuilding industry began in the late 1940s. On a trailing fifteen-year basis, housing starts have averaged just over 1 million annually, well below the industry's 1.5 million long-term average. Since housing starts include both for-sale and rental units, this accumulated shortfall is visible in both record low levels of existing homes for sale and rental vacancy rates. And just as this deficit was more than a decade in the making, it cannot dissipate quickly. Even after a brief rise in inventory this summer, combined with a sharp pullback in sales, homes for sale sit at just 3.2 months, well below the 6.0 months level that is associated with home price declines."

Long-term housing-related demand prospects are also encouraging, especially from the approximately 72 million millennials – ages 25 to 40 – many of whom have been looking to buy or rent a home. Millennials are the largest generation in the workforce, their wages are increasing, and their multi-year delay of household formation is reversing. There are clear signs that millennials are debunking the view that the American Dream to own or rent a home is over.

The large imbalance between pent-up housing demand and low construction levels bodes well, long term, for new single-family home purchases. It also bodes well for home and apartment rentals.

The stock market is often a discounting mechanism. Sharp increases and decreases in share prices, at times, occur before changes in business fundamentals.

The shares of homebuilders, building products/services companies, and home centers declined 30% to 50% in the first six months of 2022 even though business fundamentals remained strong. Some of the share prices have continued to decline in the last six months of 2022 as signs of business weakness have emerged.

At this stage, **we believe the valuations of housing-related companies reflect a good portion of the ongoing slowdown in the U.S. housing market and have begun to offer compelling multi-year return prospects.**

For example, we believe certain homebuilder valuations, currently in the 0.8 to 1.2 times share price to value range, are cheap and erroneously reflect an expectation for a sharp decrease in home prices and land impairments which we believe are unlikely in part due to the housing inventory shortfall in the U.S.

Following the sharp decline in share prices, we reversed course and increased the Fund's exposure to homebuilders, building products/services companies, and home centers. **Though we expect business conditions to be challenging in the months ahead and growth to moderate, we believe valuations are attractive and the two- to three-year return prospects are compelling.**

As of December 31, 2022, residential-related real estate companies represented 29.8% of the Fund's net assets. Please see Table IV below.

Table IV.
Residential-related real estate companies as of December 31, 2022

	Percent of Net Assets
Building Products/Services	16.3%
Homebuilders	11.7
Home Centers	1.8
Total	29.8%[1*]

[1] Total would be 32.7% if included residential-related housing REITs Invitation Homes, Inc., American Homes 4 Rent, and Equity Lifestyle Properties, Inc.

* *Individual weights may not sum to the displayed total due to rounding.*

Other real estate-related companies

Our "other real estate-related companies" category includes those companies that do not fit neatly in more traditional real estate categories of REITs, residential-related real estate, and travel-related real estate. Other real estate-related companies currently include:

- Commercial real estate services companies

  Examples: **CBRE Group, Inc.** and **Jones Lang LaSalle Incorporated**

- Real estate-focused alternative asset managers

  Examples: **Brookfield Corporation** and **Blackstone Inc.**

- Real estate data analytics/property technology companies

  Example: **CoStar Group, Inc.**

Commercial real estate services companies: We remain bullish on the long-term growth opportunity for the commercial real estate brokerage category because of structural and secular tailwinds that should benefit leading global companies such as CBRE and Jones Lang LaSalle.

Tailwinds include:

- **The outsourcing of commercial real estate**: A growing number of companies are increasingly looking to outsource their commercial real estate needs. CBRE estimates that the overall facilities management market will be $1.9 trillion by 2024, representing a massive growth opportunity for large global commercial real estate services companies.

- **The institutionalization of commercial real estate:** Institutional allocations to real estate continue to increase, in part due to real estate's diversification, inflation protection, and relatively stable long-term growth attributes.

- **Opportunities to increase market share:** The commercial real estate industry remains highly fragmented and is likely to continue to consolidate. Customers tend to prefer commercial real estate companies that can provide a broad set of services. We believe CBRE and Jones Lang LaSalle are best positioned to drive market share gains given that they are the clear #1 and #2 commercial real estate services firms, respectively and have the capability to provide the full array of real estate offerings on a global scale.

CBRE and Jones Lang LaSalle have scale, product breadth, and leadership positions across their diversified real estate business segments. They continue to gain market share and are well positioned to capitalize on ample attractive acquisition opportunities in the years ahead given strong and liquid balance sheets. Though we acknowledge that growth in certain segments of their businesses has slowed and is likely to remain pressured in the months ahead due to the global economic slowdown and higher interest rates, we believe both are attractively valued and present compelling return potential in the next few years.

Real estate-focused alternative asset managers: We are optimistic about the long-term prospects for Brookfield and Blackstone because we believe both companies are likely to increase market share in a secular growth opportunity for alternative assets.

Institutional allocations to alternative investment assets such as real estate, infrastructure, and private equity are likely to continue to grow significantly in the years ahead because alternatives have a long track record of generating attractive relative and absolute returns with less volatility than several other investment options.

We are bullish on the long-term prospects for Brookfield and Blackstone. Both companies are led by exceptional management teams that attract and retain exceptional talent. They are two of the largest real estate managers in the world with impressive investment track records. Both Brookfield and Blackstone have global franchises, strong brands, and loyal customers.

Following a 39% and 36% correction in the shares of Brookfield and Blackstone, respectively, in 2022, we believe the shares of both companies are attractively valued and are optimistic about the long-term potential for the Fund's investments in both companies.

Real estate data analytics/property technology companies: The real estate industry, which represents approximately 17% of U.S. GDP according to the National Association of Realtors, has eschewed decades of technological innovation while many other industries have evolved rapidly.

We are seeing evidence of that trend beginning to change as real estate companies are increasingly adopting technology as a source of competitive differentiation and evolution across property sectors.

This collision of real estate and technology has led to a new sub-industry within real estate – real estate technology, also referred to as *proptech*. Proptech is the usage of technology and software to assist in meeting real estate needs.

The emergence of proptech and the digitization of real estate is an exciting and promising new development for real estate. We believe we are in the early innings of a technology-driven investment cycle centered on data and digitization that allows real estate-related businesses to drive incremental revenue streams and lower costs.

CoStar, the leading provider of information, analytics, and marketing services to the real estate industry and a top holding in the Fund, is well positioned to capitalize on this burgeoning secular growth trend.

As of December 31, 2022, other real estate-related companies represented 20.4% of the Fund's net assets. Please see Table V below.

Table V.
Other real estate-related companies as of December 31, 2022

	Percent of Net Assets
Real Estate-Focused Alternative Asset Managers	7.3%
Commercial Real Estate Services Companies	6.8
Real Estate Data Analytics/Property Technology Companies	6.3
Total	20.4%*

* *Individual weights may not sum to the displayed total due to rounding.*

Travel-related real estate companies

Early in 2022, we were bullish about the prospects for the Fund's investments in travel-related real estate companies. We felt that 2022 and 2023 would be a period in which more than two years of COVID-19-related pent-up demand would be released and jumpstart leisure and business travel.

Though travel-related business fundamentals were strong for most of 2022, we tempered our enthusiasm for travel-related real estate companies over the course of 2022. Our most recent travel-related sales reflect the possibility of an economic slowdown, which may negatively impact consumer discretionary leisure spending and business travel in the next 12 to 18 months.

We continue to maintain an allocation to certain travel-related real estate companies because we believe the long-term investment case for travel is compelling:

- Demand for services over goods: We have seen an increased wallet share going to travel. The 72 million millennials are increasingly driving this shift aided by their preference for prioritizing experiences such as travel over durable good purchases.
- Demographic trends: Delays in marriage and having children are fueling has led to the millennial cohort having more disposable income than prior generations.
- Work-from-home: Flexible job arrangements have led to an increase in travel bookings and length of stay, leading to the emergence of a new category of travel ("hush trips").
- Certain travel-related businesses remain cyclically depressed, not secularly challenged, and should rebound as economic strength re-emerges. For example, the business operations of Macau-centric casino and gaming companies such as **Las Vegas Sands Corporation** have yet to recover due to the ongoing COVID-19 challenges in China. We expect business to rebound sharply when economic growth recovers just as it did in Las Vegas.
- Healthy balance sheets: The Fund's investments in travel-related real estate companies maintain well-capitalized and liquid balance sheets and should be able to comfortably withstand any slowdown in economic growth just as they did during the early days of COVID-19.
- Private equity companies such as Blackstone have a long history of investing in travel-related companies and have continued to highlight the travel segment as an important investment priority. Given the highly discounted share prices and valuations of certain travel-related companies, we would not be surprised if private equity firms take advantage of the favorable valuation arbitrage between the public and private markets and acquire public travel companies.

As of December 31, 2022, travel-related real estate companies represented 10.2% of the Fund's net assets. Please see Table VI below.

Table VI.
Travel-related real estate as of December 31, 2022

	Percent of Net Assets
Casinos & Gaming Operators	5.9%
Ski Resorts	1.8
Timeshare Operators	1.5
Hotels	1.0
Total	10.2%[1*]

1 Total would be 11.8% if included travel-related gaming REIT Gaming and Leisure Properties, Inc.

* *Individual weights may not sum to the displayed total due to rounding.*

A Review of Recent Activity Managing the Fund

Recent Activity

In the fourth quarter, we maintained our active approach managing the Fund due to:

- The emergence of tailwinds and headwinds in certain segments of real estate
- Company-specific considerations
- Unusually elevated stock market volatility

We believe our actions continue to position the Fund for strong long-term performance.

Table VII.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Toll Brothers, Inc.	$ 5.5	$33.3
Floor & Decor Holdings, Inc.	7.4	19.7
Lennar Corporation	25.8	19.4
The Sherwin-Williams Company	61.5	16.5
Extra Space Storage Inc.	19.7	15.4

Following a more than doubling of mortgage rates in 2022, the for-sale housing market was one of the weakest segments of the economy in the last six months of 2022. In our opinion, the U.S. economy has been in a housing-related recession for several months and it may continue for some or all of 2023.

Though we expect housing-related business conditions to remain challenging, we believe the shares of several housing-related companies have already discounted a large portion of the slowdown. At this stage, we believe valuations are attractive and the two- to three-year return prospects are compelling.

Just as several housing-related stocks were among the first to decline in early 2022 (in advance of a slowdown in business conditions), we believe housing-related stocks may be among the first categories of the stock market to recover when prospects for the economy improve.

In the fourth quarter of 2022, we increased the Fund's exposure to residential-related companies by acquiring shares in two best-in-class homebuilders (**Toll Brothers, Inc.** and **Lennar Corporation**) and two best-in-class building products companies (**Floor & Decor Holdings, Inc.** and **The Sherwin-Williams Company**).

Toll Brothers, Inc. is the leading luxury homebuilder in the U.S. with a highly capable management team and a large, valuable owned land real estate portfolio. Toll Brothers is more insulated than its peers from elevated mortgage rates because 20% of the buyers of Toll Brothers' homes pay 100% in cash.

At its year-end 2022 price of only $49.92/share, the company is valued at only 0.83 times our estimate of 2023 tangible book value of approximately $60 per share. Historically, Toll Brothers' shares have been valued, on average, at 1.4 times book value and at a peak multiple of approximately 2.0 times tangible book value. If the shares recover in the next few years and trade only at the company's long-term average multiple of 1.4 times book value, Toll Brothers' share price would increase approximately 82% to $91 per share.

Lennar Corporation is the second-largest U.S. homebuilder with competitive scale advantages (including materials procurement and labor), an increasingly capital-light business model, a strong balance sheet, a strategic and forward-looking focus on technology investments, and an exceptional management team.

At its recent price, Lennar's shares were valued at only 1.2 times our estimate of 2023 tangible book value of $77 – a large discount to its historical valuation range of 1.5 to 2.5 times tangible book value.

Despite the company's strong and liquid balance sheet and a business strategy that generates tremendous cash flow, Lennar's shares are valued at only 5 to 6 times cash flow versus a homebuilder such as NVR, Inc. which is valued at 15 times cash flow.

Floor & Decor Holdings, Inc. is a leading and high-growth specialty retailer of hard-surface flooring. The company offers the lowest prices and the broadest differentiated in-stock selection of tile, wood, laminate, and other flooring options and has highly compelling long-term growth prospects. We expect the company to continue to grow its store count by approximately 20% per year for the next few years. The company operates approximately 190 stores, and we believe it has the potential to grow its store count in the U.S. to more than 400 stores over time.

Following an almost 50% decline in its shares in 2022, we believe this best-in-class company is currently valued at a compelling multiple of only 23 times our estimate of 2023 earnings per share. This compares favorably to its historically average P/E multiple of approximately 40 times earnings per share.

In the most recent quarter, following a more than 40% correction over the course of 2022 in its share price from a high of $348 to $195, we re-acquired shares of **The Sherwin-Williams Company.**

The company is a global leader in the manufacturing, development, distribution, and sale of paint, coatings, and related products to professional, industrial, commercial, and retail customers. Its well-known brands include Sherwin-Williams, Dutch Boy, Krylon, Minwax, Thompson's Water Seal, and Valspar.

Sherwin-Williams products are sold exclusively through more than 4,850 company-operated stores and facilities, while the company's other brands are sold through leading mass merchandisers, home centers, independent paint dealers, hardware stores, automotive retailers, and industrial distributors.

We believe Sherwin-Williams is an attractive long-term investment opportunity because:

1. Paint/coatings tend to possess compelling business advantages including pricing power, high margins, and low risk of sales erosion from e-commerce competition.

2. Sherwin-Williams benefits from several competitive advantages. It maintains a leading market share position in North America of approximately 40%, far greater than its closest competitor. The company benefits from scale advantages achieved through its own stores and its national network of approximately 3,600 customer service representatives.

3. The company is positioned to potentially benefit from an eventual cyclical rebound in residential construction and higher U.S. infrastructure investment: demand for paint tends to track new home construction, home prices, and existing home sales and purchases (homeowners paint prior to selling and after moving into new homes).

In the next few years, we believe the company has an opportunity to improve profitability margins and generate mid-teens annual earnings growth. We are optimistic about the long-term prospects for Sherwin-Williams.

Following a sharp correction in its share price over the course of 2022, we acquired shares in **Extra Space Storage Inc.** This REIT has assembled the second-largest self-storage portfolio in the country and has the largest portfolio of third-party managed self-storage facilities.

In our opinion, Extra Space's management team is excellent. Over the last decade, management has delivered strong occupancy gains, rent growth, and expense control that has led to a cost of capital advantage relative to its peers. Management has capitalized on its cost of capital advantage by tripling its owned self-storage count since 2010. We believe the long-term growth opportunity for the company remains strong.

Table VIII.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Las Vegas Sands Corporation	$36.7	$46.9
Blackstone Inc.	88.9	21.3
Invitation Homes, Inc.	18.1	19.8
Equity Residential	23.0	17.3
Vail Resorts, Inc.	9.6	17.2

Following strong absolute and relative share price performance in 2022 – **Las Vegas Sands Corporation**'s shares increased 23% while most other U.S. casino and gaming companies declined anywhere from 20% to more than 50% – we reduced the Fund's position in Sands in the most recent quarter.

The company is a global leader in the development and operation of luxury casino resorts in Macau and Singapore, and it maintains a liquid and investment grade balance sheet. We anticipate that management may begin to return capital to shareholders through dividends and share buybacks as Singapore and Macau recover.

We have maintained a position in the company because we expect business activity in Macau to recover in the next few years, and we believe the shares are attractively valued relative to our assessment of replacement cost and its two- to three-year cash flow prospects.

We recently reduced the size of the Fund's investment in **Blackstone Inc.** because of our expectation of a slowdown in its growth outlook. We remain bullish, however, about the company's long-term prospects. Blackstone is the world's largest alternative asset manager with $1 trillion in assets under management and the largest real estate manager in the world. Blackstone has a premier brand, a global franchise, loyal customers, an exceptional balance sheet, and an excellent management team.

Following a 36% correction in its shares in 2022, we believe Blackstone's valuation has become more compelling and may look for opportunities to acquire additional shares in the future.

We recently reduced the Fund's holding in **Invitation Homes, Inc.** following disappointing quarterly earnings results and our expectations that growth may disappoint in 2023. Invitation Homes is the largest single-family home leasing company in the U.S. with approximately 80,000 homes concentrated in California, Florida, Georgia, Arizona, Washington, and the Carolinas. Its primary business strategy focuses on acquiring, renovating, leasing, and operating single-family homes as rentals.

We remain bullish about the long-term prospects for the company given multiple growth opportunities which include significant pent-up demand from the millennial generation to rent single-family homes against a backdrop of constrained inventory, acquisitions of homes in high-growth geographic markets, and the expansion of ancillary home services for residents (e.g., enhanced smart home, pest control, landscaping, and pet services).

We are closely monitoring business conditions and the company's valuation and may look for opportunities to add to our position over time.

In the most recent quarter, we exited the Fund's position in **Equity Residential**, the largest U.S. apartment REIT with 80,000 high-quality apartment units. We anticipate that business prospects will be pressured in the year ahead due to softening demand and elevated new supply in some of the company's key geographic markets.

Following recent strength in its shares, we reduced our position in **Vail Resorts, Inc.** The company owns and operates a premier portfolio of mountain resorts including marquee resorts such as Vail, Beaver Creek, Breckinridge, Park City, Whistler Blackcomb, and Keystone. We remain optimistic about Vail's long-term prospects and may look for opportunities to add to our position again.

Table IX.
Top contributors to performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
D.R. Horton, Inc.	$ 30.7	0.64%
CoStar Group, Inc.	31.4	0.56
Prologis, Inc.	104.1	0.55
Equinix, Inc.	60.6	0.55
Fortune Brands Innovations, Inc.	7.3	0.47

The shares of **D.R. Horton, Inc.**, the number one homebuilder by volume in the U.S., gained 31% in the most recent quarter following strong business results.

We are bullish about the long-term prospects for D.R. Horton primarily due to two key considerations:

1) We believe the company is positioned to perform well over time given its status as the largest and lowest-cost producer in the entry-level home segment for first-time buyers and baby boomers looking for an affordable home. In the last fiscal year, approximately 67% of D.R. Horton's home sales were for prices less than $400,000, thereby enabling the company to satisfy the home affordability constraints of many potential home buyers.

2) We are enthusiastic about D.R. Horton's continued transition to a stronger and more asset-light balance sheet by outsourcing its land development spending needs to third-party developers such as Forestar Group Inc. D.R. Horton's transition to a less capital-intensive business model is leading to stronger cash-flow generation, lower debt levels, an ability to pursue more share repurchases and/or other investment opportunities, and a higher-valuation multiple.

The shares of **CoStar Group, Inc.** performed well in the fourth quarter following strong quarterly business results. The company is the leading provider of information, analytics, and marketing services to the real estate industry. Based on the current valuation of its shares and our expectation for future growth, we believe CoStar's shares have the potential to appreciate by 100% in the next three to four years.

Following strong quarterly results, the shares of **Prologis, Inc.**, the world's largest industrial REIT, performed well in the fourth quarter of 2022. The company owns a high-quality real estate portfolio that is concentrated in major global trade markets and large population centers across the Americas, Europe, and Asia. Prologis has an unmatched global platform, strong competitive advantages (scale, data, and technology), and attractive embedded growth prospects. The company is the only industrial REIT with an 'A' credit rating.

Following a roughly 33% decline in its shares in 2022, we believe Prologis' current valuation of only 22 times cash flow and a 4.6% implied capitalization rate is compelling given that the company's rents on its in-place leases are more than 65% below current market rents, thus providing a strong runway for growth in the next three to five years.

Equinix, Inc. is a REIT and the premier global operator of network-dense, carrier-neutral colocation data centers. its shares performed well in the quarter after the company reported quarterly results above expectations, raised its full-year guidance and provided a robust demand outlook amid weaker broader macroeconomic conditions. The company's value proposition of providing mission-critical infrastructure to a highly diversified customer base has garnered pricing power and "must have" versus "nice to have" infrastructure deployments. This allowed Equinix to be a standout within the broader technology space when many companies were reducing their growth outlooks and noting weakening demand..

COVID-19 accelerated digital transformation priorities for many organizations, and we believe that Equinix is poised to continue to benefit from organic growth through new bookings and pricing power, growth of high margin cross connect revenue, and continued geographic expansion through development and select M&A. We believe the combination of these factors will allow Equinix to grow annual cash flow in the high single-digit range.

The shares are valued at a slight premium multiple to most REITs despite superior and more durable cash flow growth prospects.

Following a sharp decline in its shares in the first nine months of 2022, the shares of **Fortune Brands Innovations, Inc.** increased 26% in the most recent quarter, in part due to better-than-expected business results and a broader rebound in housing-related securities.

Fortune Brands is a leading manufacturer of home security, water, and outdoor products. The company's businesses have strong long-term growth opportunities powered by secular tailwinds such as outdoor living, connected products, water management, safety and wellness, sustainability, and material conversion. We believe Fortune Brands has several competitive advantages, including recognizable brands, a focus on innovation, strong distribution relationships, and a proven and highly capable management team. We are optimistic about the company's long-term prospects.

Table X.
Top detractors from performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Brookfield Corporation	$51.5	–0.30%
Invitation Homes, Inc.	18.1	–0.24
Blackstone Inc.	88.9	–0.17
Trex Company, Inc.	4.6	–0.14
Pool Corporation	11.8	–0.13

Despite strong quarterly business results and expectations of strong business prospects, the shares of **Brookfield Corporation** declined in the most recent quarter. The company is a leading global owner and operator of real assets, such as real estate and infrastructure. We believe the company's global reach, capital, and the synergies of its businesses provide significant opportunities for growth. At its recent price of only $32, we believe the shares are currently valued at more than a 50% discount to management's assessment of the company's value.

Invitation Homes, Inc. was a detractor during the quarter after the company announced disappointing earnings results. Invitation Homes reduced full-year guidance due to higher-than-expected expenses driven by outsized tax assessments in several key states that represented over 40% of cash flow. The company's shares continued to underperform as it become increasingly evident that many expenses would persist into 2023 while the growth outlook remained uncertain given the macroeconomic outlook. While we remain optimistic on the long-term value proposition and growth prospects, we reduced our position due to the evolving near-term concerns and headwinds.

Blackstone Inc. was a detractor in the fourth quarter as shares sold off sharply in December after the company announced that it received redemption requests above monthly and quarterly caps in its non-traded REIT fund (BREIT) and would be limiting investor withdrawals. BREIT was one of Blackstone's fastest growing flagship retail fund vehicles and hence received outsized investor attention and media coverage. While redemptions themselves aren't surprising given the stark performance dispersion between BREIT and publicly listed real estate, investors grew concerned that the decision to limit withdrawals would create a cascading effect, eventually force BREIT to liquidate assets and perhaps impair the growth of additional retail fund vehicles. Subsequently, Blackstone increased liquidity through the sale of a JV interest in Las Vegas casino assets at attractive prices and received a $4 billion investment from the University of California. While acknowledging the step back and near-term headwinds, we believe BREIT has plenty of runway to meet redemptions without being forced to liquidate assets.

We remain bullish, however, about the company's long-term prospects. Blackstone is the world's largest alternative asset manager with $1 trillion in assets under management and the largest real estate manager in the world. Blackstone has a premier brand, a global franchise, loyal customers, an exceptional balance sheet, and an excellent management team.

Following a more than 36% correction in its shares in 2022, we believe Blackstone's valuation has become more compelling and may look for opportunities to add additional shares in the future.

The shares of two leading residential-related building products companies declined in the most recent quarter in part due to concerns about the housing-related slowdown and corresponding expected slowdown in their growth:

- **Trex Company, Inc.:** the #1 manufacturer of wood-alternative outdoor decking and railing in the U.S by market share.
- **Pool Corporation:** the world's largest distributor of swimming pool supplies, equipment, and related leisure products and is also one of the top three distributors of irrigation and landscape suppliers in the U.S.

We have been buying shares of both Trex and Pool at prices that we believe are attractive relative to their long-term growth opportunities.

Concluding Thoughts on the Prospects for Real Estate and the Fund

We are mindful that 2022's repricing of the stock market and real estate securities was unpleasant and may continue in the months ahead given the expectation that economic growth will slow, and several company growth forecasts will be lowered.

Yet, as we peer into 2023, we believe last year's recalibration has wiped away much of the froth in stock market valuations and has set the stage for a favorable multi-year outlook for public real estate companies and the Fund.

We believe 2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 (higher inflation, a sharp increase in interest rates, aggressive Fed tightening, widening credit spreads, valuation compression) reverse course and become tailwinds in 2023, thereby contributing to solid full-year returns.

We believe prospective two- to three-year returns could be quite strong should a severe economic slowdown be avoided and 2024 emerges as a solid rebound year for economic and corporate profit growth.

Many public real estate companies now offer compelling return prospects that, in some cases, may include a trifecta combination of growth, dividends, and an improvement in valuation.

Baron Real Estate Fund Outlook

We are optimistic about the prospects for the Fund, because we believe we have assembled a portfolio of best-in-class competitively advantaged real estate companies with compelling long-term growth and share price appreciation potential. We have structured the Fund to capitalize on compelling investment themes. Valuations and return prospects are attractive.

We also believe the benefits of our broader and more flexible approach, which allows us to invest in a full array of real estate companies including REITs and non-REIT real estate-related companies, will shine even brighter in the years ahead in part due to the new and evolving real estate landscape. Some companies will experience an acceleration in tailwinds and others are likely to face ongoing headwinds.

For these reasons, we remain positive on the outlook for the Baron Real Estate Fund.

Table XI.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
CoStar Group, Inc.	$ 31.4	$67.9	5.3%
Prologis, Inc.	104.1	66.9	5.2
Toll Brothers, Inc.	5.5	61.9	4.9
Brookfield Corporation	51.5	58.4	4.6
American Tower Corp.	98.6	54.9	4.3
Equinix, Inc.	60.6	49.7	3.9
CBRE Group, Inc.	24.3	48.5	3.8
Lennar Corporation	25.8	47.5	3.7
D.R. Horton, Inc.	30.7	40.2	3.1
SiteOne Landscape Supply, Inc.	5.3	39.0	3.1

I would like to recognize the immense contribution of our top-notch real estate team – David Kirshenbaum, George Taras, and David Baron – for their dedication and excellent work. Our team is driven to succeed and remains focused, hardworking, communicative, clear-minded, and flexible. Thank you.

And I thank you, our shareholders, and express my utmost gratitude for your past and continuing support of Baron Real Estate Fund during the past 13 years.

I, and our team, remain fully committed to doing our best to deliver outstanding long-term results, and I proudly continue as a major shareholder, alongside you.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Real Estate Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such an offer or solicitation.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking. **Price/Earnings Ratio (next 12-months)**: is a valuation ratio of a company's current share price compared to its mean forecasted 4 quarter sum earnings per share over the next twelve months. If a company's EPS estimate is negative, it is excluded from the portfolio-level calculation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Emerging Markets Fund Shareholder:

Performance

Baron Emerging Markets Fund (the "Fund") gained 8.58% (Institutional Shares) during the final quarter of 2022, while its principal benchmark index, the MSCI EM Index, returned 9.70%. The MSCI EM IMI Growth Index gained 9.28% for the quarter. In a year when growth stocks suffered under rising interest rates and deteriorating liquidity conditions, the Fund declined 25.82%, the MSCI EM Index retreated 20.09%, and the MSCI EM IMI Growth Index lost 23.88%. The Fund modestly underperformed both its principal benchmark index and the all-cap growth proxy during a strong fourth quarter for emerging market (EM) and international equities. In our previous letter, we surmised that we were likely passing through peak hawkishness; and as suggested, the fourth quarter featured a shift in sentiment regarding inflation expectations and anticipated central bank aggression, which was a primary catalyst for the global rally. Volatility remained elevated, as emerging and international equity markets, particularly those most sensitive to China, experienced a wave of selling early in the quarter over the country's unpopular adherence to the zero-COVID policy as well as unexpected changes to the Politburo standing committee, which abruptly reversed as the government's new leadership rolled out significant easing and stimulus measures and began to dismantle its zero-COVID measures. In our view, this vector change leaves China as the global jurisdiction with the highest likelihood of earnings expansion and outperformance relative to expectations as we enter 2023, while China's reopening would also marginally offset deteriorating global growth conditions. We believe that evolving macroeconomic conditions, relative valuations, and relative earnings prospects suggest that EM and international equities are likely positioned for a multi-year phase of outperformance. As always, we are confident that we have invested in many well-positioned and well-managed companies on a bottom-up basis that are poised to benefit from long-term and attractive investment themes.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BEXFX
Institutional Shares: BEXIX
R6 Shares: BEXUX

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron Emerging Markets Fund Retail Shares[1,2]	Baron Emerging Markets Fund Institutional Shares[1,2]	MSCI EM Index[1]	MSCI EM IMI Growth Index[1]
Three Months[3]	8.46%	8.58%	9.70%	9.28%
One Year	(26.04)%	(25.82)%	(20.09)%	(23.88)%
Three Years	(3.68)%	(3.44)%	(2.69)%	(2.02)%
Five Years	(2.95)%	(2.70)%	(1.40)%	(1.06)%
Ten Years	2.83%	3.10%	1.44%	2.65%
Since Inception (December 31, 2010)	2.51%	2.77%	0.89%	1.90%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.33% 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 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 **MSCI EM (Emerging Markets) Index** is designed to measure equity market performance of large and mid-cap securities across 24 Emerging Markets countries. The **MSCI EM (Emerging Markets) IMI Growth Index** is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities exhibiting overall growth characteristics across 24 Emerging Markets countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign 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 does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

BARON FUNDS 1987

For 2022, we underperformed our primary benchmark, the MSCI EM Index, while more moderately trailing our all-cap EM growth proxy in a very difficult period for growth stocks worldwide. During the year, EM equities were marked with increased volatility, in our view primarily driven by challenges related to China's zero-COVID policy, economic and geopolitical uncertainties arising from Russia's invasion of Ukraine, and stubbornly high global inflation readings, which forced central bankers to tighten aggressively. From a sector or theme perspective, relative underperformance was largely a result of adverse stock selection in the Financials sector, primarily driven by a material correction in our fintech-related holdings (**Sberbank of Russia PJSC**, **Lufax Holding Ltd**, **TCS Group Holding PLC**, and **XP Inc.**). Poor stock selection effect in the Industrials sector due to investments in our China value-added (**Han's Laser Technology Industry Group Co., Ltd.** and **Zhejiang Dingli Machinery Co., Ltd.**) and sustainability/ESG (**China Conch Environment Protection Holdings Limited**, **Techtronic Industries Co. Ltd.**, and **Aeris Industria Comercio Equipamentos Geracao Energia SA**) themes also stood out as a key detractor during the period. Partially offsetting the above was favorable stock selection in the Materials sector, pertaining to select positions in our sustainability/ESG theme (**Glencore PLC** and **Suzano S.A.**), along with positive allocation effect in the Information Technology sector. In addition, our cash position in a weak market environment was also a positive contributor to relative performance during the year.

From a country perspective, for calendar year 2022, poor stock selection in China and Brazil drove the vast majority of relative underperformance. In our view, the weakness in China was primarily driven by near-term earnings disruption pertaining to the country's zero-COVID policy. As illuminated elsewhere in this letter, we expect our China investments to stage a solid recovery in the year ahead as the worst of COVID-related disruption is now likely behind us and a new easing and stimulus cycle has taken shape. In our view, despite a late-year rally, current market prices remain well below fundamental intrinsic value for many of our investments. Partly offsetting the above was positive allocation and stock selection effect in Korea. Our active exposure to the U.K., led by our single investment in Glencore PLC as part of our sustainability/ESG theme, along with positive allocation effect in Taiwan, also contributed positively to relative performance during the year.

For the fourth quarter, we modestly underperformed our principal MSCI EM Index, as well as the EM all-cap growth proxy. Our large overweight positioning together with adverse stock selection in India was the key detractor to relative performance during the quarter. We are not surprised by a retracement of prior period gains in our India holdings and remain enthusiastic long term, as landmark economic reforms implemented by the Modi administration are now supporting higher sustainable GDP growth while also accelerating formalization and digitization of the economy. Our cash position in a market rally combined with weak stock selection and allocation effect in Korea also contributed to the relative shortfall during the quarter. From a sector or theme perspective, poor stock selection effect in Financials (**Bajaj Finance Limited**, **Max Financial Services Limited**, **SBI Life Insurance Company Limited**, **JM Financial Limited**, and **Nippon Life India Asset Management Limited**) and Health Care (**Hapvida Participacoes e Investimentos S.A.**, **Zai Lab Limited**, and **Divi's Laboratories Limited**) were a drag on relative results. We are encouraged by our recent performance and expect to recoup prior period losses for many of our investments, particularly within our digitization, sustainability/ESG, and China value-added themes.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Samsung Electronics Co., Ltd.	0.71%
Taiwan Semiconductor Manufacturing Company Limited	0.49
Tencent Holdings Limited	0.45
Tenaris S.A.	0.44
Kingdee International Software Group Company Limited	0.41

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** increased during the quarter due to investor expectations of a stabilization in DRAM and NAND prices heading into 2023. We are confident Samsung will remain a global leader in memory, smartphones, and foundry services and a major beneficiary of long-term semiconductor demand growth.

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** contributed in the fourth quarter due to easing geopolitical concerns and expectations for end-demand recovery later in 2023. We retain conviction that Taiwan Semi's technological leadership, pricing power, and exposure to secular growth markets, including high-performance computing, automotive, 5G, and IoT, will allow the company to sustain strong earnings growth over the next several years.

Tencent Holdings Limited operates the leading social network and messaging platforms (QQ, WeChat), the largest online entertainment and media business, and the largest online gaming business in China. Shares of Tencent were up this quarter, given improving macroeconomic conditions, the end of China's zero-COVID policy, and slowing regulatory activity in China. We retain conviction that Tencent can sustain durable growth given its track record of execution, scale, and unique and diversified online assets.

Tenaris S.A. manufactures seamless steel pipe products with large operations in the U.S., Latin America, and the Middle East. Most of its products are oil country tubular goods (OCTG) supplied for the energy industry. Shares increased on an earnings beat generated by higher margins as a result of shortages of OCTG pipe. As one of the lowest-cost OCTG producers, we think Tenaris will be a major beneficiary of the increase in U.S. drilling capital expenditures needed to increase domestic energy security and reduce global reliance on Russian oil and gas.

Kingdee International Software Group Company Limited, a leading Chinese enterprise resource planning (ERP) software company, contributed in the fourth quarter on an improving macroeconomic growth outlook and expectations for increased enterprise software spending. We believe Kingdee will be a key beneficiary of Chinese enterprises' digital transformation and software localization. We expect Kingdee to take market share from foreign ERP providers while transitioning to a subscription, cloud-based model, leading to increased recurring revenue and earnings visibility.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Bajaj Finance Limited	–0.33%
Baidu, Inc.	–0.22
Hapvida Participacoes e Investimentos S.A.	–0.21
Max Financial Services Limited	–0.16
China Conch Environment Protection Holdings Limited	–0.13

Bajaj Finance Limited, a leading non-bank financial company in India, detracted from performance largely as a result of anticipated weakness in near-term earnings growth owing to a broad slowdown in consumer discretionary spending. We retain conviction in Bajaj due to its best-in-class management team, robust long-term growth outlook, and conservative risk management frameworks. We think the company is well positioned to benefit from growing demand for consumer financial services such as mortgages, personal and credit card loans, among other related products.

Shares of **Baidu, Inc.**, a leading Chinese artificial intelligence company, fell in the fourth quarter due to geopolitical uncertainties and COVID-related lockdowns. We retain conviction that Baidu will deliver strong earnings growth over the next several years, driven by the secular growth in digital advertising, market share gains in cloud computing, continued progress in autonomous vehicle development, and improving operational efficiency.

Hapvida Participacoes e Investimentos S.A. is Brazil's largest vertically integrated HMO. Disappointing performance can be attributed to earnings weakness due to COVID-related headwinds and anemic growth in new member lives. We retain conviction given the company is benefiting from rising penetration of health care services in the country, and we believe it will gain market share by offering cost-effective plans nationwide. We expect earnings to sustain mid-teens growth over the next three to five years.

Shares of **Max Financial Services Limited** declined in the quarter as a result of near-term earnings weakness due to slowing premium growth delivered by its largest distribution partner, Axis Bank. We retain conviction. As India's leading life insurance player, the company is benefiting from strong consumer demand for term protection and financial savings products. We expect mid-teens premium growth over the next three to five years.

China Conch Environment Protection Holdings Limited is an emerging leader in hazardous/solid waste treatment through cement co-processing projects in China that recently spun off from China Conch Venture Holdings. Shares fell due to a decline in margins and investor concerns about weaker demand. We remain shareholders. The cement co-processing business enjoys high levels of support by the Chinese government. Co-processing has 40%-plus margins underpinned by low costs and strong pricing power relative to other methods that are two to three times more expensive and more capital intensive.

Portfolio Structure

Table IV.
Top 10 holdings as of December 31, 2022

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	4.9%
Samsung Electronics Co., Ltd.	3.6
Alibaba Group Holding Limited	3.1
Tencent Holdings Limited	2.7
Reliance Industries Limited	2.7
Bajaj Finance Limited	2.6
Suzano S.A.	2.0
Bharti Airtel Limited	1.8
Korea Shipbuilding & Offshore Engineering Co., Ltd.	1.7
PT Bank Rakyat Indonesia (Persero) Tbk	1.6

Exposure By Country

Table V.
Percentage of securities by country as of December 31, 2022

	Percent of Net Assets
China	31.7%
India	25.7
Korea	7.8
Taiwan	7.0
Brazil	5.7
Hong Kong	3.8
Indonesia	2.6
Mexico	2.3
Philippines	1.8
South Africa	1.5
United Kingdom	1.4
Italy	1.3
Peru	1.3
Poland	1.2
Japan	1.1
Norway	0.5
United Arab Emirates	0.3
Spain	0.1
United States	0.1
Russia	0.0*

* The Fund's exposure to Russia was less than 0.1%.

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing world companies of all sizes can exhibit attractive growth potential. At the end of the fourth quarter of 2022, the Fund's median market cap was $10.3 billion, and we were invested 50.5% in giant-cap companies, 36.1% in large-cap companies, 8.8% in mid-cap companies, and 1.7% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the fourth quarter, we added two new investments to existing themes while also increasing exposure to several positions that were established in earlier periods. We continue our endeavor to add to our highest-conviction ideas.

We added to our sustainability/ESG theme by initiating a position in **Norsk Hydro ASA**, a global producer of aluminum and other related products. The company is vertically integrated with operations across all major aspects of the aluminum value chain, from bauxite and alumina mining to smelting and production. Norsk Hydro is strategically positioned as an upstream producer of aluminum with a very low carbon footprint due to its captive hydro-electricity generation. This, in our view, is a growing competitive advantage as we expect prices of carbon emissions to rise over time as global economies strive to achieve their carbon net-zero targets. We are optimistic regarding aluminum prices and expect a multi-year supply deficit driven by capacity constraints arising from decarbonization commitments in China and elsewhere. In addition, we expect structural demand growth from electric and lighter weight vehicles.

During the quarter, we also increased exposure to our digitization theme by initiating an investment in **MediaTek Inc.**, a Taiwanese fabless semiconductor company that is the largest global volume supplier of smartphone application processors. In our view, MediaTek will be a key beneficiary of a cyclical recovery in Android smartphone demand, driven by the reopening of China's consumer economy and industry-wide inventory restocking. We have followed the company for many years, and opportunistically invested as sentiment turned against the semiconductor industry, with MediaTek offering growth potential and a double-digit current dividend yield. Longer term, we expect MediaTek to benefit from secular growth in 5G smartphone adoption, driving a higher average selling price for its application processors, while leveraging its strong technological capabilities to gain market share in the premium smartphone segment. We also believe that the company's competitively advantaged non-smartphone product portfolio, including Wi-Fi chips, PC modems, and power management ICs, has structural upside from long-term semiconductor content growth.

Finally, we added to several of our existing positions during the quarter, most notably **Jiangsu Hengli Hydraulic Co., Ltd.**, **HDFC Bank Limited**, **Glodon Company Limited**, **JD.com, Inc.**, **Delta Electronics, Inc.**, **B3 S.A. – Brasil, Bolsa, Balcao**, and **Shenzhen Mindray Bio-Medical Electronics Co., Ltd.** During the quarter, we also exited our position in **Kweichow Moutai Co., Ltd.**, owner of China's most valuable domestic spirits brand, given concerns that rolling COVID-related lockdowns and a slowdown in China's property sector may reduce high-end consumption.

OUTLOOK

In our third quarter letter, we suggested that Fed hawkishness was likely reaching a zone of practical constraint, as, in our view, investors believed that the Fed's impatience with backward-looking and elevated inflation readings would manifest as a policy error and/or trigger financial instability. We suggested that a peak in the U.S. dollar, real interest rates, and sovereign bond yields would likely signal the passing of peak hawkishness and result in moderating equity risk premia and a trough in earnings multiples. We believe the fourth quarter of 2022 has likely confirmed the prediction above, and as we stated in our last letter, these conditions suggest to us that we are entering a sustainable period of EM equity outperformance. While a global earnings contraction remains a possibility, we believe the combination of macroeconomic conditions, relative valuation, and relative earnings prospects warrant that forward-looking investors should begin to rebalance portfolios. In our view, now is the time to take a contrarian view of ex-U.S. investments.

While the fourth quarter concluded with solid global equity returns, the quarter was nonetheless characterized by high volatility, particularly in EM. Early in the quarter, disappointment with China's adherence to its zero-COVID policy, as well as unexpected changes to the Politburo standing committee, triggered a second capitulation in equities, only to be fully reversed when authorities abruptly unveiled aggressive easing and stimulus measures and signaled the dismantling of zero-COVID. We believe this market capitulation quite likely represents a very important bottom in China and related equities, and, in our view, further confirms the likelihood that EM equities are positioned for improvement in relative performance. From the end of October to year end, EM equities outperformed the S&P 500 Index by approximately 13%, and this outperformance has continued into the new year. In the near term, we believe China is the global jurisdiction with the greatest likelihood of earnings recovery and outperformance, triggered by the previously mentioned post-COVID economic reopening and coincident large-scale easing and stimulus measures. In contrast, while the U.S./global economy is likely moving past peak hawkishness, we expect an extended period of slowing economic growth and earnings vulnerability while awaiting the next Fed easing cycle. In other words, while the global markets are likely reaching a trough in earnings *multiples,* we are now entering an undefined period of uncertainty for U.S./global *earnings* power, and the unresolved question will shift to whether the Fed will wait too long to pivot to an easing bias.

Notwithstanding the recent outperformance noted above, we enter 2023 with U.S. equities trading at a near record high relative to EM equities and face an elevated risk of earnings disappointment, while EM equities in aggregate are trading near a 25-year low relative to U.S. equities and, in our view, stand poised for an improving relative economic and earnings outlook. Over the intermediate and longer term, while a mean reversion in relative valuation is enough to suggest material outperformance, it is a marked improvement in relative earnings expectations that will trigger sustained and unexpected outperformance. As we have outlined in previous communications, we believe the principal catalysts for improving EM and international relative earnings expectations will be the global capital investment cycle, which is required to fund deglobalization, supply-chain diversification, sustainability, and energy, commodity, and agricultural security; India's productivity initiatives reaching escape velocity and driving a virtuous investment cycle; and China's pivot to value-added economic activity. Further, we believe we are at or near a final top in the 14-year, extended U.S. dollar bull market and expect that a subsequent period of stronger EM and international currencies and stable or moderating bond yields will prove stimulative to consumption, investment and corporate earnings in these jurisdictions. In short, we reiterate that we believe now is a time to take a contrarian view of the EM equity asset class.

Thank you for investing in the Baron Emerging Markets Fund.

Sincerely,

Michael Kass
Portfolio Manager
December 31, 2022

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: In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Emerging Markets Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Global Advantage Fund Shareholder:

Performance

We had a terrible quarter, which led to the worst year since the inception of Baron Global Advantage Fund (the "Fund").

The Fund was down 8.9% (Institutional Shares) during the fourth quarter, compared to the 9.8% gain for the MSCI ACWI Index (the "Index"), and the 5.3% gain for the MSCI ACWI Growth Index, the Fund's benchmarks. For the year, the Fund was down 51.6% compared to losses of 18.4% and 28.6% for the benchmarks, respectively.

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron Global Advantage Fund Retail Shares[1,2]	Baron Global Advantage Fund Institutional Shares[1,2]	MSCI ACWI Index[1]	MSCI ACWI Growth Index[1]
Three Months[3]	(8.95)%	(8.90)%	9.76%	5.28%
One Year	(51.69)%	(51.57)%	(18.36)%	(28.61)%
Three Years	(4.52)%	(4.28)%	4.00%	3.75%
Five Years	3.95%	4.21%	5.23%	6.37%
Ten Years	9.18%	9.43%	7.98%	9.20%
Since Inception (April 30, 2012)	8.99%	9.23%	7.95%	8.95%

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX
R6 Shares: BGLUX

Down 9% while your primary benchmark is up nearly 10% is hard to comprehend. It is harder to explain. Basically, we were in all the wrong places (software, electric vehicle (EV) manufacturers, Consumer Discretionary) without being in any of the right ones (Energy, Utilities, Consumer Staples, insurance), and nothing we did worked in 2022. We can debate whether **Rivian** went public at the right time, but there is no debate that we owned too much Rivian at the wrong time and for far too long. Then we swapped it into **Tesla**, right before Elon decided to buy Twitter. We still have a lot of conviction in both companies (and bought some Rivian back when we thought the price became more attractive) though their shares declined 44% and 54%, respectively… in the fourth quarter alone! We own companies whose stock prices/valuations, business models, accounting practices, and management's integrity were publicly attacked by short sellers, sell-side analysts, technical analysts, and even market strategists who admittedly know little about company-specific fundamentals. This always happens during the vicious part of the cycle and the resultant decline in stock prices is often violent. We had lived through it, experienced it, and managed through it before. But it did not seem quite this bad, and it never felt… this personal!

There is a saying among investors that "markets take the stairs up and the elevator down." Well, we skipped a few steps on the way up in 2017 (up 50%), and in 2019 (up 45%), and a few more in 2020 (up 79%) and sure caught the express elevator down in 2022. From the relative return perspective, if the Fund can outperform its primary benchmark (MSCI ACWI Index) by 26% as it did in 2017, or by 19% in 2019, or by 63% in 2020, conceptually, underperforming by 18% as it did in 2021 or even by a ghastly

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.15% and 0.90%, 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3-, 5-, and 10-year historical performance was impacted by gains from IPOs. 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 **MSCI ACWI Index** is designed to measure the equity market performance of large and midcap securities across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The **MSCI ACWI Growth Index** is designed to measure the equity market performance of large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries and 24 Emerging Markets (EM) countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes The indexes and the Fund include reinvestment of dividends, net of foreign 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 Not annualized.

33% as it did in 2022 is within the range of possible outcomes. From an absolute return perspective, losing half of the portfolio's value is new for this Fund and is extremely painful, but as investors, we lived through a similar experience in both 2000-2002 and in 2008-2009 markets. With the benefit of hindsight, we will attempt to describe and explain what went wrong in the last 12 months.

Baron Global Advantage Fund was designed to invest in Big Ideas. We think of them as competitively advantaged businesses that are either leading or benefiting from disruptive change that have an opportunity to become significantly larger in the future. That means that they are in the earlier stages of their growth lifecycles and are overinvesting and underearning in the present. These are *long-duration* investments. As a sidebar, all equities are long-duration assets. A company with a 10% current free-cash-flow yield (FCFY), assuming no growth, will earn its market cap in 10 years, but a company with a 2% FCFY… will take 50 years to earn its market cap. Long-duration assets are particularly sensitive to changes in interest rates. In response to the housing/financial crisis of 2008-2009 the Fed implemented an unprecedented quantitative easing program (QE). Zero Interest-Rate Policy, or ZIRP, was supposed to be a short-term remedy (while Europe, not to be outdone, implemented a negative interest-rate policy), but 10 years later… it was still with us and going strong. Well… a low interest-rate environment is conducive to underearning and overinvesting and is a strong tailwind to investing in Big Ideas. Then COVID-19 hit, and we were introduced to free money. Not just loan (and rent) forgiveness and extended unemployment benefits that often exceeded actual earnings, but actual free money directly deposited into consumers' checking accounts not once, not twice, but three times. "Have you been properly stimulated by your government today?" was the running joke among the college kids during their Zoom sessions. Well, when money is free and you're discounting future cash flows back at really low interest rates, Big Ideas look particularly attractive. We weren't terribly comfortable with what was going on and responded by not allocating fresh capital to about a third of our portfolio due to high valuations, increasing the number of holdings in the Fund from the mid-40s to the high 60s.

As we were exiting 2021, the environment started to change. QE appeared to have finally run its course and the Fed was messaging about tapering and gradually starting to normalize interest rates back to their historical averages over the next few years. Then in February, a war broke out in Europe, geopolitical tensions, particularly between U.S. and China hit a new high, and a new surge of COVID-19 further disrupted the global supply chain causing inflation in the U.S. (as measured by CPI) to hit 9.1% in July – the highest inflation rate in over 40 years. By then, QE had turned into a full QT (Quantitative Tightening). From June 16 through November 2, the Fed implemented an unprecedented four consecutive 75bps hikes. Those four hikes were bookended by additional 50bps hikes on both sides. *In less than 9 months*, the interest rate as set by the Fed (the Fed Funds rate) went from 0.00% – 0.25% on March 16 to 4.25% – 4.50% on December 14. There was no way our companies were going to weather this kind of calamity well.

From a 30,000 feet view, approximately 80% of our relative underperformance can be attributed to industry- and style-related factors (as measured by Barra), while the remaining 20% is explained by poor stock selection (half of which is due to the 82% decline in the shares of Rivian). This intuitively, feels right. In a good year, we would have hoped to add that much alpha and mitigate the impact of style-related factors, but in 2022, everything we did seemed to have compounded it instead. It's not that we did not make any good or well-reasoned decisions. After an almost 10-year holding period, we liquidated a successful investment in Meta Platforms, formerly Facebook, in late 2021, near the stock's all-time highs. Meta was down 64% in 2022. However, we invested a large chunk of the proceeds in… Rivian. We started the year with 11.4% of the Fund's assets invested in **Alphabet** and **Amazon**, proven businesses with fortress balance sheets that were valued on *current* (as opposed to future) free cash flows. They were down 39% and 50%, respectively. We recognized that the regime change will penalize companies that are burning cash and have unproven business models, and that significant *current* free-cash-flow margins were required for investors to keep the faith. As a result, we added to companies like **Datadog**, **CrowdStrike**, and **ZoomInfo** (businesses with 25% to 45% margins) on weakness, and watched them all go down in the 50% to 60% range. Finally, there is a curious case of **Endava**. We have known and liked the company since 2017 and have been shareholders since its IPO in 2018. As a public company Endava has never missed revenue or earnings expectations or guided them down. That held true in 2022. It was our second largest detractor (second only to Rivian) as the price of the shares fell 54%. Incidentally, Endava was featured in a recent issue of Barron's as a "good *value* for a business that is expected to keep growing even in a recession."

Many of our sales proved to be well timed. **Opendoor**, **SoFi**, **RingCentral**, and **Dynatrace**, even Alphabet and **Alibaba** ended the year significantly lower than where we had sold their shares. But it was nowhere near enough. Most investments that we continued to own were also down and most were down a lot. When you underperform across all sectors, all geographies, and all market caps, nothing short of a well-timed style change could have materially altered the outcome, in our view. This is not to suggest avoiding several costly mistakes (i.e., sizing/timing of Rivian and holding on to a few other ideas for too long) would not have helped on the margin, but it would not have significantly altered the outcome of the year or the tone of this letter.

So, why not change your style once it becomes apparent that the regime change is underway? Why not look into Energy businesses or Utilities? Consumer Staples or legacy Financials? At a minimum, why not raise at least 30% cash when every sale is a good one, while every buy is destined to hurt?

These are all fair questions, especially in light of our recent results. The answer is that this is simply not who we are. At Baron Funds we do not attempt to predict inflation, interest rates, or the price of oil. We also have no edge in distinguishing high-quality conventional value investments from low-quality *melting ice cubes* that are value traps. We have a growth-oriented mindset and this Fund in particular is focused on finding and investing in Big Ideas. We have been trained in identifying disruptive change and in analyzing a business' competitive advantages. When we believe it to be especially durable and the business is run by talented entrepreneurs and good capital allocators, we invest for the long term and try to hold on over full-market cycles. This philosophy has proven to be alpha-accretive over multiple market cycles but sometimes woefully inadequate in protecting against market volatility. We are genuinely confident that the majority if not all of this year's almost 52% decline will not result in permanent losses of capital and will be reversed in time, but we must acknowledge that a drawdown of this magnitude is brutal, especially for those who are forced to sell, and psychologically damaging even to those who are able to stay the course.

We think it is important to understand the possible psychological impact of the last year on decision making. Loss aversion often leads investors to buy and sell at exactly the wrong times. The story usually goes something like this: an investor buys a stock expecting the price to go up. When it goes down instead, initially the investor would sweat it out and occasionally even double down (this buy-the-dip mentality works well during bull markets but obviously does not in bear markets). As losses grow, loss aversion kicks into high gear, making past gains seem like a distant memory. At some point the pain becomes too much to bear and the investor capitulates. This is also usually the sign of a bottom. Despite the fact that this is exactly the wrong time to sell, many investors do just that. This psychological aversion to loss is one of the reasons why the average equity fund investor earns 350bps less than the market over long periods of time[1].

Similarly, psychology dramatically alters an investor's time horizon and risk appetite. During bull markets it feels good to be invested. Every dip has proven to be a buying opportunity and the confidence in our decision making and in the future is sky high. We don't wait for the next pullback because we are in it for the long haul and if prices go down, we will simply buy more. Stock market volatility is perceived as healthy, time horizons stretch, and no multiple is high enough when our time horizon is forever. On the other hand, in years like 2022 when the *elevator* is going down fast, investors sell every rally **and** every dip. The confidence in our ability and that of others shrinks. We see the future as inherently uncertain, loss aversion kicks in and our time horizons shrink to the point of here and now. In the here and now, no prospects are high enough and no multiple is low enough. That's a terrible environment for long-duration assets and this is the story of 2022 as we see it.

So, what now? Psychology aside, how have the companies' intrinsic values (IVs) changed and where are they relative to their stock prices?

At any point in time the price of a stock reflects a combination of the business' estimated IV and investor psychology. Analysts calculate IVs by underwriting company-specific assumptions such as growth rates, profitability/margins, cost of capital, and the ability to generate returns on invested capital, as well as macro factors such as interest rates and the growth of the economy. Well-managed companies with strong competitive advantages generally retain and often enhance their ability to grow profitably and to generate healthy returns on invested capital over full economic cycles. While few businesses are immune to recessions or significant economic slowdowns, their prospects often remain positive and growth in earnings and cash flows is likely to be reinvigorated once the macro environment improves. The change in long-term interest rate assumptions (terminal interest rate) is certainly a headwind to companies' IVs but it is both far less dramatic than the change in short-term interest rates and is largely offset by the corresponding changes in the companies' terminal growth rates – inflation works both ways. Regardless, these assumptions are formulaic and are based on a range of outcomes and our assessment of their respective probabilities and consequences. The impact of psychology or the degree of optimism or pessimism with which investors sometimes perceive these assumptions and range of outcomes often has a disproportionate impact on stock prices. When investors are optimistic, they drive stock prices above IVs and when they are pessimistic, below. The decline in the stock prices of long-duration assets in 2022 was partially driven by objective factors such as the rise in interest rates, which reduced the present value of long-duration assets, but also by the rapid and dramatic shift in investor psychology.

Over the long run, stock prices will follow and approximate a business' IV. But at any given snapshot in time, they tend to swing around the IV trend line based on investor psychology and their time horizons. We have often pointed out that prospective returns are inversely correlated to current or recent results. The commercialization of the internet and the resultant bull market in the late 1990s led to a dot-com bubble, which ended abruptly in March of 2000. From then until 2002 the MSCI ACWI Index lost 51%, while the tech-heavy NASDAQ Composite Index declined 78%. The MSCI ACWI was then up 62% in 2003-2005 and up 124% until its peak in October 2007, while the NASDAQ rose 65% and 114% over the same time frames, respectively. During the global financial crisis, which extended from late 2007 into early 2009, the MSCI ACWI declined 60% from peak to trough. It then recovered 91% in 2009/2010 and advanced an impressive 236% until COVID-19 hit in early 2020, at which point it proceeded to decline 34% over the following six weeks and then rally 97% until the end of 2021. Surely, the change in IVs of the underlying businesses was far more gradual with little resemblance to the wild ride of their stock prices.

It seems to us that investors do not feel great today. They are not focused on companies' long-term prospects or earnings power, especially with regards to long-duration assets, and so stock prices are likely to be significantly below businesses' IVs. Our bottom-up, company-specific models suggest that on average, the discount to IVs is the highest we have seen since the inception of the Fund in 2012.

Even so, given the regime change and the new realities with increased uncertainties and wider ranges of outcomes, will companies' IVs continue to grow and compound the way they did in the past?

Over the long run, of course they will. While some of the recent tailwinds like ZIRP or even globalization may no longer be drivers of growth, innovation, progress, and disruptive change will continue to drive value creation. Understanding whether the disruption is real, material, and sustainable, and whether it will create and reinforce businesses' competitive advantages or cause them to be left behind will remain as important as ever. As a matter of fact, disruptive change and the rate of innovation have only been accelerating – it took 46 years for electricity to be adopted by 25% of the U.S. population, 35 for the telephone, 25 for television, 16 for PCs, 7 for cell phones, and only 5 for the internet[2]. It is easier to start a business in 2023 than ever before – an entrepreneur can easily rent computing power and storage from Amazon Web Services (AWS), Azure, or Google Cloud Platform instead of having to spend millions of dollars buying hardware before having the product-market fit. Application Programming Interfaces and open-source software can be used to efficiently release products faster, then use the internet to commercialize it effectively (distribution used to be a bottleneck since without scale it is hard to convince distributors to sell your product, cementing the competitive advantages of large incumbents). Market leaders can also iterate and innovate faster, working on different features in parallel and with dynamic, real-time customer feedback loops thanks to the visibility enabled by the cloud. Organizational and architectural structures such as micro-services and single-threaded teams enable continuous improvement with hundreds or thousands of software releases being the norm today compared to just a handful per year in the past. This enables the best companies of today to achieve profitability levels that were not possible in the past.

---

1 Dalbar QAIVB 2022 study – https://michaelryanmoney.com/time-in-the-market-beats-timing-the-market-dalbar-study/
2 https://www.pewresearch.org/fact-tank/2014/03/14/chart-of-the-week-the-ever-accelerating-rate-of-technology-adoption/

The advancements in the fields of Artificial Intelligence (AI) and Deep Learning are profound examples of the innovation era we live in today. It took 32 years from being able to recognize digits[3] (Neocognitron, 1980) to being able to identify a cat from a dog (AlexNet, 2012) and only 10 years from AlexNet to ChatGPT, which is OpenAI's AI-powered chatbot capable of answering complex questions, writing essays in a way that is often indistinguishable from humans (causing havoc in high schools and universities alike) and even generating sophisticated programming code. ChatGPT reached *1 million users a mere 5 days after it was released* in December of 2022. It is based on OpenAI's GPT 3 algorithm that has 175 billion parameters. GPT 4.0, which we expect to be released this year, is rumored to be even more capable with over 1 trillion parameters. We believe AI will prove to be a real tailwind for many of our businesses in the years to come. From **NVIDIA**, a key enabler of AI with its GPUs and CUDA ecosystem, to **GM Cruise** and Tesla, the leading enablers of autonomous driving, and to **Snowflake**, CrowdStrike, and **Cloudflare**, companies that are solving big data problems in order to make their customers more productive, efficient, and secure.

Despite our brutal recent results, the conviction in our investment philosophy and process has not changed. We believe the companies in which we have invested are resilient and will come out of this economic slowdown stronger than they were before. We do not expect this pullback to result in a significant permanent loss of capital over the long term. We have always believed that the most appropriate way to measure investment performance is over long periods of time and ideally over full-market cycles. We look at the Fund's 3-year and 5-year monthly rolling returns as one of the key indicators of whether our process is working. When looked at through that lens, for 3-year rolling monthly returns, the Fund has outperformed MSCI ACWI Index and MSCI ACWI Growth Index, 86% and 81% of the time, respectively. When extended to 5-year rolling monthly returns, the Fund has outperformed 99% and 97% of the time, respectively.

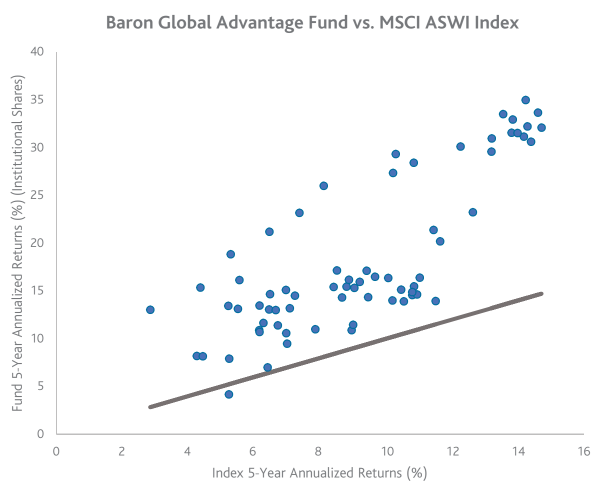
We have no insight into how long the current bear market will go on or what needs to happen in order for the investor psychology to change. However, we do have a view that this period of time will prove to be a good entry point for investors in the not-too-distant future.

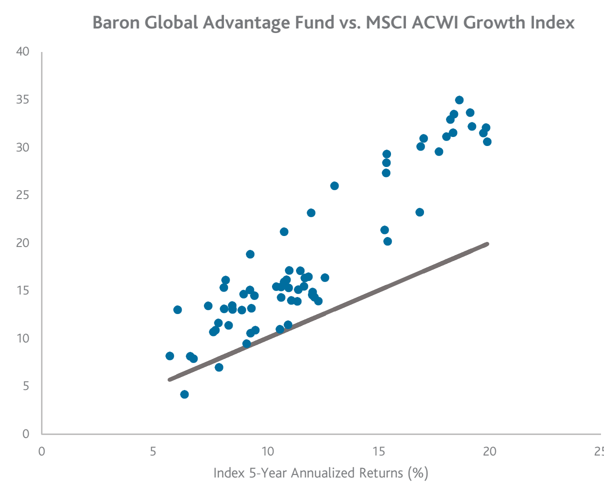
Percentage of time Fund outperformed over different time periods from inception through December 31, 2022

Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years
Outperformance vs. MSCI ACWI Index	61%	63%	71%	86%	99%
Outperformance vs. MSCI ACWI Growth Index	57%	60%	68%	81%	97%
Outperformance vs. Morningstar Global Large-Stock Growth Category Average	58%	62%	69%	87%	99%
Outperformance vs. Lipper Global Multi-Cap Growth Category Average	60%	62%	69%	86%	99%

Sources: BAMCO, Morningstar Direct, and Refinitiv.

5-year rolling return scatterplot charts as of December 31, 2022





Sources: BAMCO and MSCI, Inc.

3 https://www.rctn.org/bruno/public/papers/Fukushima1980.pdf

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
InPost S.A.	$ 4.2	0.57%
Shopify Inc.	37.5	0.50
ASML Holding N.V.	217.4	0.49
Space Exploration Technologies Corp.	–	0.42
Taboola.com Ltd.	0.8	0.39

InPost S.A. is a Polish logistics company that operates automated parcel locker networks, enabling cost-efficient e-commerce package delivery across several European countries including Poland, France, and the U.K. Shares of InPost rose 45.4% during the fourth quarter after the company reported third quarter volumes, revenues, and EBITDA that exceeded Street expectations, growing 32%, 33%, and 12%, year-over-year, respectively. We remain excited about InPost's opportunity to benefit from e-commerce growth and margin expansion in its core Polish market, which is already seeing a positive impact from scale and network effects. Additionally, we believe that the recently acquired French business (Mondial Relay), opens a large new market for InPost, ripe for share gains, as the company introduces an improved customer value proposition with automated lockers, better customer convenience, faster delivery times, and a significant cost advantage over *to-door* alternatives.

Shopify Inc. is a cloud-based software provider for multi-channel commerce. Shares rose 28.8% in the fourth quarter, reversing some of the declines from earlier in the year, as preliminary holiday results suggested a rebound in e-commerce activity. The company also reported solid third quarter financial results showing an increase in take rates, which points to a deeper adoption of its platform by merchants. We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth as it still holds less than 2% share of global commerce spending.

ASML Holding N.V. designs and manufactures semiconductor production equipment with a leading market share in photolithography. Shares rose 31.9% during the quarter after the company maintained its strong near-term outlook despite expected industry weakness and increased its longer-term outlook with sales expected to grow to €30 billion to €40 billion in 2025 and €44 billion to €60 billion by 2030 (from €18.6 billion in 2021). ASML has a monopoly in Extreme-Ultra-Violet equipment, which is a critical component of advanced semiconductor chip manufacturing and remains well positioned as its customers continue to build out capacity to support growing demand for leading edge semiconductors.

Space Exploration Technologies Corp. (SpaceX) is a high-profile private company founded by Elon Musk that designs, manufactures, and launches rockets, satellites, and spacecraft. Its long-term goal is to enable human beings to inhabit Mars. We believe SpaceX is creating substantial value through the expansion of its Starlink broadband service. It also reliably provides reusable launch capabilities, including crewed space flights, and is making progress on its largest rocket, Starship. We value SpaceX using prices of recent financing transactions and a proprietary valuation model.

Taboola.com Ltd. is a digital advertising company whose recommendation platform helps publishers and advertisers provide targeted organic editorial content and advertisements. Despite macro-driven weakness in advertising budgets, which are impacting the company's near-term results, the stock rose 69.2% during the fourth quarter following the company's announcement of a strategic, 30-year agreement with Yahoo under which Taboola will exclusively power Yahoo's native advertising business across its digital properties, which attract 900 million monthly active users. Taboola expects that, over time, this agreement will drive a 75% increase in revenues and nearly double EBITDA. We believe that Taboola is now even better positioned to benefit from the growing need of publishers to generate more value from their digital assets, enabling the company to grow its wallet share with publishers through additional offerings including high impact ads, Taboola News, and Connexity.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
CrowdStrike Holdings, Inc.	$ 24.9	–1.86%
Tesla, Inc.	389.0	–1.79
Amazon.com, Inc.	858.8	–1.21
Rivian Automotive, Inc.	17.0	–1.08
ZoomInfo Technologies Inc.	12.2	–1.03

CrowdStrike Holdings, Inc. provides cloud-delivered, next generation security solutions via its Falcon platform consisting of end-point protection, advanced persistent threat, security information, event management, and cloud workload protection. Shares declined 36.2% during the quarter after the company reported net new Annual Recurring Revenues that missed Street expectations as a result of elongated sales cycles that impacted deals with small- and medium-sized businesses (SMBs) and phased subscription billing terms with customers opting for delayed start dates. While the macro slowdown is impacting near-term results, the business remains resilient with gross retention rates at record levels, net retention rates at the highest level in seven quarters, and the company's competitive positioning improving with increasing win rates in SMB and consistent win rates in the enterprise segment. With more workloads migrating to or starting in the cloud, we believe CrowdStrike is well positioned to compound at high growth rates for years given its unique product platform and attractive business model.

Tesla, Inc. manufactures EVs, related software and components, and solar and energy storage products. Shares fell 53.6% during the quarter due to growing investor concerns regarding the impact of a potential economic slowdown on demand, volume, and pricing. CEO Elon Musk sold part of his Tesla stake to fund his Twitter acquisition and then dedicated a significant amount of his time to Twitter's business, causing investors to question his dedication to Tesla. We remain confident in Tesla's fundamentals and management team and believe that with still less than 2% market share, the company remains well positioned to enjoy a long runway of growth as the market shifts to EVs.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares of Amazon were down 26.0% in the quarter, as the company guided to relative weakness in margins and a slowdown in AWS as a result of the weakening economy. While we continue to believe that Amazon is well positioned in the long term to improve profitability and that it still has room to grow in e-commerce and Cloud, where it is the clear leader, we decided to sell our position to fund redemptions and reallocate to ideas in which we see a more favorable risk-reward equation.

Shares of **Rivian Automotive, Inc.**, a U.S.-based EV manufacturer, fell 44.0% during the fourth quarter as a result of growing investor concerns around the potential headwinds from a slowing economy as Rivian still is in the early stages of ramping production, which requires significant cash outflows. In addition, the uncertainty around unit economics and execution remains top-of-mind for investors especially in this environment. We retain conviction. Despite supply-chain complexities, Rivian's monthly production rate has grown seven-fold since late 2021. Positive product reviews, a vertically integrated technology approach, and unique partnerships are the key for an attractive long-term opportunity in our view, and hence we remain shareholders.

ZoomInfo Technologies Inc. operates a cloud-based business-to-business (B2B) platform that provides sales, marketing, and HR teams with comprehensive business intelligence, enabling shorter sales cycles and higher win rates. Shares of ZoomInfo declined 27.9% during the fourth quarter after the company shared a weaker top-line outlook for 2023. While ZoomInfo is seeing near-term headwinds due to increased deal scrutiny by customers and longer sales cycles as a result of the macro environment, we believe that its competitive positioning is as strong as it has ever been and that our long-term thesis remains intact. We remain shareholders and believe that ZoomInfo will benefit from a long duration of growth as it only has about 35,000 customers out of a 700,000 B2B opportunity. Additionally, new products continue building momentum, and we believe ZoomInfo can become a much larger company over time as it grows into its $100 billion total addressable market.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the most significant roles in determining the size of each individual investment. Sector and country weights are an outcome of the stock selection process and are not meant to indicate a positive or a negative "view."

As of December 31, 2022, the top 10 positions represented 45.9% of the Fund's net assets, and the top 20 represented 73.0% (this compares to 42.5% and 61.9% at the end of 2021, respectively). We ended 2022 with 41 investments compared to 57 at the end of 2021.

Our investments in the Information Technology, Consumer Discretionary, Health Care, Industrials, Financials, and Communication Services sectors, as classified by GICS, represented 98.6% of the Fund's net assets. Our investments in non-U.S. companies represented 55.1% of net assets, with 30.5% of that being allocated to emerging markets and other non-developed countries (Argentina and Uruguay).

The Fund's active share was 98.0% and its turnover was 11.5% in 2022, essentially in line with the Fund's average turnover of 14.7% over the last three years, and 16.6% average over the last five years.

Table IV.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Endava plc	$ 4.4	$51.4	6.7%
Think & Learn Private Limited	–	44.1	5.7
MercadoLibre, Inc.	42.6	43.3	5.6
Bajaj Finance Limited	48.1	37.6	4.9
argenx SE	21.0	35.4	4.6
Snowflake Inc.	46.2	34.6	4.5
CrowdStrike Holdings, Inc.	24.9	29.5	3.8
Datadog, Inc.	23.3	26.4	3.4
Coupang, Inc.	26.0	26.2	3.4
Shopify Inc.	37.5	25.2	3.3

Exposure By Country

Table V.
Percentage of securities by country as of December 31, 2022

	Percent of Net Assets
United States	45.3%
India	11.3
Netherlands	10.2
Argentina	7.2
United Kingdom	6.7
Israel	3.9
Korea	3.4
Canada	3.3
China	2.8
Brazil	2.3
Poland	2.0
Uruguay	1.5
Spain	0.6

Recent Activity

During the fourth quarter, we reduced 19 positions and sold 3 investments. We exited **Amazon**, **Nuvei**, and **10X Genomics**. While there was no change in our perception of Amazon as a high-quality business, we decided to reallocate capital to positions in which we see a more positively skewed risk-reward equation. We also sold out of our smaller positions in Nuvei and 10X Genomics as part of our efforts to consolidate the portfolio on our highest conviction ideas.

Table VI.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
None		

We did not add new names or add to existing investments in the quarter.

Table VII.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Amazon.com, Inc.	$858.8	$38.8
EPAM Systems, Inc.	18.8	12.6
argenx SE	21.0	11.7
Nuvei Corporation	4.2	10.9
10X Genomics, Inc.	2.9	6.3

As mentioned above, our largest sale in the quarter was **Amazon.com, Inc.** While the company continues holding a leading market position in several large industries including e-commerce, cloud computing, logistics, and advertising; and while its growth runway remains long, we decided to reallocate capital to ideas in which we saw an even more favorable risk-reward profile.

Outlook

This is the time of the year when our inboxes get filled with emails from different strategists, analysts, and market experts regarding their outlooks for next year. The following is a random sampling of quotes from some of their predictions for 2023:

- *A Hard Landing Is Coming In Late 2023…And It's Not Priced In!*
- *Valuations to remain under pressure in 1H23 as fundamentals trough and consensus cut numbers further.*
- *Expect software to outperform in 2H23, driven by focus shifting to reacceleration at some point in '24 on easier comps and compressed multiples.*
- *We project a US recession is likely to start around the beginning of 2023 and last through mid-year.*
- *We see a sustained deterioration in earnings, which is associated with the worst bear markets across history.*
- *Earnings revisions will push stocks lower in the first quarter, before seeing the S&P 500 Index rally back to current levels by year end.*

It would seem that the majority of "expert" forecasts range from pretty bad to really bad. Be that as it may, the quote that resonated the most with us is attributed to John Kenneth Galbraith:

"There are two kinds of forecasters: those who don't know, and those who don't know they don't know."

Unfortunately for us, the volume of requests for near-term predictions seems to be inversely correlated with our performance and so we've been getting a lot of these lately. The problem is that we have a lot more conviction in trying to predict the next 5 and 10 years (we are quite optimistic) than we do in trying to predict the next 3 to 6 months. This has always been the case, and the current level of market uncertainty has little to do with that.

So instead of trying (and likely failing) to provide a useful outlook, we offer several observations instead for the reasons behind our long-term optimism:

- The businesses we own are resilient. While it is likely that most companies will be impacted by a slowing economy, our businesses have favorable characteristics that make them more resilient in a downturn – most have little or no leverage, are capital-light, have recurring revenues, and sell critical products or services to their customers, which makes them difficult to replace.
- Disruptive change and innovation have been accelerating. The enablers and beneficiaries of disruptive change sometimes turn into the Big Ideas of tomorrow. While out of favor today, many of these companies present truly compelling long-term opportunities at attractive valuations. They continue to innovate, introduce new offerings, enter new product categories and geographies, and increase their "end-games."
- Successful platform businesses under the Power Law distribution will continue to accrue the majority of the economic value (winner-take-most dynamic) – we believe we own a collection of these from **Veeva** to **Shopify** to **CrowdStrike**.
- Terminal growth rates are as important as discount rates in calculating IVs – were inflation to remain higher for longer, companies with pricing power will see an increase in their terminal growth rates. Many of our companies have a proven ability to pass on the cost of inflation being leaders in their industries and critical to their customers (**Adyen** is a great example, as its revenues are directly tied to the payments volume going through its platform, therefore inflationary pressures are directly passed on).
- We expect many of our companies to experience market share gains coming out of the slowdown – leading businesses with durable competitive advantages tend to expand their lead over competitors during times of stress as customers consolidate spending on their best, most important vendors. Examples of commentary from recent earnings calls:
  - Veeva: *"Times like these are long-term positives for high-quality and profitable companies like Veeva, as we continue to benefit from a flight to quality both competitively and in hiring. This is a great time for us to invest to address our large and growing market opportunity."*
  - CrowdStrike: *"We're seeing consistent win rates, they remain high and in fact, in the smaller customers, we've actually seen them significantly improve."*
  - Cloudflare: "*Organizations are looking for strategic partners who can help them consolidate their spend. They don't want 70, 80, 100 vendors setup. They were saying, hey, how do we reduce the number of vendors? How do we do more? How do we consolidate our costs? Absolutely, we hear that all the time … we will increasingly take share… to become the network for our customers.*"
- The margin of safety or the discount to our estimate of business' IVs has expanded significantly – the weighted average multiple of our portfolio is down 57% from last year and many more of our companies now have near-term free-cash-flow valuation support.

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

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading at attractive prices relative to their IVs.

Sincerely,

Alex Umansky
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Global Advantage Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Morningstar calculates the Morningstar World Large-Stock Growth Category average performance using its Fractional Weighting methodology. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

Lipper, a Thomson Reuters company, is a leading global provider of mutual fund information and analysis to fund companies, financial intermediaries and media organizations.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Active Share** a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management. **Free cash flow yield** is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Discovery Fund Shareholder:

Performance

During the fourth quarter, Baron Discovery Fund (the "Fund") had flat performance compared to the Russell 2000 Growth Index (the "Benchmark"), which was up about 4%. The quarter was volatile (with a 12% change between the low and high points of the Benchmark), though not as much as the third quarter (which had a 20% spike followed by a swift decline of more than 22% during the summer months). All of these bear market rallies and subsequent "fades" have been the result of shorter-term investor psychology around whether the Federal Reserve will "pivot" to a more benign interest rate policy. We have already seen rates move up over 4% in 2022 from near-zero, and expectations are for another 1% of hikes before this rate cycle is complete.

For the full year, the Fund was down 35.1% (Institutional Shares), trailing the Benchmark by 8.76%. About 2.2% of our underperformance relates specifically to our lack of exposure to Energy (1.72% of the negative relative performance), Materials (0.46%), and Utilities (0.01%). We do not typically invest in these sectors because we believe they are driven mostly by cyclicality and don't fit our fundamental investment framework. We are not pleased with our performance for the year, though given the confluence of historically bad macroeconomic headwinds to the market, the Fund performed only slightly worse than we would have expected (smaller-growth stocks typically bear the brunt of reflexive fear-driven selling due to such conditions). Even with this disappointing 2022 performance, the Fund's annualized since inception performance of 11.37% exceeds the Benchmark by 4.68%. As we lay out in the note below, going forward, we believe we are at a point in the investing cycle where the odds stack up very well for small-capitalization growth investing, and for the Fund in particular.

RANDY GWIRTZMAN AND LAIRD BIEGER

PORTFOLIO MANAGERS

Retail Shares: BDFFX
Institutional Shares: BDFIX
R6 Shares: BDFUX

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron Discovery Fund Retail Shares[1,2]	Baron Discovery Fund Institutional Shares[1,2]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[3]	0.18%	0.22%	4.13%	7.56%
One Year	(35.30)%	(35.12)%	(26.36)%	(18.11)%
Three Years	3.91%	4.17%	0.65%	7.66%
Five Years	7.34%	7.61%	3.51%	9.42%
Since Inception (September 30, 2013) (Annualized)	11.09%	11.37%	6.69%	11.45%
Since Inception (September 30, 2013) (Cumulative)[3]	164.64%	170.86%	82.02%	172.58%

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, 2022 was 1.32% and 1.06%, 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3- and 5-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 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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 Not annualized.

"The riskiest thing in the world is the belief that there's no risk. By the same token, the safest (and most rewarding) time to buy usually comes when everyone is convinced there's no hope." Mastering the Market Cycle by Howard Marks, p. 142.

"It's important to note that exiting the market after a decline – and thus failing to participate in a cyclical rebound – is truly the cardinal sin in investing. Experiencing a mark to market loss in the downward phase of the cycle isn't fatal in and of itself, as long as you hold through the beneficial upward parts as well. It's converting that downward fluctuation into a permanent loss by selling out at the bottom that's really terrible." Mastering the Market Cycle by Howard Marks, p. 247.

"I still walk through this life like a little boy in a museum, surrounded by the exhibits I've spent a lifetime studying, and when I finally come face-to-face with something or someone that has inspired me along the way, I am thankful. I am grateful." The Storyteller by Dave Grohl, p. 313.

As is my habit, I spend a lot of time reading during the holiday break. It's a great way to relax and it gives me an opportunity to reflect. I had the opportunity to read three terrific books this year, each very different, but together they give some much needed perspective on life, objectivity, and where we stand in the current market.

First, *A Short History of Nearly Everything* by Bill Bryson literally starts at the beginning of the world (even before the "Big Bang" that scientists believe created the universe). When judged by this cosmic standard, it's incredible to think that our "long-term investing" strategy still pales in comparison to the history of the universe–thought to be something like 13.7 billion years old. The longest existing species on earth is thought to be only 4 million years old, with the earth itself having taken 400 million years or so to form. Within this context, it feels like our four- to five-year holding period might not seem so long after all! Our long-term perspective contrasts with the exceedingly short attention span of most investors (ranging from seconds to possibly the next year). As a side note, another interesting factoid from Bryson's book is that scientists believe there are 140 billion galaxies like ours in the universe, and that there could be around 4 million other advanced civilizations like Earth in the universe (living on 10 billion trillion planets according to Carl Sagan)! UFOs anyone?

The second book couldn't be more different, but as a pair, these two are in a sense the microscope and telescope when looking at the world. *Mastering the Market Cycle* by Howard Marks turns the focus inward from cosmic inquiry to the here and now of examining today's financial markets. Howard Marks is the co-founder of Oaktree Capital Management. He's been investing for many decades and has earned a deserved reputation as a phenomenal investor and a scholar of the markets. In his book, Marks lays out the importance of market cycles (including credit cycles where the availability of credit, or lack thereof, can have a dramatic impact on equity markets).

The overarching theme in the book is that it is not possible to perfectly time the tops and bottoms of markets, but investors can clearly tilt the odds in their favor by being cognizant of major macro cycles that affect everything. Over the course of history, market cycles have repeated their boom-and-bust pendulum swings. This, in addition to the amplifying influence of investor psychology, generates market pricing swings that tend to be far more extreme (both in upside and downside) than objective fundamental factors would suggest.

Active, fundamental investors like us make money by buying stocks when their intrinsic value (the sum of the present value of all future cash flows) is higher than their current trading price. In the same manner, our current portfolio's net asset value (or the trading price of all of our investments as a whole) is nothing more than today's clearing price rather than the measure of intrinsic value. We believe the underperformance of the stock market in 2022 was driven more by macro factors (mainly inflation and the rate cycle of the Federal Reserve) and negative changes in investor psychology as opposed to micro factors at the individual company level. We try to be more objective and focus on individual company fundamentals while avoiding becoming *macro tourists* who get whipsawed by every macroeconomic data point.

So where are we in the market cycle as we enter 2023 and what does it mean with regard to the desirability of small-cap growth stocks in particular as an asset class? In down markets like we experienced in 2022, growth stocks generally underperform value stocks since more of the intrinsic value embedded in a growth stock is based on earnings further out into the future. It is also important to make a distinction here between growth and momentum investing. By growth investing, we mean measuring the intrinsic value of companies that can grow cash flows organically over a number of years and buying them, when in our opinion, the market is not properly valuing them. Momentum investing, which we do not practice, relates to the more psychological process of buying securities that seem to be going up (and just for that very reason), with little regard if any for valuation. Unfortunately, momentum is a manifestation of market psychology and the manic-depressive nature of market participants. In this respect it magnifies the cyclicality of equity markets and tends to overwhelm stock valuations (up and down) thereby carrying rational investors along with it. This effect is exaggerated in small-cap growth companies such as the ones we own in the Fund.

We believe today's environment is different from that of the Global Financial Crisis (GFC). During the 2008 GFC, the entire financial system was at a non-trivial risk of implosion due to the collapse of a number of large financial institutions. We believe today's environment is different. In contrast to the GFC, this is a more normal economic/market cycle where excessive valuations ultimately foundered on the shoals of a rapidly accelerating inflationary environment. The current inflationary backdrop has been the result of an extreme liquidity injection (over $4.4 trillion) provided by the federal government, combined with a near-zero Federal Reserve interest rate policy commonly known as ZIRP that kept the economy over heated for too long.[1] The three-month change in M2, a measure of the growth in money supply (a good proxy for inflation) hit records with 16% growth in 2020 (the prior record was about 6% in the early 1980s). But with the Fed raising rates dramatically through 2022 (by about 4.25% through December 2022) this massive liquidity injection has reversed, and the change in M2 is now meaningfully negative.

Where are we in the market cycle and have we bottomed? This is the key question and the most unknowable. We believe that many of the key inflationary components of CPI are in the process of bottoming, including the housing market (representing about 40% of CPI), company orders (as measured by the Purchasing Managers Index), and earnings (we believe that the guidance for full-year 2023 earnings given by companies in February 2023 will help to "clear the decks" on the negative earnings revision cycle).

1 Since the start of the COVID-19 public health emergency, the federal government has enacted trillions in spending outside of normal budgetary channels, including the $1.8 trillion CARES Act of 2020, the $1.9 trillion American Rescue Plan in March 2021, and the ironically named Inflation Reduction Act of 2022, which added another $740 billion of spending.

Employment is the last domino, and we believe there are indications that this is softening as well. If that's the case, then the Fed will be closer than many expect to completing their rate hiking cycle. But this is a tricky issue, as the Fed really is trying to balance lessening inflation without obliterating the employment market. Given the history of prior cycles, markets will take off when (or even before) it is clear that these inflationary factors are under control.

While we can't definitively say we have reached market bottoms, we absolutely can state that the probabilities have started to skew dramatically in favor of investing in riskier assets including small-cap growth. To paraphrase Howard Marks, when markets are at extremes, it's not forecasting to say that you have a high probability to profit by being contrarian. After assessing where we are in the macro inflationary cycle, the keys are looking at valuations (small-cap valuations are historically low both objectively and relatively, as are the individual valuations of our portfolio holdings) and at investor behavior (there is extreme market negativity). Here's the problem. You can't know when the bottom will occur (or has occurred). As a result, our playbook is to buy when probabilities are heavily in our favor and when we believe prices are below (maybe even massively so) intrinsic value. Investing in small-cap growth stocks is inherently risky, but at the same time can be much more rewarding, particularly when the cycle odds are more in the investor's favor, such as now.

We strive for a target return of at least 15% annually (obviously this not a guarantee), in order to compensate for the risk of funding earlier stage companies. We also strive to compensate for the risk within the small-cap space by diversifying among industries, limiting position sizes, using objective and time-based valuation metrics to continually evaluate our investments, and balancing what we believe are the relative riskiness of different types of growth investments. Some of our portfolio characteristics illustrate what we believe is the higher overall quality of our portfolio versus the Benchmark. For example, our debt-to-capital ratio is 27.1% versus 39.5% in the Benchmark. On the margin front, our weighted average gross margins are 47.3% versus 43.0% in the Benchmark. Though our operating profitability metrics are below the Benchmark's, our companies tend to be earlier stage, meaning they are reinvesting gross profits for increased growth. This shows up in our projected three- to five-year earnings growth of 28.9% versus 19.8% for the Benchmark (with projected three-year sales growth of 19.3% versus 14.3% in the Benchmark). We also believe that all of our companies are adequately funded through breakeven cashflow and that around 16% of our assets are invested in companies with negative cash flow. While we underperformed the Benchmark in 2022, we believe our overall risk-adjusted track record across the cycle (including 11.37% annualized returns since inception and 4.68% annualized alpha) shows superior stock selection. In the words of Howard Marks, "The holdings of a habitually aggressive investor who is capable of superior selection will go up more than the market when the market goes up and may go down more than the market when it goes down. But his margin of superiority on the upside will exceed his degree of inferiority on the downside, as it comes from his ability to select assets that deliver upside potential without entailing commensurate downside risk. As a result he'll do better than the market when it goes up, but not as badly when the market goes down as his aggressiveness would suggest. That's an example of the asymmetry that marks the superior investor." *Mastering the Market Cycle* p.269. For these reasons, we remain bullish on the Fund's prospects over the medium term.

Finally, I read a third book that was a little less weighty. I'm a huge fan of Nirvana (a grunge band out of Seattle in the 1990s that, in my opinion, changed music forever), and Foo Fighters (started by Dave Grohl, the drummer from Nirvana). Grohl's autobiography *The Storyteller* is a fun read with tons of celebrity cameos (imagine becoming great friends with Paul McCartney or having Elton John recognize you in the street!), stories about his life in rock and roll (it wasn't always glamorous when he was living out of the back of a van), and nuggets of wisdom. Grohl is unrelentingly optimistic. Even the death of Kurt Cobain (the lead singer and driving force behind Nirvana) is dealt with in the context of Grohl's fondness for Cobain's friendship and the gift Grohl received by living the music of Nirvana with Cobain. Grohl somehow always knew he was destined to live the life he's living (though he had no idea how successful he would ultimately become). But his inexhaustible state of wonder and his unrelenting drive to succeed powered his way through all adversity. Now, looking back on his epic career, what's the thing he's now most proud of? His family. I know that Laird and I always bounce back well from adversity as well, and we are also relentlessly optimistic about the future of the markets, our investments, our families, and our country.

2022 may have been a challenging year but we remain bullish on our ability to outperform in the next market recovery. Laird and I want to wish all of you and your families happiness, wealth and health in the new year.

Randy Gwirtzman – January 2023

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Axon Enterprise, Inc.	1.06%
Montrose Environmental Group, Inc.	0.53
ForgeRock, Inc.	0.47
Allegro MicroSystems, Inc.	0.47
Boyd Gaming Corporation	0.44

Shares of **Axon Enterprise, Inc.**, a public safety-focused technology company, rose during the quarter following a strong earnings report in which full-year revenue guidance was raised. Notable strength in the Axon Cloud segment reflects increased domestic demand for software-heavy premium integrated bundles. We believe the company has a line of sight to a more than 20% average annual revenue growth, an improving margin profile with software solutions growth, and the potential to become the dominant ecosystem in the public safety space.

Montrose Environmental Group, Inc., a leading environmental services company, outperformed as the stock rallied back from weakness earlier in the quarter. The company continues to execute and benefits from strong growth drivers including methane emissions monitoring, biogas solutions, and PFAS (pen- and polyfluoroalkyl substances) remediation. We continue to be holders of the stock as we think the company will benefit from strong secular trends, which include increasing environmental regulation as well as corporate focus on sustainability. We remain confident in Montrose's plan to grow revenues organically and through acquisitions in excess of 20%.

ForgeRock, Inc. offers identity and access management security software that enterprises use to authenticate their customers and employees. Following a drop in software valuations this year, private equity and strategic buyers have been active in the small-cap cybersecurity space due to the sector's secular growth and its relative demand resilience compared to other IT budget items in economic downturns. On October 11, 2022, private equity firm Thoma Bravo announced a definitive agreement to acquire ForgeRock for $23.25 per share in a transaction valued at $2.3 billion. The acquisition represented a 53% premium to ForgeRock's last share price prior to the announcement, driving outperformance for the quarter. We estimate the acquisition value represented 7.5 times ForgeRock's forecasted revenue for 2023. This deal followed Thoma Bravo's purchases of our two former identity security portfolio companies Ping Identity and SailPoint. We believe the identity security category remains a high priority spending category and expect further consolidation to take place in the industry.

Shares of **Allegro MicroSystems, Inc.**, a fabless designer and manufacturer of integrated circuit (IC)-based sensors and application-specific analog power ICs for automotive and industrial markets, rose in the quarter. The company reported strong quarterly earnings results and raised its full fiscal year financial outlook despite investor concerns for a potential downcycle in the industry. The company continues to benefit from its focus on electrification and Advanced Driving Assistance System applications in automobiles as well as data center cooling applications, which are driving continued growth in higher-margin newer products. We believe Allegro continues to have a large opportunity for growth in electronic content in vehicles and as industrial applications continue to grow due to megatrends in electrification, increased safety standards, and automation.

Shares of U.S. regional casino operator **Boyd Gaming Corporation**, increased in the fourth quarter due to stable consumer visitation and spending levels despite an uncertain macro environment. The company continued to generate strong free cash flow that it is using to invest into its casinos, pay out dividends, and buy back shares. The company has repurchased 8% of its shares over the past year while paying out a 1% dividend. We believe Boyd can withstand any bumps in the economy given its strong balance sheet and free cash flow. We also don't think Boyd's share price reflects its 5% ownership in online bookmaker FanDuel. We continue to be positive on the company's long-term prospects.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Revance Therapeutics, Inc.	–0.76%
CareDx, Inc.	–0.74
Chart Industries, Inc.	–0.64
Definitive Healthcare Corp.	–0.61
Qualys, Inc.	–0.42

Shares of **Revance Therapeutics, Inc.**, an aesthetics-oriented biotechnology company, detracted from performance in the fourth quarter. Shares had meaningfully outperformed in the third quarter, after the FDA approved Daxxify, the company's longer-acting competitor to Botox that lasts about six months versus Botox's three to four months. The stock is in somewhat of a news vacuum as Revance is training injectors and smartly implementing a tightly managed preview program ahead of a broader launch in the second quarter of 2023. Early feedback on Daxxify has been positive. Part of the stock weakness may also be due to concerns around the impact of macro headwinds on discretionary consumer spending. Although we expect some near-term impact to Revance's RHA dermal filler portfolio, we think the impact will be temporary and shouldn't be the focus given the imminent broader Daxxify launch. More importantly, we think Daxxify's longer-lasting result is a key selling point for consumers, and we expect to see meaningful uptake of the product in late 2023 and beyond. Ultimately, we see Daxxify and the already-launched RHA fillers capturing significant share in the fast-growing $4 billion facial injectables market and supporting more than triple the company's current valuation.

CareDx, Inc. is a diagnostic company that facilitates organ donor matches pre-transplant and rejection monitoring post-transplant. Transplant rejection testing is recurring and can help ensure the right immunosuppressant treatment to avoid overdosage or organ loss. As was the case in the third quarter, shares also underperformed in the fourth quarter. The reimbursement headwinds seen in the third quarter have continued (some testing volume is moving beyond traditional Medicare and into Medicare Advantage as well as to commercial payers due to market shifts and an effort to seed new markets and products). In addition, the fourth quarter brought a bit of an unexpected curveball when one of the entities that regulates Medicare payments for the diagnostic industry held a meeting with a panel of experts to determine the usefulness and ideal frequency of testing for dd-cfDNA tests (donor derived, cell-free DNA – or looking at DNA from the donated organ to determine if an organ is being rejected). This is of significance to CareDx as well as its market competitors, particularly in the heart and kidney transplant markets. Our read after the meeting was that there was a strong belief that dd-cfDNA tests are useful and are actually moving toward becoming the gold standard in testing for rejection (displacing physical biopsies as the new first-line diagnostic). The issues that have yet to be determined are whether tests are being used too frequently (we don't believe so) and whether all organ recipients should be eligible for testing or just the higher risk cohort (we believe all should be eligible as the tests can provide much better overall outcomes as measured by post-transplant survival years).

This is an extreme example of a company that is trading below intrinsic value. Were CareDx to collect for all of the tests it ran in 2022, it would have earned $180 million more revenue in 2022 than the $321 million it officially logged. So, it would be a $500 million revenue company, which at 20% cash flow margins equates to $100 million in cash flow just on existing testing volume. The company has no debt, has about $300 million in cash on its balance sheet and should be free-cash-flow breakeven or positive in 2023. We believe that the kidney testing market (the largest with a $2 billion opportunity) is barely penetrated (all competitors' market share combined represent less than20% of the total opportunity), and CareDx is by far the dominant provider with enormous first mover and relationship advantages. On our current estimates, CareDx trades at under 1 times its 2023 enterprise value (market value plus net debt) to sales ratio (EV/Sales). Effectively, at a 25% mature cash-flow margin (reasonable for a company with 75% targeted gross margins) this would equate to 4 times cash flow. Because it will generate free-cash-flow going forward and will continue to grow as well, it's actually trading at a negative EV/Sales ratio for 2027. Based on various positive and negative scenarios, we see limited downside with even the worst set of circumstances. We believe that the stock in a base case is nearly a triple, and in a bull case could be worth six times its current value! Perhaps this is why management announced a $50 million share repurchase program in early December 2022.

Shares of **Chart Industries, Inc.**, a leader in cryogenic technology and process/storage equipment, declined during the quarter. The company announced the large acquisition of Howden, a leading manufacturer of compressors, fans, and blowers, using a large amount of debt. We believe the benefits of the acquisition (cost and revenue synergies with improved margins, increased recurring aftermarket percentage, improved global footprint, and bigger "nexus of clean" exposure) outweigh the execution risks, with the market currently punishing the company for elevated leverage at a time of elevated macroeconomic uncertainty. We believe that the combined company's financial results will be better than expectations currently embedded in the stock price and that after integration, the company will be a best-in-class industrial compounder deserving of a valuation well above current levels.

Shares of **Definitive Healthcare Corp.**, a commercial intelligence software-provider for health care companies, underperformed as management highlighted intensifying macro headwinds and talked about expectations for 2023 revenue growth to be about 15% opposed to investor expectations for mid-20% revenue growth. Definitive first discussed the macro headwinds in the previous quarter, but the headwinds have intensified and are expected to persist. The slowing of the sales cycle has broadened beyond new logos to upsells to existing customers, and it is particularly pronounced among biotechnology and provider clients. Recognizing the wide error bars around 2023 results, management wanted to wait to see the rest of the fourth quarter selling season play out before providing formal 2023 guidance, which they should provide when the company reports in February. We believe that these macro-related headwinds are temporary in nature, and we continue to see Definitive as a high-quality, profitable company with a differentiated offering and a long runway of growth. We think the current valuation implies significantly lower long-term growth expectations than the company is capable of producing. Therefore, there could be meaningful upside as macro conditions improve and revenue growth re-accelerates.

Qualys, Inc., a cloud-based vulnerability management cybersecurity platform, detracted from performance. While third quarter revenue and profit beat consensus expectations, billings–a forward growth indicator based on contracts–decelerated slightly as the tough macro environment caused deal scrutiny, longer sales cycles among new customers, and a slower productivity ramp-up for newly hired sales reps. Despite near-term challenges, we think Qualys can continue compounding revenue and free-cash-flow-per-share growth for several reasons. First, cybersecurity is a more defensible software spending category in downturns as organizations need to continue investing in protecting their assets. Second, Qualys has made good progress in cross-selling newer products like patch management (automated remediation of known IT vulnerabilities) and cybersecurity asset management (detection of company servers where cybersecurity protection is absent or near end-of-life). New product adoption and secular growth in IT assets have led to net expansion rates (a measure of growth at existing customers) improving to 111% (compared to 104% last year). Third, management reprioritized go-to-market investments over the past year, including building better relationships with channel partners and hiring more direct sales reps in 2022, which should help drive more brand awareness and growth going forward. Lastly, management is focused on preserving Qualys' best-in-class profitability (35% cash-flow margins) and returning capital to shareholders through share repurchases. While we acknowledge there is less certainty around near-term growth, we think this is reflected in the stock's current valuation, and we maintain conviction in Qualys due to its solid compounding growth profile, fantastic cash-flow margins, and end-market resilience.

Portfolio Structure

Table IV.
Top 10 holdings as of December 31, 2022

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Kinsale Capital Group, Inc.	2016	$52.3	4.6%
Axon Enterprise, Inc.	2022	41.7	3.6
Boyd Gaming Corporation	2021	40.1	3.5
Axonics, Inc.	2020	39.9	3.5
Advanced Energy Industries, Inc.	2019	36.5	3.2
Rexford Industrial Realty, Inc.	2019	35.5	3.1
Silk Road Medical, Inc.	2019	33.8	2.9
Mercury Systems, Inc.	2015	31.2	2.7
SiteOne Landscape Supply, Inc.	2016	29.3	2.6
Floor & Decor Holdings, Inc.	2019	27.5	2.4

Our top 10 holdings represented 32.1% of the portfolio versus 25.6% in December 2021. This is within our typical 25% to 35% range. Cash holdings were 4.3%. As of December 31, 2022, the Fund had capital loss carryforwards of about $92.6 million (representing cumulative short-term and long-term losses that may be applied against future capital gains). Therefore, we have no expectation of distributable gains in the near future. As always, we are attuned to the tax position of the portfolio.

Our sector exposures are generally in line with the Russell 2000 Growth Index, although we are overweight Information Technology (IT) (we believe the disconnect between market price and intrinsic value is extreme in this category) and Industrials. Industrials includes 4.4% exposure to defense, which should not be as affected by a recession and will benefit from the tailwinds of increased defense spending laid out in the defense budget passed in December 2022. We do not have exposure to Energy, Materials, or Utilities as we believe these are cyclical and/or lower-growth sectors that do not fit our secular growth strategy particularly well. While underexposure to the latter categories can hurt our relative performance during periods like this one (where the market is exceedingly defensive and influenced by significant moves in commodity prices), we believe that such periods are more the exception than the rule and believe long-term performance favors exposure to secular growth. Finally, our portfolio turnover was 31.8% for the year and was 36.7% on a three-year average basis. This is significantly lower than the 75.7% three-year average for the Morningstar Small Growth Category, which reflects our long-term strategic investment focus.

Recent Activity

Table V.
Top net purchases for the quarter ended December 31, 2022

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
Chart Industries, Inc.	2022	$4.9	$12.0
Smartsheet Inc.	2022	5.2	8.7
CyberArk Software Ltd.	2022	5.3	8.5
CareDx, Inc.	2018	0.6	7.0
PAR Technology Corporation	2018	0.7	6.7

We added to our position in **Chart Industries, Inc.**, a manufacturer of cryogenic equipment for LNG and other industrial gases, most notably hydrogen, which allows the company to sell picks and shovels to the quickly growing LNG and hydrogen industries. We took advantage of recent share price weakness related to the announced acquisition of Howden to increase our position. As previously mentioned, we believe the benefits of the acquisition (cost synergies and improved margins, increased aftermarket percentage, and enhanced manufacturing footprint to serve the world's clean energy needs) outweigh the execution risks. Furthermore, we believe the deal creates a best-in-class industrial compounder that is positioned to benefit from increasing demand for LNG and clean energy solutions driven by the supply consequences of the Russian-Ukrainian conflict.

We added to our position in **Smartsheet Inc.**, a cloud-based collaboration and work management software platform that customers use to plan, visualize, manage, and automate business projects. Smartsheet reported a strong quarter, where revenue grew 38% and operating profit came in ahead of expectations. Growth was driven by strong new user additions (total users grew 23% year-over-year to 11.7 million), good cross-selling of premium add-on products (which grew 70% year-over-year and now account for over $200 million in annual recurring revenue), and continued license expansion at large customers (Smartsheet now has 40 enterprise customers spending more than $1 million each annually). Management remains focused on growing profitably–they expect Smartsheet to be free-cash-flow positive for the year in 2022 and to expand margins further in 2023. Longer term, we maintain conviction in Smartsheet due to its differentiated project management solutions, its long runway for license growth, and new product penetration at existing large customers, as well as its improving unit economics.

We initiated a position in **CyberArk Software Ltd.**, an identity security platform focused primarily on privileged access management (PAM). CyberArk's PAM technology prevents bad actors from stealing and exploiting the credentials of superuser accounts like IT administrators, cybersecurity managers, and network administrators. These privileged accounts can access a company's most critical IT systems–domain directory servers (all passwords, profiles, and data on employees), firewalls, code repositories, and database servers–making the credentials a high-value target in ransomware attacks (consulting firm Forrester estimates that 80% of security breaches involve privileged credentials). CyberArk technology detects, stores, and manages all the privileged credentials in an organization, monitors the critical IT systems, and helps contain the damage hackers can cause if they breach a corporate network. The increasing frequency and severity of ransomware attacks, heightening geopolitical tension, and stricter requirements of cyber insurance policies have all made PAM a higher priority spending category among security teams.

CyberArk is the market leader in the PAM category, with over 20% market share. The company has successfully leveraged its foothold to expand into complementary markets like identity and access management (authentication of a company's employees and vendors), secrets management (detection of credentials used for machine-to-machine communications), and endpoint management. These newer solutions now account for over 45% of annual subscription recurring revenue and are growing over 100% annually. CyberArk is also making good progress in its business model transition from on-premise (one-time perpetual license payment plus some recurring maintenance payments) to a recurring subscription revenue model. The new model expands CyberArk's addressable market, enables it to cross-sell products more efficiently, increases the lifetime value of its customers, and improves revenue predictability. Recurring revenue now accounts for more than 84% of total sales and annualized recurring revenue has been growing over 40% for the past four quarters. As subscription contracts come up for renewal in the next two to three years, we expect cash-flow margins to increase from mid-single digits today to CyberArk's healthy historical margin levels of 20%-plus. Long term, the combination of resilient end-market growth, better recurring revenue mix, and margin expansion should bode well for the stock.

We added to our position in **CareDx, Inc.** for the reasons stated above. We believe the company is misunderstood, and given the valuation and the strength of the company's balance sheet, Fund investors will be handsomely rewarded for their patience.

During the quarter, we added to our position in **PAR Technology Corporation**, a provider of software to the restaurant industry. The company continues to grow software revenues at over 30% annually, and we believe it can continue to do so over the next couple of years. The company had pulled back with the rest of the software sector creating what we believe is a great entry point to purchase more stock. We believe the stock can more than triple over the next five years and remain bullish on its prospects.

Table VI.
Top net sales for the quarter ended December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Ping Identity Corporation	2019	$1.6	$2.5	$21.6
Kinsale Capital Group, Inc.	2016	0.4	6.0	15.1
ForgeRock, Inc.	2021	2.9	2.0	9.3
Revance Therapeutics, Inc.	2019	0.7	1.5	7.7
Progyny, Inc.	2019	1.3	2.9	7.4

We sold our holdings in **Ping Identity Corporation** and most of our holdings in **ForgeRock, Inc.** after announcements of their acquisitions (in separate deals) by Thoma Bravo, a private equity firm. The multiples paid for these companies, in the context of their market sizes, margins, and growth rates, indicate that our other software holdings are significantly undervalued in the current public markets. We trimmed our position in **Kinsale Capital Group, Inc.** in order to risk manage the position size. We trimmed our position in **Revance Therapeutics, Inc.** after FDA approval for Daxxify led to a huge runup in the stock in the third quarter (by over 106% from the start of the quarter to the peak). We still think Revance will be a huge winner for the Fund over the next few years as the company accelerates the rollout of Daxiffy starting in 2023. We reduced our position in **Progyny, Inc.**, the leading provider of fertility benefits management in the U.S., due to a combination of valuation and economic headwind concerns.

Outlook

As we noted in our third quarter 2022 letter, small-cap stocks remain in a bear market and investor sentiment remains pessimistic. That said, we are seeing an increase in data points that indicate inflation is on the downswing. These include significant drops in indices measuring housing, product orders, food commodities, and energy prices. In addition, we are seeing a normalization of the COVID-related supply-chain challenges that were present over the last two years. Lastly, we are starting to see cracks in the stickiness of demand in the labor market, which is the last domino the Fed needs to see fall before it pivots from its rate hiking regime. While we may not know exactly where we are in this cycle, to crib Winston Churchill, we feel we are beyond the "end of the beginning" and are actually closer to the "beginning of the end." As a result, we are bullish on the prospects for our portfolio companies and, therefore, our ability to outperform when we begin the next cycle.

Thank you for your support!

Randy Gwirtzman & Laird Bieger
Portfolio Managers
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Specific risks associated with investing in smaller companies include that the securities may be thinly traded and 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 manager only through the end of the period stated in this report. The portfolio managers' 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Discovery Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Durable Advantage Fund Shareholder:

Performance

Baron Durable Advantage Fund (the "Fund") gained 4.7% (Institutional Shares) in the fourth quarter, compared to the 7.6% gain for the S&P 500 Index (the "Benchmark"). For calendar year 2022, the Fund declined 24.8%, compared to the 18.1% decline for the Benchmark.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Durable Advantage Fund Retail Shares[1,2]	Baron Durable Advantage Fund Institutional Shares[1,2]	S&P 500 Index[1]
Three Months[3]	4.64%	4.65%	7.56%
One Year	(24.99)%	(24.81)%	(18.11)%
Three Years	5.89%	6.14%	7.66%
Five Years and Since Inception (December 29, 2017)	9.11%	9.37%	9.42%

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BDAFX
Institutional Shares: BDAIX
R6 Shares: BDAUX

It was a challenging year for investors. After three consecutive years with returns in the 20% to 30% range for the Benchmark (and 20% to 40% for the Fund), the Fed engineered the fastest interest rate tightening cycle in over 40 years, the war in Ukraine and the persistent inflation were too much for the markets to overcome in 2022. Despite some recovery in the fourth quarter, the Benchmark closed the year down 18%, its worst performance since the Global Financial Crisis in 2008. Even bonds sold off in 2022 with U.S. investment grade bonds (as measured by the LQD ETF) down a similar 18%. According to BlackRock, the last time both stocks and bonds were down during a calendar year was 1969 (1931 before then), which tells you what an unusual year it was. And while down 18% is hardly appealing, there were worse places to be in 2022, as growth stocks were pummeled with the Russell 1000 Pure Growth Index down 37%, the technology-heavy NASDAQ Composite down 33%, and Bitcoin down a whopping 65%. There were few good places to invest with the exception of Energy or more specifically oil and gas, with the NYSE Arca Oil Index (XOI) up 52% and the Energy GICS sector of the Benchmark up an impressive 66%.

We were vocal in highlighting a favorable investing environment as a major tailwind to the Fund's absolute and relative returns over the prior three years. We think it is fair to point out the dramatic reversal in 2022. To put it in context, 2022 saw the most dramatic underperformance of growth compared to value since the bursting of the dot com bubble, with the Russell 1000 Pure Growth Index underperforming the Russell 1000 Pure Value Index by 29% (the underperformance was in excess of 30% then). This Fund is designed to perform well and to generate alpha over the full market cycle. However, the way it is structured, we expect the majority of our outperformance to come during the "benign" or "steady" parts of the market cycle – think of them as one standard deviation away on either side of the bell curve. It is unlikely to deliver compelling results during the market's extreme tilts in either direction. The reason is simple: the S&P 500 Index, as well as the majority of conventional core strategies employ a barbell approach of holding a mix of value and growth stocks while we choose to focus only on the highest-quality businesses with undemanding valuations in the middle instead. We want to own businesses where our research gives us confidence that competitive advantages are sustainable and the prospects for durable growth remain strong, while minimizing the risk of a permanent loss of capital inherently present at the tail ends of the value and growth spectrum. We believe collecting and owning 30 to 40 of these unique, high-quality companies, with a healthy margin of safety, which we think of as a discount to our estimate of their intrinsic values, will enable us to outperform the Benchmark over full-market cycles. With this

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2022 was 1.49% and 1.10%, respectively, but the net annual expense ratio was 0.95% and 0.70% (net of the Adviser's fee waivers), 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The index is 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 Not annualized.

perspective in mind, the 24.8% decline was somewhat disappointing, but not entirely surprising to us. More importantly, we do not believe this drawdown is likely to result in a permanent loss of capital.

From a performance attribution standpoint, stock selection was responsible for 261bps of our 291bps of underperformance in the fourth quarter, and while positive stock selection in Information Technology (IT) added 111bps to our relative results, this was more than offset by poor stock selection everywhere else. Not owning any Energy stocks (which was the best sector in the Benchmark) or enough Industrials also cost us 124bps, though it was offset by our underweight in Consumer Discretionary, the worst sector in the Benchmark during the fourth quarter and our overweight in Financials, one of the better sectors. From a stock-specific perspective, we were hurt by the sell-off in **Amazon**, **Alphabet**, and **Meta**, costing us 200bps in absolute results, on the back of growing concerns over a slowdown in the economy leading to headwinds in cloud computing and advertising spending. We take the long-term view on these businesses and while economic turbulence and a possible recession may cause a short-term slowdown, we do not believe the declines in their stocks will result in a permanent loss of capital.

From a full-year perspective, stock selection was responsible for 496bps out of our 670bps of overall underperformance. While positive stock selection in IT added 153bps to our relative results, it was more than offset by negative stock selection in other sectors. Not owning Energy stocks and Utilities, the two best sectors in the Benchmark in 2022 (up 65.7% and 1.5%, respectively), cost us 258bps, while not owning enough Industrials and owning too much IT also detracted from our relative returns. It was somewhat offset by our overweight in Financials, which was down only 10.5% on the year, and an underweight in Consumer Discretionary, which was the second worst sector in the Benchmark in 2022. From a sub-industry perspective, within Consumer Staples, which was our second worst performing sector (Energy was the worst as we did not own any), we were hurt by being in three of the four worst performing sub-industries. Similarly, within Health Care, not having investments in pharmaceuticals (which ended the year up 8.5%) and owning way too much life sciences tools & services companies detracted from relative performance, as this sub-industry ended the year down 22.9% in the Benchmark, and even though our stock selection contributed 58bps to our relative returns, it was overpowered by the overweight.

Looking under the hood at the contribution of individual investments, only three of our holdings contributed positively for the year, generating 222bps of absolute return combined. **Arch** was up 41%, **UnitedHealth** gained 7%, and **NVIDIA** was up 14% from the time that we bought it. Unfortunately, with 21 holdings detracting at least 50bps each from the absolute returns, we simply did not have enough winners to keep up with the Benchmark. To make matters worse, many of our biggest losers were our largest positions. Alphabet, Meta, **Microsoft**, and Amazon were all down between 28% and 64% for the year, costing us over 200bps each. There were nine other investments that detracted at least 75bps each. Overall, 22 of our holdings declined at least 20% each in 2022. Interestingly, those stocks that declined at least 20% this year were also up nearly 40% on average in 2021. While they didn't become 40% "better" in 2021, or their intrinsic values (IVs) likely did not rise by 40% in 2021, they also did not become 31% "worse" in 2022 (their average stock price decline). More importantly, while the volatility of the returns this year has been higher than we had hoped, we have a lot of confidence that the stock price declines were more the result of souring investor psychology than permanent declines in intrinsic values, and hence will unlikely result in a permanent loss of capital.

A lot has been written about the rising interest rates and the resultant regime change in the market. We think it is equally important to understand how this regime change caused a rapid shift in investor psychology and brought us back to the value vs. growth debate. Historically, value stocks have outperformed growth stocks. Of course, over the last 15 years, growth stocks have outperformed value stocks by a large margin (4.4% annually, on average as measured by Russell 1000 Growth Index vs. Russell 1000 Value Index), and so, the obvious question now is will the revenge of the value stocks go further and last longer? As we explained in the past, identifying or categorizing businesses as simply low-multiple (i.e., value) or high-multiple (i.e., growth) never resonated with us. Instead, we have always tried to categorize or separate businesses based on their *quality*.

We define high-quality businesses as companies that have a clear opportunity to compound their IV over long periods of time. These companies benefit from durable growth characteristics and sustainable competitive advantages, while lower-quality businesses do not. Investing in lower-quality businesses that do not have a clear path to higher IVs over time requires getting the entry **and** the exit points right and, in our view, contradicts our long-term ownership philosophy. Buy-and-hold discipline has time working on its side, but it does not work for lower-quality businesses which often prove to be the proverbial melting ice cubes.

Stock prices have always traded and fluctuated around IVs at an amplitude that depends on the prevalent psychology in the market. When investors feel good about the world, they are willing to underwrite longer-term prospects, and prices tend to rise above IVs. However, during times of uncertainty and stress, time horizons shrink, reducing investor appetite for long-duration assets and prices fall below IVs. In our view, this dynamic may have been behind the significant outperformance of value over growth in 2022.

Over the long term, we believe that stock prices will reflect the success of the businesses, or said differently, they (and we) would do well if the businesses themselves do well. We remain confident that the businesses we own in this Fund will do very well over the long term. And now… they can be owned for approximately 26% less.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Arch Capital Group Ltd.	$ 23.2	1.66%
Mastercard Incorporated	334.3	0.86
Visa, Inc.	442.2	0.68
Mettler-Toledo International, Inc.	32.2	0.47
S&P Global Inc.	109.1	0.43

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares increased 37.9% in the fourth quarter as favorable pricing trends in the property & casualty insurance market continued. During the quarter, the company reported earnings that beat consensus estimates despite significant losses from Hurricane Ian. The stock also benefited from inclusion in the S&P 500 Index, which prompted buying from passive funds. We continue to own the stock due to Arch's strong management team, underwriting expertise and discipline, long-term ownership mindset, and focus on underwriting profitability rather than premium growth or market share, which in our view, will support solid and sustainable growth in earnings and book value per share for years to come.

Shares of global payment network **Mastercard Incorporated** outperformed, rising 22.4% in the quarter after the company reported strong quarterly results of 15% revenue growth and 13% EPS growth despite significant headwinds from currency movements and its suspension of operations in Russia. Payment volume grew 21% in local currency (excluding Russia), as consumer spending remained resilient and international travel continued to recover as border restrictions were lifted. Major foreign currencies strengthened toward the end of the quarter, which should also support near-term growth. We continue to own the stock due to Mastercard's long runway for growth and significant competitive advantages, operating in a duopoly with Visa.

Shares of global payment network **Visa, Inc.** rose 17.1% during the fourth quarter after reporting strong quarterly results of 19% growth in revenue and EPS despite currency headwinds and its suspension of operations in Russia. Payment volume grew 16% in local currency (excluding Russia and China), with notable strength in cross-border volumes as international travel continued rebounding after the pandemic. Management also provided encouraging guidance of high single-digit revenue growth for the next fiscal year. We continue to own the stock due to Visa's long runway for growth underpinned by the continued migration from cash to card/digital and its significant competitive advantages, operating in a duopoly with Mastercard.

Mettler-Toledo International, Inc. is the leading provider of weighing instruments for laboratory and industrial applications. Shares rose 33.3% in the fourth quarter on solid third quarter results, highlighted by 10% local currency sales growth and 17% EPS growth despite a negative FX impact of 6%. Management provided solid initial 2023 guidance, calling for 5% local currency sales growth and EPS of $42.00 to $42.40, roughly in line with Street estimates. 2023 guidance reflects 8% to 9% expected EPS growth. We continue to hold the stock and believe the company will continue benefiting from its brand recognition, pricing power, broad offering, and diversified customer base, enabling it to enjoy durable growth for years into the future.

Shares of rating agency and data provider **S&P Global Inc.** increased 10.1% during the quarter as investors looked past weak debt issuance activity and anticipated a potential issuance rebound in 2023. Equity markets rose during the quarter, offering some reprieve to asset-based revenue headwinds. The company also hosted an Investor Day during which management provided medium-term financial guidance of 7% to 9% annual revenue growth and low to mid-teens annual EPS growth. We continue to own the stock due to the company's durable growth characteristics that are underpinned by the secular trends of increasing bond issuance, growth in passive investing, and demand for data and analytics, while also benefiting from significant competitive advantages.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	$ 856.9	–1.62%
Alphabet Inc.	1,145.2	–0.28
Brookfield Asset Management Ltd.	47.0	–0.15
Blackstone Inc.	88.9	–0.12
Meta Platforms, Inc.	315.6	–0.11

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares of Amazon were down 25.5% in the quarter, as the company guided to relative weakness in margins and a slowdown in Amazon Web Services (AWS) as a result of the weakening economy. Despite the increased near-term uncertainty and the potential macro headwinds, Amazon remains one of our largest holdings due to its durable competitive advantages holding a leadership position in multiple trillion-dollar markets that exhibit durable growth characteristics. According to the U.S. Census Bureau, domestic e-commerce was only 14.8% of retail as of the third quarter of 2022[1]. Internationally, the opportunity is even earlier as Amazon has still less than 5% market share of international retail spending. Its advertising share is roughly 5% and growing, underpinned by its structural closed loop, which enables accurate targeting and measurement. Lastly, AWS remains the leading cloud provider, while cloud computing still represents only 11% of the $4.4 trillion spending on global IT products and services according to Gartner in 2022[2]. Areas such as logistics and health care present additional optionality.

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares of Alphabet were down 7.7% during the quarter, with broader weakness in digital advertising demand impacting Search, YouTube, and overall margins. Despite macro-driven near-term headwinds, we retain conviction in Alphabet, as it is a high-quality compounder, benefiting from secular growth in mobile and online video advertising accruing to its core assets of Search, YouTube, and the Google ad network. Though smaller in size, we are also encouraged by Google's investments in Cloud, AI, and Autonomous Driving (through its Waymo subsidiary).

Brookfield Asset Management Ltd. is an asset-light alternative manager that was recently spun out of Brookfield Corporation. The company invests in real estate, infrastructure, renewable power, private equity, and credit assets globally and has more than $750 billion assets under management (AUM) and $400 billion of fee-earning capital. The stock declined 20.9% for the period held during the fourth quarter as investors sold the "stub" security after its spin-off was completed. We retain conviction given the company's diversified asset base, sustainable cash flows, strong asset management platform, and ability to deploy capital globally.

Blackstone Inc. is the world's largest alternative asset manager with nearly $1 trillion of AUM. Shares declined 10.7% during the fourth quarter largely due to negative press and investor concerns surrounding Blackstone's decision to limit redemptions from its BREIT flagship retail fund vehicle. We retain conviction in Blackstone due to its strong brand, unmatched fundraising capabilities, proven long-term performance, and durable fee stream underpinned by long-term and perpetual capital.

Shares of **Meta Platforms, Inc.**, the world's largest social network, declined 11.8% during the fourth quarter primarily due to investor concerns about rising expenses in a difficult macroeconomic environment. We believe Meta has taken steps to increase cost discipline including layoffs and reduction of its data center and office footprint. Meanwhile, engagement remains healthy. With its newer Reels offering, it has gained market share against rival TikTok. Longer term, we believe Meta will utilize its leadership in mobile advertising, massive user base, and technological scale to continue providing global advertisers targeted marketing capabilities at scale, with further monetization opportunities ahead in under monetized areas such as Messaging and Reels.

[1] https://www.census.gov/retail/ecommerce.html

[2] https://www.gartner.com/en/newsroom/press-releases/2022-10-31-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-reach-nearly-600-billion-in-2023
https://www.gartner.com/en/newsroom/press-releases/2022-10-19-gartner-forecasts-worldwide-it-spending-to-grow-5-percent-in-2023

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark composition and weights) determining the size of each individual investment. Sector weights tend to be an outcome of the stock selection process and are not meant to indicate a positive or a negative "view."

As of December 31, 2022, our top 10 positions represented 49.9% of the Fund, the top 20 were 82.6%, and we exited 2022 with 29 investments (this compares to 46.3%, 77.3%, and 33 investments as of the end of 2021, respectively). As of year-end, IT and Financials, our biggest sectors, represented 60.4% of the Fund. Health Care, Communication Services, Consumer Discretionary, Consumer Staples, and Industrials represented another 36.1% of the Fund. Cash was the remaining 3.6%.

Table IV.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$1,787.7	$4.2	8.3%
Meta Platforms, Inc.	315.6	2.5	5.0
Arch Capital Group Ltd.	23.2	2.5	4.9
Visa, Inc.	442.2	2.5	4.9
UnitedHealth Group Incorporated	495.4	2.4	4.8
Amazon.com, Inc.	856.9	2.4	4.8
Accenture plc	175.9	2.4	4.7
Danaher Corporation	193.2	2.1	4.2
Mastercard Incorporated	334.3	2.1	4.1
Intuit Inc.	109.3	2.1	4.1

Recent Activity

During the fourth quarter, we took advantage of flows into the Fund to add to 25 existing holdings, with the largest additions flowing into **Meta**, making it the 2nd largest holding in the Fund, **Microsoft**, which continues to be the largest position in the Fund, and our newer holding, **NVIDIA**, as we continued scaling into our position.

Table V.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Meta Platforms, Inc.	$ 315.6	$1.7
Microsoft Corporation	1,787.7	1.4
NVIDIA Corporation	359.5	1.1
Visa, Inc.	442.2	0.8
Accenture plc	175.9	0.8

Our largest addition in the quarter was to **Meta Platforms, Inc.** Foreign currency movements and the weakening macro environment have impacted Meta's revenue growth rates in the near term (revenues declined 4% year-over-year in the most recently reported third quarter). Investors continue to be focused on the company's growing expenses and CAPEX, which have a double-whammy impact on margins and free-cash-flow. This hyper-focus on the near term (driving the stock down 25% the day after earnings) overlooks the company's long-term prospects, in our view. First, Meta has 2.9 billion daily active users and growing (up 4% year-over-year). Second, Meta is already seeing significant user engagement for its Reels product, reaching 140 billion daily views across Facebook and Instagram, a 50% increase over the last 6 months, and as importantly, it has been incremental to time spent on the platform. Third, Reels is rapidly scaling its monetization, hitting a $3 billion revenue run-rate during the third quarter, up from $1 billion in the second quarter, and, based on rumored numbers for TikTok in 2022, likely already holds a market share of 15% to 25% from a standing start in 2021. Fourth, while the company continues growing its expenses, we are encouraged by the recent cost cutting announcements and believe that continued investment in AI-infrastructure will pay off, as the company works to regain the lost signal from Apple's IDFA and ATT changes. Lastly, the sell-off in the shares resulted in a deeply undervalued stock for those investors willing to look out a few years, with its next-12-months earnings yield climbing above 9% during the quarter. This yield also compares to around 6% for the S&P 500 Index.

Another large addition in the fourth quarter was to **NVIDIA Corporation**. While near-term concerns over the correction in gaming and a potential slowdown in the data center business remain, the longer-term picture continues to be bright for NVIDIA. During the company's latest earnings call, NVIDIA announced an agreement with Microsoft and Oracle that will enable it to sell together with the cloud providers, getting a revenue share for the usage of their GPUs by end customers in exchange for providing access to NVIDIA's Enterprise Software stack – this strategic announcement should both reduce hurdles for AI adoption in vertical industries as well as drive incremental usage-based, high-margin revenues for NVIDIA. Additionally, the biggest recent news in the field of AI has been the release of ChatGPT, which is OpenAI's AI-powered chatbot that enables answering complex questions, writing essays in a way that is many times indistinguishable from humans, generating marketing content, and even generating programming code. ChatGPT reached 1 million users a mere 5 days after it was released (a month ago). ChatGPT used NVIDIA GPUs to train the models and runs on NVDIA GPUs (in the Microsoft Azure cloud) to inference queries. We continue to believe that NVIDIA's end-to-end AI platform and its leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, would enable the company to benefit from durable growth for years to come and have therefore continued scaling up the position in the portfolio.

We also took advantage of inflows into the Fund to continue increasing our higher-conviction positions, adding to **Microsoft Corporation**, **Visa, Inc.**, and **Accenture plc**, among others.

While most market participants remain pre-occupied with the near-term, trying to understand whether a company will beat or miss quarterly earnings expectations, we remain focused on the long term – understanding whether growth drivers are sustainable, whether disruptive forces are creating tailwinds or headwinds, and whether our companies' competitive advantages will persist. While many investors try to increase diversification in times of higher volatility, we do the opposite. We increase our investments in our highest conviction ideas. Over-diversification has been alpha-destructive, especially in one of the more efficient segments of the market, such as large caps. This will enable us, in our view, to tilt the portfolio towards the ideas in which we see the most attractive risk/reward profile for the long term.

Table VI.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Sold (millions)
None		

The Fund had no sales during the fourth quarter.

Outlook

This is the time of the year when our inboxes get filled with emails from different strategists, analysts, and various market experts regarding their outlooks for next year. The following is a random sampling of quotes from some of their predictions for 2023:

- *A Hard Landing is Coming in Late 2023 … And It's Not Priced In!*
- *Valuations to remain under pressure in 1H23 as fundamentals trough and consensus cut numbers further.*
- *Expect software to outperform in 2H23, driven by focus shifting to reacceleration at some point in '24 on easier comps and compressed multiples.*
- *We project a U.S. recession is likely to start around the beginning of 2023 and last through mid-year.*
- *We see a sustained deterioration in earnings, which is associated with the worst bear markets across history.*
- *Earnings revisions will push stocks lower in the first quarter, before seeing the S&P 500 Index rally back to current levels by year end.*

It would seem that the majority of "expert" forecasts range from pretty bad to really bad. Be that as it may, the quote that resonated the most with us is attributed to John Kenneth Galbraith:

"There are two kinds of forecasters: those who don't know, and those who don't know they don't know."

Unfortunately for us, the volume of requests for near-term predictions seems to be inversely correlated with our performance and so we've been getting a lot of these lately. The problem is that we have a lot more conviction in trying to predict the next 5 and 10 years (we are quite optimistic) than we do in trying to predict the next 3 to 6 months. This has always been the case, and the current level of market uncertainty has little to do with that.

So instead of trying (and likely failing) to provide a useful outlook, we offer several observations instead for the reasons behind our long-term optimism:

- The businesses we own are resilient. While it is likely that most companies will be impacted by a slowing economy, our businesses have favorable characteristics that make them more resilient in a downturn – they operate in stable and attractive industries, they have lower levels of leverage while also having high operating and free-cash-flow margins, many are capital-light, and most sell critical products or services to their customers, which makes them hard to replace (think of MSCI, whose products are deeply embedded in their clients' workflows, enabling the company to sustain retention rates in the mid-90 percentages, despite the declines in the markets).
- Terminal growth rates are as important as discount rates in calculating terminal value – were inflation to stay higher for longer, companies with pricing power will see an increase in their terminal growth rates. Many of our companies have those capabilities. They are leaders in their industries and critical to their customers (Visa and Mastercard are great examples, as their revenues are directly tied to the payments volume going through their platforms, therefore inflationary pressures are directly passed on).
- Market share is likely to be higher for many of our companies coming out of the slowdown – leading businesses tend to expand their lead over competitors during times of stress as customers consolidate spending on their best, most important vendors. Several recent examples of this are reflected in management commentary[3]:
  - **HEICO** (a leading aftermarket aircraft part manufacturer):
    *"we're doing really well… our PMA sales are at an all-time record. And if you look, flights across the world are still down, whatever, 20%… But HEICO PMA sales are at an all-time record. So, I think that we've got plenty of power behind us… And I think that's **a result of picking up market share** and frankly treating the customers right. And they know that we've treated them right for 30 years and we don't take advantage of them… they've rewarded us with that market share. So it wasn't stuff that we did short term that made it happen. It was stuff that we did long term and they trust us. So I think we're really very much in a virtuous cycle which is permitting this".*
  - **Monolithic Power Systems** (a leading analog semiconductors supplier):
    *"In conclusion, even though business conditions are softening, **our market share gains continue to expand** reflecting high customer engagement and our ability to secure design wins. We can now focus on growing our long-term business".*
  - **Danaher** (a leading manufacturer of products for life sciences and diagnostics markets):
    *"Our positive momentum continued in Q3 with 10% core revenue growth and solid earnings and cash flow performance… these well-rounded results were driven by our team's outstanding execution through a challenging operating environment… We believe our ability to deliver meaningful innovation and reliably serve customers has contributed to **market share gains in many of our businesses**."*
- Valuation is more attractive – the weighted average multiple of our portfolio is down 26% year over year.

Every day, we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

[3] Commentary provided during quarterly conference calls.

Our goal is to invest in large-cap companies with, in our view, strong and durable competitive advantages, proven track records of successful capital allocation, high returns on invested capital, and high free-cash-flow generation, a significant portion of which is regularly returned to shareholders in the form of dividends or share repurchases. It is our belief that investing in great businesses at attractive valuations will enable us to earn excess risk-adjusted returns for our shareholders over the long term. We are optimistic about the prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.

Sincerely,

Alex Umansky
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Fund invests primarily in equity securities, which are subject to price fluctuations in the stock market. In addition, because the Fund invests primarily in large-cap company securities, it may underperform other funds during periods when the Fund's securities are out of favor. 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Fifth Avenue Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** explains common variation in stock returns due to different stock sensitivities to market or systematic risk that cannot be explained by the US Country factor. Positive exposure indicates high beta stock. Negative exposure indicates low beta stock. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron Real Estate Income Fund Shareholder:

Performance

Baron Real Estate Income Fund (the "Fund") increased 2.10% (Institutional Shares) in the fourth quarter of 2022, underperforming the MSCI US REIT Index (the "REIT Index") which increased 4.90%.

For the full year, the Fund declined 27.47%, underperforming the REIT Index which declined 25.37%.

Five-Year Anniversary

Despite a challenging and disappointing 2022, we are pleased to report that the Baron Real Estate Income Fund has received special recognition for its achievements marking its 5-year anniversary on December 31, 2022, as follows:

- **Top 2% ranking among all real estate funds for its 5-year performance period**
- **5-Star Morningstar Rating for each of its 5-year and 3-year performance periods**
- **5-Star Overall Morningstar Rating™**

When we launched the Fund five years ago, we stated that we were optimistic about the long-term prospects for both of our real estate funds – the Baron Real Estate Income Fund and the Baron Real Estate Fund. As of December 31, 2022, our real estate funds are the top 2 ranked real estate funds for the trailing 5-year performance periods. Our Baron Real Estate Fund, which we have managed for 13 years, is also the top ranked real estate fund for the trailing 10-year performance period and since inception 13 years ago.

We also stated that both funds would be highly complementary to each other:

Baron Real Estate Fund (launched December 31, 2009)

- Primary emphasis: Real estate-related equity securities

Baron Real Estate Income Fund (launched December 29, 2017)

- Primary emphasis: Income-producing REITs

JEFFREY KOLITCH
PORTFOLIO MANAGER

Retail Shares: BRIFX
Institutional Shares: BRIIX
R6 Shares: BRIUX

As we embark on the next chapter of the Baron Real Estate Income Fund, we thought it would be an ideal time to illuminate prospective shareholders about the Fund, provide a refresher to current shareholders, and discuss our current thoughts regarding various investment topics.

We will address the following topics in this letter:

- A review of why we launched the Baron Real Estate Income Fund
- A recap of Baron Real Estate Income Fund's differentiated approach vs. most other REIT funds and the Baron Real Estate Fund
- Big picture thoughts regarding 2022 and 2023

As of 12/31/2022, the Morningstar Ratings™ were based on 233, 210, and 233 share classes for the 3-year, 5-year, and Overall periods, respectively. The Baron Real Estate Income Fund received 5 Stars for all periods. The Morningstar Ratings™ are for the Institutional Share Class only; other classes may have different performance characteristics. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

As of 12/31/2022, the Morningstar Real Estate Category consisted of 252, 233, 210, and 152 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Real Estate Income Fund in the 76th, 3rd, and 2nd percentiles for the 1-, 3-, and 5-year periods, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Income Fund Institutional Share Class as the 179th, 6th, and 4th best performing share class in its Category, for the 1-, 3-, and 5-year periods, respectively.

Morningstar ranked Baron Real Estate Fund Institutional Share Class in the 86th, 1st, 1st, and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund Institutional Share Class as the 212th, 1st, 2nd, and 1st best performing share class in its Category, for the 1-, 3-, 5-, and 10-year periods, respectively.

As of 12/31/2022, Morningstar ranked Baron Real Estate Fund R6 Share Class in the 86th, 1st, and 1st percentiles, for the 1-, 3-, and 5-year periods, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund R6 Share Class as the 212th, 2nd, and 1st best performing share class in its Category for the 1-, 3-, and 5-year periods, respectively.

As of 12/31/2022, Morningstar ranked Baron Real Estate Income Fund R6 Share Class in the 76th, 3rd, and 2nd percentiles, for the 1-, 3-, and 5-year periods, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Income Fund R6 Share Class as the 180th, 5th, and 5th best performing share class in its Category for the 1-, 3-, and 5-year periods, respectively.

Morningstar calculates the Morningstar Real Estate 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 do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/ 40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10- year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

BARON FUNDS 1987

- The prospects for REITs in the public markets (preview: we are bullish)
- A comparison of actively managed public real estate funds vs. non-traded REITs/private real estate and passively managed real estate ETFs
- Our portfolio composition and key investment themes
- A review of recent activity managing the Fund
- Concluding thoughts on the prospects for real estate and the Fund

OUR BOTTOM-LINE MESSAGE:

1. Though we are mindful of key risks to the equity and real estate market outlook, we are optimistic about the near-term and long-term prospects for public real estate.
2. We believe there is a strong case to include an allocation to an actively managed public real estate strategy with a strong long-term track record in a diversified investment portfolio.
3. We believe the Baron Real Estate Income Fund–with the demonstrated merits of our actively managed REIT and income-oriented investment approach–is a highly compelling real estate mutual fund choice.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Real Estate Income Fund Retail Shares[1,2]	Baron Real Estate Income Fund Institutional Shares[1,2]	MSCI US REIT Index[1]
Three Months[3]	2.12%	2.10%	4.90%
One Year	(27.63)%	(27.47)%	(25.37)%
Three Years	4.50%	4.75%	(1.16)%
Five Years and Since Inception (December 29, 2017)	6.70%	6.91%	2.48%
Five Years and Since Inception (December 29, 2017) (Cumulative)[3]	38.29%	39.64%	13.05%

A Review of Why We Launched the Baron Real Estate Income Fund

Baron has a long and successful history of investing in real estate

Since 1987, Baron has invested billions of dollars in real estate-related securities. We believe that long-term investing in real estate and real estate-related companies with, in our view, well-located and well-positioned assets, attractive long-term growth prospects and strong management teams, is a natural extension of the Baron philosophy of investing.

Strong investor demand for income funds

The search for income producing securities has stoked strong investment interest in dividend-focused securities and income funds.

Our clients have expressed interest in a Baron real estate income fund

Numerous Baron investors have expressed interest in product offerings beyond equity funds to include an income fund that prioritizes a combination of capital appreciation and current income. Considering our strong track record of our REIT investments in Baron Real Estate Fund, and in response to client requests, we launched the Baron Real Estate Income Fund.

A Recap of Baron Real Estate Income Fund's Differentiated Approach

Baron Real Estate Income Fund is differentiated from traditional active and passively managed REIT funds as follows:

– *Most REIT funds are close to 100% invested in REITs*

In addition to investing in REITs (typically at least 75% to 80% of the Fund), the Baron Real Estate Income Fund also invests in other real estate-related securities.

The Fund's flexibility allows it to invest approximately 20% to 25% of net assets in non-REIT real estate companies (also with a dividend yield prioritization). At times, these companies may present superior growth, income, and/or share price appreciation potential.

– *The Baron expansive approach to investing within the REIT universe*

Many REIT funds limit their REIT investments to companies that are included in their comparative REIT benchmark. Our key focus is identifying compelling REITs and other real estate income companies with attractive share price appreciation potential – regardless of whether the company is part of the REIT benchmark.

– *The Fund may invest in real estate debt and preferred securities and international real estate companies*

The Fund primarily invests in U.S. real estate equity income securities, but it may also invest in international real estate companies and other real estate income vehicles such as real estate debt and preferred securities.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.42% and 1.08%, respectively, but the net annual expense ratio was 1.05% and 0.80% (net of the Adviser's fee waivers), 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 cost The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 The **MSCI US REIT Index** is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The index is 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 Not annualized.

– *Other*

Our investments include companies of all market capitalizations, seeking businesses that we believe have sustainable competitive advantages, exceptional management, and good opportunities for long-term and sustainable growth, with attractive dividend yields and valuations.

With these elements and attributes, ***we believe we offer a differentiated and compelling real estate income fund. More so than ever, we believe REIT funds that embrace flexibility and adaptability in their investment approach will be the long-term winners.***

Baron Real Estate Income Fund is differentiated from Baron Real Estate Fund as follows:

Baron Real Estate Income Fund is structured as an attractive complement to Baron Real Estate Fund. Although both funds focus on real estate, they differ in significant ways, as highlighted in the table below. As such, we believe our two real estate funds further address the broader and more complete real estate allocation goals of our clients.

POTENTIAL INVESTOR	BARON REAL ESTATE FUND	BARON REAL ESTATE INCOME FUND
Investment objective	Capital appreciation	Income and capital appreciation
REIT vs. Non-REIT	Typically 25% to 30% in REITs	Typically at least 75% to 80% in REITs
Real estate category focus	Commercial and residential real estate	Primarily commercial real estate
Other goals may include: • Dividend yield and/or income • Maximizing long-term total return • Minimizing annual return volatility • Diversification and lower correlation relative to stocks and bonds	• May generate higher returns over the long term because it is more "equity-like" in nature, growth oriented, and invests in a broader range of real estate-related categories	• May experience less performance volatility due to its yield/income orientation • Should display somewhat less direct correlation to stock and bond performance

It is important to note that the Baron Real Estate Income Fund and the Baron Real Estate Fund complement and balance each other. Investment goals should be considered in apportioning capital between the Baron real estate funds. Priorities may include dividend yield, maximizing long-term total return, and limiting annual return volatility. Accordingly, we envision that some clients may elect to allocate and balance their total real estate allocation between both Baron real estate funds, as they conclude that the two real estate funds are indeed highly complementary to each other.

Big Picture Thoughts Regarding 2022 and 2023

One year ago, in our year-end 2021 shareholder letter, we stated that we believed 2022 would be arduous to navigate in part due to the prospects of a more hawkish Federal Reserve, higher interest rates, and the possibility of moderating growth and valuation compression in segments of commercial and residential real estate.

Additional factors that contributed to an unusually challenging investment environment included the unexpected Russia/Ukraine war and the spillover effects of even higher inflation (food, wheat, crude oil, natural gas), further COVID-19-related lockdowns in China and ongoing supply-chain bottlenecks, and multi-decade high inflation–a portion of which may remain elevated for an extended period (wages and home prices).

Despite 2022's sharp decline in stocks, bonds, and most investable assets, we are mindful that there are valid reasons to remain cautious about the 2023 outlook:

- The continuation of central bank tightening into a slowing global economy – with, perhaps, a global recession on the horizon
- Persistently high wage and shelter inflation in part due to structural supply issues (e.g., *wage inflation*: an increase in early retirement and restrictive immigration policies are limiting the number of potential workers and contributing to elevated wages; *home price inflation*: several years of underinvestment in new home construction relative to demographic needs and a lack of inventory of existing homes for sale may keep home prices elevated)
- The inflationary impact of deglobalization may contribute to structurally higher interest rates
- The ongoing war in Ukraine and other geopolitical risks

As we peer into 2023 – though we anticipate ongoing stock and bond market volatility and perhaps further near-term declines in the stock market – we are optimistic about the full-year prospects for the stock market, public real estate securities, and the Baron Real Estate Income Fund, and notably bullish with a two- to three-year view.

We believe **2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 (higher inflation, a sharp increase in interest rates, aggressive Fed tightening, widening credit spreads, valuation compression) reverse course and become tailwinds in 2023, thereby contributing to solid full-year returns.**

We believe prospective two- to three- year returns could be quite strong should a severe economic slowdown be avoided, and 2024 emerges as a rebound year for economic and corporate profit growth.

In our shareholder letter ahead, we will elaborate on the reasons for our optimism about real estate and the Fund. We believe:

- There is a compelling case to allocate capital to real estate in an actively managed public real estate fund (e.g., the Baron Real Estate Income Fund and/or the Baron Real Estate Fund).
- The Baron Real Estate Income Fund is populated with competitively advantaged REITs and non-REIT real estate companies, the majority of which are attractively valued.
- The Baron Real Estate Income Fund has been structured to take advantage of high-conviction thematic real estate investment opportunities that we believe will contribute to strong performance returns. Examples include secular growth opportunities in certain REIT categories (industrial, wireless tower, data centers, and life science) and short-lease duration REITs that may provide partial inflation protection (self-storage, manufactured housing, single-family rental, and multi-family REITs).

The Prospects For REITs In The Public Markets

Though we are cognizant that in the year ahead financing costs may continue to move higher, the availability of financing could become tighter, and growth rates are likely to moderate, we believe that the shares of REITs and other non-REIT real estate companies largely repriced in 2022 for a higher cost of capital and expectations for slowing growth.

As we peer into 2023 and 2024, we believe the set up for REITs is attractive.

We believe the recent underperformance of REITs and other real estate-related companies may lead to improved absolute and relative performance.

At this stage, we believe the near-term and long-term prospects for real estate in the public markets are compelling.

Near-Term Case for REITs and other non-REIT Real Estate Companies

REITs corrected sharply in 2022

The 25% decline in the REIT Index in 2022 is the 2nd worst year of REIT performance since the dawn of public REITs more than 30 years ago in 1991. The worst year on record for REIT performance was in 2008, a period marked by the Global Financial Crisis, when the REIT Index declined 37%.

Historically, REITs have rebounded following periods of large declines

Since 2000, there have been seven years when REITs declined (not including 2022).

Notably, in six of the seven down years, REITs rebounded with positive performance the following year. The only time REITs did not bounce back in the year following a down year was in the 2-year period of the Global Financial Crisis when REITs declined in both 2007 and 2008. Back then, a credit crisis, over-levered balance sheets, and an excess of real estate inventory weighed on REIT performance for an extended period. In our opinion, the issues that weighed on REIT performance during the Global Financial Crisis are not in place today.

Below is a table showing how REITs and other real estate-related companies have often outperformed the broader market coming out of market downturns.

		Cumulative Returns (%)			
		MSCI US REIT Index	iShares U.S. Home Construction ETF	MSCI USA IMI Extended Real Estate Index	S&P 500 Index
Global Financial Crisis	Drawdown Period (1/31/2007 to 2/28/2009)	-70.20	-81.93	-64.67	-46.43
	Recovery Period (2/28/2009 to 4/30/2013)	256.73	235.94	206.80	137.49
COVID-19 Pandemic	Drawdown Period (10/31/2019 to 3/31/2020)	-29.00	-34.96	-27.94	-14.16
	Recovery Period (3/31/2020 to 4/30/2021)	47.04	154.29	74.66	64.70
Inflation Induced Rate Hike Economic Slowdown	Drawdown Period (12/31/2021 to 9/30/2022)	-28.86	-36.80	-29.94	-23.87
	Current Recovery Period (9/30/2022 to 12/31/2022)	4.90	16.69	8.71	7.56

REIT valuations have become more reasonable

Various measures of REIT valuations improved in 2022. Implied capitalization rates increased from the mid- 4% range in January 2022 to approximately 6% at the end of 2022. Earnings multiples (Funds from Operations) declined from 24 times earnings at the beginning of the year to 18 times earnings on December 31, 2022. Further, many public REITs are currently valued at significant discounts to replacement cost and estimates of net asset value.

Notably, however, financing costs increased sharply last year. For example, 7- to 10-year BBB bonds increased from 2.8% early in 2022 to 5.8% by the end of 2022. As such, the relative valuation of REITs versus bonds did not improve to the same degree as the absolute valuation improvement. Should long-term interest rates begin to decline and credit spreads compress, REIT return prospects may also benefit from an improvement in valuations as valuation multiples expand (e.g., capitalization rates compress).

Several REITs and non-REIT real estate companies are cheap

We believe the correction in real estate share prices in 2022 has created several compelling investment opportunities.

Real estate companies that we consider **"best-in-class" are rarely valued at discounted prices. We believe now is one of those rare occasions.**

We are identifying real estate companies that now offer prospects for both valuation multiple expansion (or cap rate compression) and two- to three-year earnings or cash-flow growth. We prioritize real estate companies that have this two-pronged return potential because they have the potential to generate outsized returns.

A few examples of "best-in-class" REITs and non-REIT real estate companies that we believe are attractively valued with strong long-term growth prospects include:

Prologis, Inc. is the world's largest industrial REIT. The company owns a high-quality real estate portfolio that is concentrated in major global trade markets and large population centers across the Americas, Europe, and Asia. Prologis has an unmatched global platform, strong competitive advantages (scale, data, and technology), and attractive embedded growth prospects. The company is the only industrial REIT with an 'A' credit rating.

Following a 2022 decline in its shares of 34%, we believe Prologis' current valuation of only 23 times cash flow (adjusted funds from operations or AFFO) and a 4.5% implied capitalization rate is compelling given that the company's rents on its in-place leases are more than 65% below current market rents, thus providing a strong runway for growth in the next three to five years.

Alexandria Real Estate Equities, Inc. is the leading landlord and developer for the life science industry. A best-in-class company with several competitive advantages including an irreplaceable life science office portfolio concentrated in the premier life science markets in the U.S. and deep customer relationships.

Alexandria's shares declined 33% in 2022 and are now valued at a 5.8% implied capitalization rate versus recent life science real estate transactions that have been valued in the 4% to 5% capitalization range. Alexandria's real estate is attractively valued at approximately $600 per square foot versus private market transactions for life science real estate in the $1,000 to $1,500 per square foot range.

Equinix, Inc. is the premier global carrier and cloud-neutral data center REIT with 250 data centers in 70 metropolitan areas and 30 countries.

Equinix is currently valued at under 21 times cash flow versus private market data center transactions that have occurred at 25 to 30 times cash flow. The shares are valued at a modest multiple to REITs broadly despite superior and more durable cash-flow growth prospects.

Simon Property Group, Inc. is the world's largest mall operator. Led by CEO David Simon, the company has assembled a well-located portfolio of retail malls, outlets, and community centers. Management has a long track record of solid capital allocation decisions.

Simon's dividend yield of 6% and valuation of only 10.6 times earnings (AFFO) versus a long-term average of 15 times earnings is, in our opinion, compelling.

Brookfield Infrastructure Corporation is one of the largest globally diversified owners and operators of high-quality infrastructure assets in the world. Core infrastructure investments include utilities, data centers, wireless towers, energy, and transportation (ports and rails). The company, with its well-capitalized balance sheet and deep and experienced management team, is well positioned to capitalize on several years of infrastructure investment opportunities around the world, which should enhance future growth.

We expect Brookfield Infrastructure's earnings (funds from operations) to grow by more than 10%, yet its shares are valued at only 10.8 times earnings. We also expect its 3.5% dividend to be higher in the year ahead.

Brookfield Corporation is a leading global owner and operator of real assets such as real estate and infrastructure. We believe the company's global reach, capital, and the synergies of its businesses provide significant opportunities for growth.

We believe the shares are unsustainably cheap. Brookfield's management, who in our opinion is highly credible and conservative, believes the company is worth $74 today or more than double the recent price of $32 per share!

Further, Brookfield's ownership interests in four publicly listed Brookfield companies (Brookfield Asset Management, Brookfield Infrastructure Partners, Brookfield Renewable, and Brookfield Business Partners) are currently valued in the public market at $32 per share or the same public price as the entire company. The public market is currently ascribing zero value for Brookfield's unlisted investments, which we believe is also worth at least $32 per share. The total book value of the company's unlisted investments is $24 per share and the company's estimate of the value of its carried interest is $8 per share for a total value of Brookfield's non-listed business (most at only book value) of also $32!

The current real estate environment is far superior relative to prior real estate cycles

In the past, trouble for real estate surfaced following the excessive use of leverage and overbuilding (i.e., the historical "curse" of real estate). This occurred in the 1980s and precipitated the recession in the 1990s and a severe correction in real estate occupancy and rents. The housing crash of 2008 was triggered by cheap credit, lax lending standards, extreme use of leverage, and overbuilding.

Today, real estate is in a good place relative to prior economic slowdowns and recessions.

In most cases, the use of debt has been disciplined relative to history. Companies, households, real estate landlords and developers, banks, and other financial institutions generally maintain balance sheets that are liquid with appropriate levels of leverage, fixed-rate debt, and staggered debt maturities.

REITs, for example, have leverage ratios (net debt divided by cash flow) of only 5.5 times, on average, versus a peak of more than 8.5 times during 2008-2009. (*Source:* Citi Research)

Commercial and residential real estate are not overbuilt, and expectations for new supply are not concerning. Expectations for construction activity are modest due to elevated land, material, and labor costs and expectations for a slowdown in economic growth.

According to data provided by *Green Street Advisors*, expectations for commercial real estate construction (annual construction completions as a percent of existing inventory) from 2023 to 2026 are expected to be only 1.5% for apartments, 1.0% for wireless towers and hotels, 0.8% for office buildings, 0.3% for shopping centers, and 0.1% for retail malls.

High occupancy for several real estate categories. Recent occupancy rates for several real estate categories compare favorably relative to prior periods. For example, industrial real estate occupancy is currently 96%, on average, versus 88% in 2009. Self-storage facilities average occupancy levels of 94% versus 81% in 2009. The average occupancy rate for manufactured housing is 97% versus 87% in 2009. (*Source: Green Street Advisors*)

Given the broadly favorable relationship between demand and supply of commercial and residential real estate, we expect declines in commercial occupancy and rents and most residential home prices, should a recession unfold, to be modest and short lived.

Substantial private capital is still in pursuit of real estate ownership

We believe that real estate merger and acquisition activity will reemerge when the debt market stabilizes, and economic prospects improve.

According to *Preqin Pro*, more than $400 billion of capital has been raised by private equity sources to invest in real estate. This amount equates to more than $1.3 trillion of total real estate purchasing capacity, assuming typical 70% financing. The aggregate buying potential of $1.3 trillion is more than 85% of the enterprise value of all publicly traded U.S. REITs!

We anticipate that large amounts of capital from private equity investors such as Blackstone and Brookfield Corporation, sovereign wealth funds, endowments, pension funds, and others will look for opportunities to step in and capitalize on the opportunity to buy quality public real estate when it is valued at a discount relative to the private market. This embedded put scenario should limit further downside for public valuations and stock prices.

REITs may be appealing in a slow economic growth or recessionary environment

Should the contraction in economic growth evolve into no worse than a mild recession and the path of interest rates peaks in 2023 at levels not much higher than current rates, we believe the shares of certain REITs may perform relatively well given that:

- Business fundamentals and prospects for many REITs remain solid although slower growth is expected in 2023
- The contractual nature of cash flows provides a high degree of visibility into near-term earnings growth
- Balance sheets are generally in good shape
- Dividend yields are well covered by cash flow and are growing for most REITs
- Several REITs have inflation-protection characteristics

Long-Term Case for Real Estate

We believe the long-term case for public REITs is compelling.

Solid historical long-term returns with ongoing potential

For the 25-year period ended December 31, 2022, U.S. equity REITs have delivered a better cumulative return than the S&P 500 Index, fixed income alternatives, international equities, and commodities.

Since the Fund's inception on December 29, 2017 through December 31, 2022, Baron Real Estate Income Fund has delivered a cumulative return of 39.64% (Institutional Shares), triple the 13.05% return of the REIT Index.

We remain optimistic about the potential for real estate to generate solid long-term absolute and relative performance.

Diversification and low correlation to equities and bonds

According to FactSet, over the last 25 years (through 12/31/2022), REITs have provided diversification benefits due to their modest correlation versus stocks (0.63 versus S&P 500 Index) and low correlation versus bonds (0.25 versus Bloomberg Barclays U.S. Aggregate Index).

Inflation protection

Historically, certain real estate has had the ability to raise prices to provide inflation protection.

Real estate property owners in supply-constrained areas are often able to pass along higher operating costs by raising rents in periods of rising inflation. Some leases include annual fixed upward lease rent escalators. Real estate owners with short-lease durations in supply-constrained markets are well equipped to raise rents to combat inflation.

Further, the price of a property can be measured in relation to the current cost of land, materials, and labor that would be required to build a replacement. Since replacement costs tend to rise with inflation, real estate is often viewed as a partial hedge against inflation and a good store of value.

A Comparison of Actively Managed Public Real Estate vs. Non-traded REITs / Private Real Estate and Passively Managed Real Estate ETFs

Those that choose to invest in real estate have several options including investing in actively managed public real estate mutual funds (e.g., Baron Real Estate Income Fund or the Baron Real Estate Fund), private non-traded REITs such as Blackstone Real Estate Income Trust (BREIT), direct private real estate investments, and passive real estate exchange traded funds such as the Vanguard Real Estate ETF (VNQ).

Currently, we believe the case for investing in select actively managed public real estate mutual funds with strong long-term track records is compelling relative to certain private non-traded REITs, direct private real estate investments, and passively managed real estate exchanged traded funds.

The evaluation of actively managed public real estate versus private non-traded REITs / private real estate

Recently, non-traded REITs such as Blackstone Real Estate Income Trust (BREIT) and Starwood Real Estate Income Trust (SREIT) have received unfavorable press that has cited:

- The hard-to-explain large gap in 2022 performance between non-traded REITs and publicly listed REITs
- The challenges for investors who seek to redeem some or all of their investments in non-traded REITs but are constrained by liquidity gates that cap redemptions at 2% of net asset value per month or 5% of net asset value per quarter

On December 27, 2022, a *Wall Street Journal* article said the following:

"In recent weeks, private property funds like Blackstone's non-traded, semi-liquid BREIT vehicle have had to explain their jarringly strong performance relative to listed stocks. BREIT has reported returns of 8.4% so far this year, compared with around minus 25% for publicly traded U.S. real estate investment trusts. The fund was forced to freeze redemptions after a number of clients asked to cash out at its seemingly rosy valuations. Another big nontraded fund, Starwood Real Estate Income Trust, has also closed its gates."

To be clear, we are big fans of both Blackstone and Starwood. We believe Blackstone and Starwood are world-class real estate asset managers. Further, their non-traded REITs have a strong track record of performance in large part due to owning high-quality real estate assets and prioritizing compelling investment themes.

We believe our Baron Real Estate Income Fund and our Baron Real Estate Fund are highly complementary real estate investment alternatives to non-traded REITs such as BREIT and SREIT and other private real estate alternatives. Our Baron real estate funds prioritize public real estate investment opportunities and are listed mutual funds. Non-traded REITs, on the other hand, tend to prioritize the private real estate market and are non-listed investment vehicles.

Currently, however, we believe the near-term case for investing in our Baron Real Estate Income Fund and Baron Real Estate Fund is superior to investing in non-traded REIT alternatives in large part due to our view that the investments in our real estate funds are more attractively valued than the investments in non-traded REITs and perhaps private real estate more broadly. Much of publicly listed real estate and our Baron Real Estate Funds corrected meaningfully in 2022 while the valuations of private real estate, which often lags public real estate, has been slower to reprice.

In our opinion, the following should be considered when evaluating actively managed public real estate mutual funds versus non-traded REITs and private real estate:

Valuation

- *Public real estate:* Portfolio judgments and relative attractiveness of investments based on real-time available data and valuation levels
- *Non-traded REITs / private real estate:* Monthly valuations may be based on lagging data

Value Transparency

- *Public real estate:* Transparent daily valuation marks in a highly liquid public market
- Non-traded REITs / private real estate: Valuation derived from an estimate of net asset value derived from appraisals and internal 10-year cash flow models subject to a multitude of assumptions

Liquidity

- *Public real estate:* Daily liquidity allows investors to make real-time asset allocation decisions
- *Non-traded REITs / private real estate:* Limited liquidity restricts investor access to capital should better investment opportunities present themselves

Diversification

- *Public real estate:* Ability to emphasize and de-emphasize real estate categories depending on evolving business fundamentals
- *Non-traded REITs / private real estate:* At times, may be highly concentrated with constraints to modify the portfolio composition

Leverage/Capital Structure

- *Public real estate:* Most publicly traded real estate companies are conservatively capitalized and seldom forced sellers of assets
- *Non-traded REITs / private real estate:* Typically employ more leverage than public real estate companies

Fees

- *Public real estate:* Fees tend to be substantially lower than private real estate fees (e.g., 80-105 basis point net expense ratios)
- *Non-traded REITs / private real estate:* Typically, more onerous fees that may include higher base management fees (1.25%), performance-based fees (e.g., 12.5% fee above a minimum performance return), and sometimes additional fees (e.g., load and other fees)

Performance

- *Public real estate:* Actively managed public real estate mutual funds have outperformed and underperformed non-traded REITs, depending on the year. For example, our Baron Real Estate Income Fund notably outperformed non-traded REITs in both 2019 and 2020 when our Fund generated returns of 36.54% and 22.30%, respectively.
- *Non-traded REITs / private real estate:* Non-traded REITs outperformed in 2018, 2021, and 2022.

The evaluation of actively managed public real estate vs. passively managed real estate exchange traded funds

We believe the case for investing in an actively managed public real estate mutual fund is compelling – more so than ever.

In recent years, cross-currents have developed in real estate – partly due to COVID – some of which may persist in the years ahead. Consequently, the public real estate universe has evolved into a narrower set of compelling investment opportunities.

In our opinion, some segments of real estate are likely to offer compelling long-term business prospects. Examples include industrial warehouse companies, wireless tower and data center companies, residential homes for sale, single-family home rentals, apartment rentals, manufactured housing, and life science real estate.

Certain segments of real estate may face headwinds and a slowdown in long-term growth. The shift to e-commerce shopping continues to negatively impact retail malls and some shopping centers, and this trend may fast track the pace and number of retail store closings. Working from home, or anywhere, and the rise of video teleconferencing are likely to pressure occupancy and rents for office and to a lesser degree urban apartment landlords and may weigh on business travel.

A passive real estate strategy replicates a specific real estate benchmark or index. It owns the entire universe of public real estate companies – the companies benefiting from operating tailwinds and the companies facing multi-year operating headwinds.

An actively managed real estate strategy, such as the Baron Real Estate Income Fund and Baron Real Estate Fund, can be discerning by prioritizing companies with attractive long-term prospects while de-emphasizing companies with unappealing long-term prospects.

The investment case for Baron Real Estate Income Fund – an actively managed and differentiated real estate fund

We launched Baron Real Estate Income Fund five years ago on December 29, 2017. At that time, we noted that we expected the Fund's more flexible investment approach to be a key competitive advantage over the long term.

Our investment philosophy and strategy has been to structure and maintain a more expansive and actively managed REIT-focused real estate fund.

In our opinion, the Fund's flexibility is a critical competitive advantage.

Baron Real Estate Income Fund, unlike passively managed real estate strategies and most REIT funds, has a greater ability to pick our spots and pivot away from REIT categories that are likely to face long-term occupancy, rent, and cash flow pressures.

We tend to prioritize companies with:

- Unique competitive advantages that limit competition and enable outsized reinvestment returns
- Long runways for non-cyclical cash-flow growth
- Relatively capital efficient business models

We de-emphasize companies with:

- Secular growth headwinds
- Oversupplied conditions
- Highly uncertain medium-term demand prospects

At times, we may acquire shares opportunistically in REITs and other non-REIT real estate-related companies facing near- to medium-term headwinds if we determine that the return profile is attractive and risk profile is acceptable. However, opportunistic purchases of companies facing headwinds is not a portfolio management and risk management priority.

Our actively managed approach to investing in real estate has yielded strong results. Since the launch of the Fund five years ago on December 29, 2017, the Fund has increased 39.64% (Institutional Shares) cumulatively (net of fees) which compares favorably to the performance of the largest real estate passive strategy, the Vanguard Real Estate ETF (VNQ) which increased 19.68%.

If we are correct regarding the evolving real estate landscape, the merits of Baron Real Estate Income Fund's broader and more flexible investment approach and actively managed methodology may become even more apparent in the years ahead.

Portfolio Composition

As of December 31, 2022, Baron Real Estate Income Fund's net assets were composed as follows: REITs (90.5%), non-REIT real estate-related companies (7.8%), and cash (1.7%). The Fund currently has investments in 11 REIT categories. Our exposure to REIT and non-REIT real estate categories is based on our research and assessment of opportunities in each category on a bottom-up basis (See Table II below).

Table II.
Fund investments in REIT categories as of December 31, 2022

		Percent of Net Assets
REITs		90.5%
Industrial REITs	23.0%	
Wireless Tower REITs	17.6	
Self-Storage REITs	12.0	
Data Center REITs	8.9	
Manufactured Housing REITs	7.6	
Mall REITs	4.9	
Triple Net REITs	4.6	
Health Care REITs	4.3	
Single-Family Rental REITs	3.2	
Other REITs	2.6	
Multi-Family REITs	1.8	
Non-REIT Real Estate Companies		7.8
Cash and Cash Equivalents		1.7
Total		100.0%*

** Individual weights may not sum to the displayed total due to rounding.*

A few observations regarding the composition of the Fund include:

Number of Fund holdings: Since the middle of last year, we have decreased the number of REITs and non-REIT real estate-related companies held in the Fund from a peak of 42 companies on June 30, 2021, to 28 companies on December 31, 2022. During this period, we have further prioritized our highest conviction best-in-class REITs and non-REIT real estate companies. Conversely, we have trimmed or exited holdings in real estate companies that maintain more leveraged balance sheets, are small and less liquid, or exposed geographically to real estate markets that may face business headwinds.

Secular growth real estate companies: Real estate companies that benefit from secular tailwinds where cash-flow growth tends to be durable and less sensitive to a slowdown in the economy are a long-term focus of the Fund. Examples include the Fund's investments in wireless tower, data center, industrial logistic, and life science real estate companies. As of December 31, 2022, secular growth real estate companies represented approximately 52% of the Fund's net assets.

Short-lease duration real estate with pricing power: We have continued to emphasize real estate companies that are able to raise rents and prices on a regular basis to combat inflation. Examples include the Fund's investments in hotel and casino, self-storage, apartment, single-family home rental, and manufactured housing real estate companies. As of December 31, 2022, short-lease duration real estate companies represented approximately 25% of the Fund's net assets.

Our summary observations and exposure to various REIT categories and non-REIT businesses are as follows:

Secular growth real estate companies – 52% of the Fund's net assets

Industrial REITs (23.0%): Strong business fundamentals fueled by growth in online sales as businesses and consumers relentlessly seek faster delivery and additional unique demand drivers such as companies seeking to improve supply-chain resiliency by carrying more inventory (shift from "just in time" to "just in case" inventory) bode well for the continuation of excellent tenant demand and strong rent increases for industrial REITs. With industry vacancies estimated at less than 4%, and rents on in-place leases at more than 50% below market rents, we believe the Fund's investments in industrial warehouse REITs **Prologis, Inc.**, **Rexford Industrial Realty, Inc.**, **EastGroup Properties, Inc.**, and **Terreno Realty Corporation** have compelling multi-year cash-flow growth runways.

Wireless Tower REITs (17.6%): We are bullish on the prospects for companies that embrace the intersection of technology and real estate. Examples include wireless tower REITs and data center REITs.

The long-term prospects for wireless tower REITs remain encouraging given strong secular growth expectations for mobile data usage, 5G technology, autonomous cars, connected homes, and 3D video; all of which will require increased wireless bandwidth and increased spending by mobile carriers.

Following declines in the share prices of wireless tower REITs in 2022, we added to the Fund's investments in **American Tower Corp.**, **SBA Communications Corp.**, and **Crown Castle Inc.** Should economic growth continue to moderate, we believe wireless tower REIT cash flow will be relatively resilient versus many other real estate categories.

Data Center REITs (8.9%): We remain bullish on the prospects for data center REITs such as **Equinix, Inc.** because we believe demand prospects are improving (e.g., bookings of new leases and rent pricing), construction is moderating due to higher costs, and valuations are discounted versus recent data center acquisitions.

Long term, most data center REITs are poised to benefit from the secular growth tailwinds such as outsourcing of information technology, increased cloud computing adoption, and growth in U.S. mobile data and internet traffic.

The rapid transition to a world of computer screen meetings and conferencing should also benefit data centers due to the need to store a greater library of data to conduct and support these virtual online meetings.

Recently, we re-acquired shares in **Digital Realty Trust, Inc.** We believe the company's valuation is highly compelling following the 43% correction in its share price in 2022. We would note, however, that we are closely monitoring the company because business execution and quarterly results have disappointed at various points in the last few years. We have limited the Fund's exposure to the company with this in mind.

Life Science REITs (2.6%): We are bullish on the long-term prospects for **Alexandria Real Estate Equities, Inc.**, the life science industry leader and sole publicly traded life science pure play REIT. The company has acquired and developed an irreplaceable life science portfolio and has significant tenant relationships. Chairman and co-founder Joel Marcus has assembled a deep and experienced management team. Alexandria has been benefiting from an increase in funding for health care drug development, which has been contributing to demand for life science buildings that continues to exceed supply, resulting in strong business fundamentals in key geographic markets.

The shares declined 33% in 2022, and we believe its current valuation is highly compelling.

<u>Short-lease duration REITs – 25% of the Fund's net assets</u>

Self-Storage REITs (12.0%): We recently spent time with several self-storage REIT management teams. We remain optimistic about the Fund's investments in self-storage REITs **Public Storage Incorporated**, **Extra Space Storage Inc.**, and **CubeSmart** – though we are closely monitoring the Fund's exposure given expectations that occupancy and rent growth are likely to continue to moderate in 2023.

Long term, there is a lot to like about self-storage businesses. Monthly leases provide an opportunity for landlords to increase rents and combat inflation. Self-storage facilities do not tend to require significant ongoing capital expenditures. Elevated construction costs are constraining new construction. Should economic growth continue to decelerate and perhaps lead to a recession, self-storage business fundamentals have historically held up well during economic downturns. We also believe there is a wall of capital from private equity companies that is interested in acquiring self-storage real estate should valuations in the public market become attractive relative to other opportunities.

Manufactured Housing REITs (7.6%): We are bullish regarding the long-term prospects for the Fund's investments in manufactured housing REITs, **Sun Communities, Inc.** and **Equity Lifestyle Properties, Inc.**

Sun Communities and Equity Lifestyle Properties are part of a niche real estate category that we expect to continue to benefit from favorable demand and supply dynamics. Both companies are the beneficiaries of strong demand from budget-conscious home buyers such as retirees and millennials, and negligible new inventory due to high development barriers. Demand for affordable outdoor vacations (recreational vehicles) also remains strong.

Sun Communities and Equity Lifestyle Properties have strong long-term cash-flow growth prospects and low capital expenditure needs. If the macroeconomic environment worsens, we expect business results to be resilient due to each company's focus on affordable housing and affordable outdoor vacations.

Single-Family Rental REITs (3.2%): We remain long-term bullish about the Fund's investments in single-family rental REITs **Invitation Homes, Inc.** and **American Homes 4 Rent**. Demand conditions for rental homes are attractive due to the sharp decline in home affordability; the propensity to rent in order to avoid mortgage down payments, higher monthly mortgage costs, and the desire for more flexibility; and the strong desire by households to rent homes in suburbs rather than rent apartments in cities. There is a limited supply of single-family rental homes in the U.S. housing market due to rising construction costs. Limited inventory combined with strong demand is leading to robust rent growth.

Both Invitation Homes and American Homes 4 Rent have an opportunity to partially offset inflation given that in-place annual leases are significantly below market rents. Valuations are compelling at mid-5% capitalization rates and public market implied valuations of owned homes at significant discounts to home acquisition costs.

Near term, we are mindful that expense headwinds and slower top-line growth are likely to weigh on growth in 2023. We will continue to closely monitor business developments and will adjust the Fund's exposure accordingly.

Multi-Family REITs (1.8%): Over the course of 2022, we lowered the Fund's exposure to multi-family REITs because of our expectation that rental growth and perhaps occupancy would moderate in 2023 should job losses accelerate and economic growth decelerate. Further, certain apartment REITs are expected to experience new apartment inventory headwinds in 2023.

We may look for opportunities to increase the Fund's exposure to apartment REITs over the course of 2023. Following the sharp correction in apartment REITs in 2022, we believe a portion of the operating outlook concerns are currently reflected in apartment share prices and valuations. Further, rental apartments continue to benefit from the current homeownership affordability challenges. Multi-family REITs provide partial inflation protection to offset rising costs due to leases that can be reset at higher rents, in some cases, annually.

Other REIT and non-REIT investments – 22% of the Fund's net assets

Mall REITs (4.9%): The Fund maintains a position in **Simon Property Group, Inc.**, the leading U.S. mall and outlet REIT. At 10.6 times earnings and a 6% dividend yield, we believe the shares are unsustainably cheap.

Though we are mindful of the headwinds to certain retail real estate–excess supply of retail real estate, e-commerce headwinds, large capital requirements to repurpose retail real estate to higher and better alternative uses–we believe Simon Property is well positioned given the strong location and high quality of its real estate portfolio. We are managing the Fund's investment in the company with possible retail headwinds in mind.

Triple Net REITs (4.6%): We remain optimistic about the Fund's triple net gaming REIT investments in **VICI Properties Inc.** and **Gaming and Leisure Properties, Inc.** The companies primarily own quality casino and gaming real estate properties. They have attractive dividend yields in the 5% to 6% range that are well covered, accretive acquisition growth opportunities, and are, in our opinion, attractively valued.

We remain mindful of the rising interest rate environment and the possibility that higher debt costs and lower equity prices could negatively impact the ability for net lease REITs to invest in an accretive fashion.

Health Care REITs (4.3%): We are optimistic about the Fund's health care REIT investments in **Ventas, Inc.** and **Welltower Inc.**

Health care real estate fundamentals are improving (rent increases and occupancy gains) against a backdrop of muted supply growth in the next two to three years due to increasing financing and construction costs and supply-chain challenges.

The long-term demand outlook is favorable, driven in part by an aging population, which is expected to accelerate in the years ahead.

Despite our optimism for long-term prospects for health care real estate, we are closely monitoring near-term elevated expense headwinds combined with a slower-than-expected recovery to date in leasing and occupancy.

Non-REIT Real Estate Companies (7.8%): The Fund prioritizes REITs, which typically are at least 80% of the Fund's net assets but has the flexibility to invest in non-REIT real estate companies that we tend to limit to no more than 20% to 25% of the Fund's net assets. At times, some of the Fund's non-REIT real estate companies may present superior growth, dividend, valuation, and share price appreciation potential than many REITs.

We are bullish about the prospects for the Fund's non-REIT real estate investments. They include the following companies: **Brookfield Infrastructure Corporation**, **Brookfield Corporation**, **Brookfield Asset Management Ltd.**, and **Vail Resorts, Inc.**

A Review of Recent Activity Managing the Fund

Recent Activity

In the fourth quarter, we maintained our active approach managing the Fund due to:

- The emergence of tailwinds and headwinds in certain segments of real estate
- Company-specific considerations
- Unusually elevated stock market volatility

We believe our action steps continue to position the Fund for strong long-term performance.

Table III.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
EastGroup Properties, Inc.	$ 6.5	$3.2
Prologis, Inc.	104.1	2.8
Brookfield Infrastructure Corporation	4.3	2.2
CubeSmart	9.0	2.1
Ventas, Inc.	18.0	2.1

Following a sharp correction in its share price over the course of 2022 and discussions with management, we initiated a position in **EastGroup Properties, Inc.**, a REIT that is a leading developer, acquirer, and operator of industrial properties in major Sunbelt markets throughout the U.S.

The company has assembled a high-quality real estate portfolio and management has a strong track record of delivering consistent gains in occupancy and rent growth and maintaining strong expense growth. Looking forward, we believe in-place rents on leases signed remain well below current market rents thereby providing visibility into strong embedded growth potential. Further, management maintains a conservative balance sheet.

We believe the shares are attractively valued and the company could be targeted as a takeover candidate should its valuation remain depressed.

In the fourth quarter, we acquired additional shares of **Prologis, Inc.**, the world's largest industrial REIT. We are big fans of CEO Hamid Moghadam and Prologis' management team and remain optimistic about the company's long-term growth prospects.

The company owns and operates a premier global real estate portfolio with several competitive advantages including location, scale, data, and technology. Management maintains a strong and liquid balance sheet and is the only U.S. industrial REIT with an 'A' credit rating, which gives the company a strong borrowing cost advantage. With vacancy at less than 4% and rents on in-place leases that are more than 65% below current market rents, Prologis has a compelling runway for strong growth in the next three to five years.

We are optimistic about the merits of the company's recently closed merger with its largest industrial REIT competitor, Duke Realty Corporation. Duke's industrial portfolio is among the best in industrial real estate. The company has an excellent track record in development and construction. We believe the merger has strategic and financial merits including acquiring a high-quality portfolio in mostly similar or attractive real estate markets and the likelihood of realizing both additional revenue and cost savings.

Following a 2022 decline in its shares of 34%, we believe Prologis' current valuation of only 23 times cash flow (adjusted funds from operations or AFFO) and a 4.5% implied capitalization rate is compelling given that the company's rents on its in-place leases are more than 65% below current market rents, thus providing a strong runway for growth in the next three to five years.

Brookfield Infrastructure Corporation is one of the largest globally diversified owners and operators of high-quality infrastructure assets in the world. Core infrastructure investments include utilities, data centers, wireless towers, energy, and transportation (ports and rails). The company, with its well-capitalized balance sheet and deep and experienced management team, is well positioned to capitalize on several years of infrastructure investment opportunities around the world, which should enhance future growth.

We expect Brookfield Infrastructure's earnings (funds from operations) to grow by more than 10%, yet its shares are valued at only 10.8 times earnings. We also expect its 3.5% dividend to be higher in the year ahead.

Following a sharp correction in the share price of **CubeSmart** in 2022, we initiated a position. The company is the third largest self-storage REIT. CubeSmart owns and operates a high-quality portfolio of approximately 1,274 self-storage properties. With its well-located real estate portfolio and conservative balance sheet, we believe the company is well positioned to generate solid cash-flow growth and strong performance returns in the next few years.

In the fourth quarter of 2022, we initiated a position in **Ventas, Inc.**, a health care REIT that owns a $30 billion portfolio of senior housing, medical office, hospitals, and life science properties. The company's scale allows it to swiftly act on large investment opportunities. We believe the company's senior housing portfolio, which represents approximately 45% of assets, should deliver improved operating results in the next few years.

Following COVID-19-related operational challenges in 2020 and 2021, health care real estate fundamentals began to improve in 2022. Rent increases and occupancy gains have been heading in the right direction. Muted supply growth in the next two to three years (due to increasing financing and construction costs and supply-chain challenges) should amplify the recovery in fundamentals. The long-term demand outlook is favorable, driven in part by growth of the 80-plus population which is expected to accelerate in the years ahead.

We believe the shares are attractively valued and offer prospects for strong total shareholder returns.

Table IV.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Duke Realty Corporation	$18.5	$3.6
Invitation Homes, Inc.	18.1	3.6
Las Vegas Sands Corporation	35.4	3.3
American Homes 4 Rent	10.7	2.5
Equity Residential	22.3	2.4

We sold shares in **Duke Realty Corporation**, a leading industrial logistics company, following the announcement that it would be acquired by Prologis, Inc., the world's largest industrial REIT and top holding in the Fund.

We are optimistic about the merits of the combined companies. Duke's industrial portfolio is among the best in industrial real estate. The company has an excellent track record in development and construction. We believe the merger has strategic and financial merits including acquiring a high-quality portfolio in mostly similar or attractive real estate markets and the likelihood of realizing both additional revenue and cost savings.

We significantly reduced the Fund's position in **Invitation Homes, Inc.**, the largest single-family home rental REIT in the U.S., following disappointing earnings results and commentary from management. Invitation Homes reduced full-year guidance due to higher-than-expected expenses driven by outsized tax assessments in several key states that represented over 40% of cash flow. Furthermore, shares continued to underperform as it became increasingly evident that many expenses would remain sticky into 2023 combined with an uncertain growth outlook given the macro-economic backdrop.

Though we are mindful of near-term headwinds, we remain optimistic about the long-term value proposition given multiple growth opportunities which include: i) significant pent-up demand from the millennial generation to rent single-family homes against a backdrop of constrained inventory (which we expect will lead to rental and occupancy growth); ii) acquisitions of homes in high-growth geographic markets; and iii) the expansion of ancillary home services for residents (e.g., enhanced smart home, pest control, landscaping, and pet services).

Following strong absolute and relative share price performance in 2022 – **Las Vegas Sands Corporation**'s shares increased 15% during the period held while most other U.S. casino and gaming companies declined anywhere from 20% to more than 50% – we sold the Fund's position in Sands in the most recent quarter.

We significantly reduced our position in **American Homes 4 Rent** (AMH) during the quarter due to a higher-than-expected expense outlook pressuring cash-flow growth, elevated financing costs impacting external acquisitions and broader macroeconomic uncertainty. We re-allocated capital given the cloudy outlook around job losses and real income growth potentially impacting the current and prospective resident pool and/or the company's ability to grow rents in the future. Notwithstanding, we remain positive on the long-term demographic trends supporting demand for single-family rental, visible external growth through AMH's self-funded development pipeline and diversified market exposure.

During the quarter, we significantly reduced our position in **Equity Residential**, the largest U.S. multi-family REIT, amid a worsening economic backdrop, accelerating layoff announcements, slowing rent growth and supply pressure in certain markets. Accelerating job losses in the tech sector caused us concern (which has deteriorated further in recent weeks), particularly with approximately 30% of cash flow concentrated in the Seattle and San Francisco markets. In addition, we had reservations about near-term supply headwinds in Los Angeles and Washington D.C. markets, which represent another 30%-plus of cash flow. While Equity Residential is a blue-chip apartment landlord largely located in high barrier-to-entry markets, we believe shares will remain challenged near term despite its cheap valuation given some of the current and expected headwinds.

Table V.
Top contributors to performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Prologis, Inc.	$104.1	1.56%
Simon Property Group, Inc.	38.4	1.18
Equinix, Inc.	60.6	0.94
Gaming and Leisure Properties, Inc.	13.4	0.44
Sun Communities, Inc.	17.7	0.38

In the fourth quarter, the shares of **Prologis, Inc.**, the world's largest industrial REIT, performed well, driven by strong quarterly business results and management's positive assessment of current business conditions and prospects. We are big fans of CEO Hamid Moghadam and Prologis' management team and remain optimistic about the company's long-term growth outlook.

The company owns and operates a premier global real estate portfolio with several competitive advantages including location, scale, data, and technology. Management maintains a strong and liquid balance sheet and is the only U.S. industrial REIT with an 'A' credit rating, which gives the company a strong borrowing cost advantage. With vacancy at less than 4% and rents on in-place leases that are more than 65% below current market rents, Prologis has a compelling runway for strong growth in the next three to five years.

We are optimistic about the merits of the company's recently closed merger with its largest industrial REIT competitor, Duke Realty. Duke's industrial portfolio is among the best in industrial real estate. The company has an excellent track record in development and construction. We believe the merger has strategic and financial merits including acquiring a high-quality portfolio in mostly similar or attractive real estate markets and the likelihood of realizing both additional revenue and cost savings.

Following the steep correction in its shares in the first nine months of 2022, we believe Prologis is attractively valued at only 23 times cash flow (AFFOs) or a 4.5% capitalization rate. These metrics reflect modest premiums to the REIT index despite Prologis' superior long-term growth prospects.

Simon Property Group, Inc. is the world's largest mall operator. The shares performed gained in the fourth quarter following strong business quarterly business results.

Led by CEO David Simon, the company has assembled a well-located portfolio of retail malls, outlets, and community centers. Management has a long track record of solid capital allocation decisions.

Simon's dividend yield of 6% and valuation of only 10.8 times earnings (AFFO) versus a long-term average of 15 times earnings is, in our opinion, compelling.

Equinix, Inc. shares performed well in the quarter after the company reported quarterly results above expectations, raised its full-year guidance and provided a robust demand outlook amid weaker broader macroeconomic conditions. The company's value proposition of providing mission-critical infrastructure to a highly diversified customer base yields pricing power and "must have" versus "nice to have" infrastructure deployments. This allowed Equinix to be a standout within the broader technology space when many companies were reducing their growth outlooks and noting weakening demand. Equinix is a REIT and the premier global operator of network-dense, carrier-neutral colocation data centers. COVID-19 accelerated digital transformation priorities for many organizations, and we believe that Equinix is poised to continue to benefit from: i) organic growth through new bookings and pricing power (the majority of incremental bookings are from existing customers); ii) growth of high-margin cross connect revenue; and iii) continued geographic expansion through development and select M&A. We believe the combination of these factors will allow the company to grow cash flow per year in the high single-digit range for the foreseeable future.

The shares are valued at a slight premium multiple to most REITs despite superior and more durable cash-flow growth prospects.

Gaming and Leisure Properties, Inc. is a triple net gaming REIT that owns 57 premier casino gaming assets diversified across 17 states.

The shares performed well in the fourth quarter and full year of 2022, in part due to investors' view that the company's shares would be a safe haven in an uncertain macroeconomic environment. The company pays out a well-covered 5.5% dividend yield while growing its organic cash flow at a low single-digit rate. Its tenants are well positioned to make their rent payments even if an economic downturn occurs, and the company's balance sheet is well capitalized to fund new acquisitions should attractive opportunities become available.

The shares of **Sun Communities, Inc.**, a REIT that owns a portfolio of manufactured housing properties, recreational vehicle parks, and marinas, increased in the most recent quarter following strong quarterly business results coupled with management's bright outlook for 2023 rent growth.

We believe the company is well positioned to continue to benefit from favorable demand and supply dynamics. The company is a beneficiary of strong demand from budget-conscious home buyers such as retirees and millennials, and negligible new inventory due to high development barriers. Demand for affordable outdoor vacations (recreational vehicles) also remains strong.

Sun Communities has strong long-term cash-flow growth prospects and low capital expenditure needs. If the macroeconomic environment worsens, we expect business results to be resilient due to the company's focus on affordable housing and affordable outdoor vacations.

Table VI.
Top detractors from performance for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Extra Space Storage Inc.	$19.7	-0.81%
Invitation Homes, Inc.	18.1	-0.52
Equity Residential	22.3	-0.40
American Homes 4 Rent	10.7	-0.29
Crown Castle Inc.	58.7	-0.27

In the fourth quarter, concerns about a global economic slowdown, elevated inflation and expense pressures, and rising interest rates pressured the shares of several of our favorite holdings despite strong long-term growth prospects. We remain optimistic about the long-term prospects for each of these companies and may look for opportunities to acquire additional shares.

Concluding Thoughts On The Prospects For Real Estate And The Fund

We are mindful that 2022's repricing of the stock market and real estate securities was unpleasant and may continue in the months ahead given the expectation that economic growth will slow, and several company growth forecasts will be lowered.

Yet, as we peer into 2023, we believe last year's recalibration has wiped away much of the froth in stock market valuations and has set the stage for a favorable multi-year outlook for public real estate companies and the Fund.

We believe 2023 may ultimately emerge as a mirror image of 2022 in that many of the headwinds of 2022 (higher inflation, a sharp increase in interest rates, aggressive Fed tightening, widening credit spreads, valuation compression) reverse course and become tailwinds in 2023, thereby contributing to solid full-year returns.

We believe prospective two- to three- year returns could be quite strong should a severe economic slowdown be avoided and 2024 emerges as a solid rebound year for economic and corporate profit growth.

Many public REITs and non-REIT real estate companies now offer compelling return prospects that, in some cases, may include a trifecta combination of growth, dividends, and an improvement in valuation.

Baron Real Estate Income Fund Outlook

We are optimistic about the prospects for the Fund, because we believe we have assembled a portfolio of best-in-class competitively advantaged REITs and non-REIT real estate-related companies with compelling long-term growth and share price appreciation potential. We have structured the Fund to capitalize on compelling investment themes. Valuations and return prospects are attractive.

Further, we believe the benefits of the Fund's broader and more flexible approach that prioritizes a full array of REITs but also invests in non-REIT real estate-related companies will shine even brighter in the years ahead in part due to the new and evolving real estate landscape. Some companies will experience an acceleration in tailwinds and others are likely to face ongoing headwinds.

For these reasons, we remain positive on the outlook for the Baron Real Estate Income Fund.

Table VII.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Prologis, Inc.	$104.1	$10.7	13.8%
American Tower Corp.	98.6	8.0	10.4
Equinix, Inc.	60.6	5.6	7.3
Public Storage Incorporated	49.2	4.7	6.0
SBA Communications Corp.	30.3	4.1	5.3
Simon Property Group, Inc.	38.4	3.8	4.9
Sun Communities, Inc.	17.7	3.8	4.9
EastGroup Properties, Inc.	6.5	3.2	4.1
Extra Space Storage Inc.	19.7	2.6	3.3
Rexford Industrial Realty, Inc.	10.7	2.5	3.3

Final Thoughts

I would like to thank my top-notch assistant portfolio manager, David Kirshenbaum, and the other primary members of our real estate research team, George Taras and David Baron, for their excellent work and partnership.

We remain highly determined to diligently research, select, and monitor a high-quality portfolio of real estate companies with solid executive management, strong growth prospects, leading competitive positions, liquid balance sheets, and attractive valuations. We are enthusiastic about our investments and are optimistic about prospects for the portfolio.

And I thank you, our shareholders, and express my utmost gratitude for your past and continuing support of Baron Real Estate Income Fund during the past five years.

I, and our team, remain fully committed to doing our best to deliver outstanding long-term results, and I proudly continue as a major shareholder of the Baron Real Estate Income Fund, alongside you.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Fund invests in debt securities which are affected by changes in prevailing interest rates and the perceived credit quality of the issuer. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Real Estate Income Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such an offer or solicitation.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron WealthBuilder Fund Shareholder:

Performance

2022 was a very difficult year. There was extreme volatility in most equity markets and consistent valuation pressures on many growth businesses that Baron Funds favor. The final quarter was particularly difficult on a relative basis as **Tesla, Inc.**'s outsized investment in several underlying Funds saw its stock price decline substantially.

Baron WealthBuilder Fund (the "Fund") increased 1.14% (Institutional Shares) in the quarter but declined 32.59% for the calendar year. As mentioned, this performance was lower than the S&P 500 Index's (the "U.S. Index") quarterly and annual returns of 7.56% and (18.11)%, respectively. MSCI ACWI Index (the "Global Index") increased 9.76% in the quarter and declined 18.36% for the year. The Morningstar Allocation-85%+ Equity Category Average (the "Peer Group") had performance of 8.07% and (18.18)% in the quarter and year, respectively.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Wealth Builder Fund Retail Shares[1,2]	Baron Wealth Builder Fund Institutional Shares[1,2]	Baron Wealth Builder Fund TA Shares[1,2]	S&P 500 Index[1]	MSCI ACWI Index[1]
Three Months[3]	1.08%	1.14%	1.14%	7.56%	9.76%
One Year	(32.75)%	(32.59)%	(32.59)%	(18.11)%	(18.36)%
Three Years	8.35%	8.61%	8.61%	7.66%	4.00%
Five Years and Since Inception (December 29, 2017)	10.11%	10.36%	10.36%	9.42%	5.23%

MICHAEL BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND PORTFOLIO MANAGER

Retail Shares: BWBFX
Institutional Shares: BWBIX
TA Shares: BWBTX

Despite the most recent year's performance, the Fund's longer-term track record exceeds its U.S. Index, its Global Index, and competitors. It's 3- and 5-year (also its since inception period) annualized returns were 8.61% and 10.36%, respectively. These figures compare to 7.66% and 9.42%, respectively, for the U.S. Index. The Global Index's performance is considerably lower, with returns of only 4.00% and 5.23% for the 3- and 5-year periods, respectively. While we are disappointed with the year's returns, we are pleased the longer-term appreciation was better than these comparables despite a challenging environment for growth equity investing.

As of 12/31/2022, the annualized returns of the Morningstar Allocation–85%+ Equity Category Average were (18.18)%, 3.19%, and 4.59% for the 1-, 3-, and 5-year periods, respectively.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares, Institutional Shares, and TA Shares as of December 31, 2021 was 1.33%, 1.08%, and 1.08%, respectively, but the net annual expense ratio was 1.30%, 1.05%, and 1.05% (includes acquired fund fees of 1.00%, net of the Adviser's fee waivers), 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 cost. The Adviser reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term, 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.

[1] The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The **MSCI ACWI Index** is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large- and mid-cap securities across developed and emerging markets. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. 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] Not annualized.

BARON FUNDS 1987

Baron WealthBuilder Fund is a diversified portfolio of Baron mutual funds. It provides exposure to growth equity investments that fit the consistent Baron investment criteria across market caps, sectors, and geographies. It is intended to mimic how we would invest incremental capital across an array of our products. (Since the Fund's inception in 2017, we have personally made the majority of our new Baron Funds investments in Baron WealthBuilder and are the Fund's largest individual clients.)

We tend to examine performance by breaking down the underlying Funds' growth rates, market caps and geographies. While we believe this format is beneficial for our clients' understanding the Fund's results and construction (and we intend to return to this format), it is important to address more thoroughly the Fund's largest position and quarter's main detractor, Tesla.

Tesla declined 53.6% in the quarter and detracted 5.25% from the Fund's overall performance in the period. This company is predominately held in Baron Partners and Focused Growth Funds. Baron Partners Fund had initiated its position in Tesla in February 2014 at a split-adjusted price of $11.91. Over the subsequent two years, Baron Partners and Focused Growth Funds acquired 18.0 million shares for an average split-adjusted price of $14.29.

Tesla produced approximately 35,000 vehicles in 2014, the year of Baron Funds' initial purchase. In 2022, it produced nearly 1.37 million. Not only has its production grown tremendously, but it also has had significant expansion in profitability per vehicle. It has expanded from producing high-performance electric vehicles for wealthy aficionados to a company that produces affordable luxury cars for a sizable audience. In turn, it has transformed that industry. Investors rewarded this expansion in both production and profits, and the stock price increased to $265.25 at the end of the third quarter. During this time, Baron Partners and Focused Growth Funds sold 5.24 million shares, or 29.1% of their original holding, at an average price of $226.18.

Investors have recently become concerned about many external factors. Tesla's founder and CEO, Elon Musk's purchase of Twitter has negatively impacted the Tesla brand over the short term. China's COVID policies and outbreak have paused purchases and production in the company's largest region. Global recessionary fears and upcoming Inflation Reduction Act incentives caused some to delay new vehicle purchases in various markets.

We strongly believe Tesla's long-term growth objective remains intact and achievable. We are confident these current issues will eventually be remedied without a long-term impact to the business. Instead, we are focused on the next leg for the company in achieving its stated mission, "to accelerate the world's transition to sustainable energy." We believe the company is taking significant steps towards introducing a lower cost vehicle that will be much more accessible to the mass market, while still achieving enviable profits. We believe this product introduction in 2024 should give investors the reassurance needed to stabilize and stimulate the stock price. It should also lessen the impact of perceived competition, that we expect will be unable to match the new value proposition.

Despite the recent rally in the market, high-growth companies remain out of favor on Wall Street. The underlying Funds that have steadier growth investments, like Baron Growth and Asset Funds, meaningfully outperformed their respective benchmarks. These two Funds, with a combined position size of 29.6%, represent the largest allocation of assets for Baron WealthBuilder Fund as of the end of the year. Performance was led by companies like **Arch Capital Group Ltd.** and **Gartner, Inc.**, that were able to grow despite a challenging environment. There are also strong indicators that this growth could continue. We believe Arch, an insurance provider, is uniquely positioned to benefit from the hardening rate environment. Its conservative hurdles for new policies are now being met because of the improved landscape. The company's property & casualty premiums rose 26% in the prior quarter. While its mortgage insurance business declined because of a lower residential real estate sales and higher interest rates, credit quality is strong given low unemployment and high homeownership equity. Gartner, a leading provider of syndicated research, reported excellent quarterly results. Not only did the company grow in the current period, but leading indicators show it can sustain this growth. Contract value, a predictor of future revenues, was up 14%. The legacy and important conference business, which had declined considerably during the pandemic, had a great rebound in attendance. Interest for the company's products appears high, and the company expanded margins despite hiring new associates.

Conversely, higher growth portfolios like Baron Global Advantage, Fifth Avenue Growth, and Opportunity Funds meaningfully trailed their benchmarks. These three underlying Funds had a combined ending weight of 10.9%. These portfolios performed well during the pandemic, when demand was high for the products and services of these faster growing, often tech-oriented businesses. Slowing growth rates and higher interest rates caused investors to severely cut their valuations. Companies like **ZoomInfo Technologies Inc.** and **CrowdStrike Holdings, Inc.** were impacted by this shift. ZoomInfo operates a cloud-based business-to-business platform that provides sales, marketing, and HR teams with comprehensive business intelligence. The difficult environment for customers is causing reduced spending and longer sales cycles. Although we believe in the company's ability to increase sales of existing products and introduce new solutions, the near term will likely remain difficult. Similarly, CrowdStrike, a provider of cloud-delivered, security solutions, is experiencing longer sales cycles, and customers are delaying the start of subscriptions.

Table II.
Cumulative performance throughout the pandemic and its aftermath

	Pre-COVID	COVID Panic	COVID New Normal	Macro-Induced Market Rotation	Worst Time to Buy to Present	Full Period
	12/31/2019 to 2/19/2020	2/19/2020 to 3/23/2020	3/23/2020 to 11/18/2021	11/18/2021 to 12/31/2022	2/19/2020 to 12/31/2022	12/31/2019 to 12/31/2022
Baron WealthBuilder Fund (Institutional Shares)	13.84%	(38.48)%	179.85%	(34.64)%	12.53%	28.11%
S&P 500 Index	5.08%	(33.79)%	115.86%	(16.91)%	18.75%	24.79%
MSCI ACWI Index	2.74%	(33.64)%	102.32%	(18.44)%	9.50%	12.50%
Russell 2000 Growth Index	5.09%	(38.46)%	129.58%	(31.34)%	(2.98)%	1.96%
Russell Midcap Growth Index	6.97%	(35.71)%	134.05%	(30.42)%	4.70%	12.00%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

Baron WealthBuilder Fund is a compilation of our Baron Funds and provides broad equity exposure. All underlying Baron Funds follow a consistent investment philosophy and process. We do not try to mimic the Indexes, and we do not alter our strategy to coincide with short-term macro events that we regard as unpredictable. We remain focused on underlying business fundamentals.

We believe small- and mid-cap growth stocks offer attractive return potential relative to their risk over the long term. Small- and mid-cap businesses represent 66.8% of the Fund (compared to only 16.2% for the U.S. Index). While our small- and mid-cap growth investments have been successful over our 40-year history, these styles are occasionally out of favor. Today's environment is one of those times. Growth companies largely trailed value in the quarter and throughout 2022, and large caps outperformed smaller caps.

Rather than only examining the Fund's performance over a quarter or a year, we believe it is equally important to see how the Fund has performed over the course of an economic cycle. The COVID Pandemic and subsequent macro-induced market rotation has been very difficult for small- and mid-sized growth companies. Investors have favored larger-cap, value-oriented businesses that are deemed safer during this time of uncertainty. We believe this offers a great opportunity for long-term investors, but we are also aware of managing through this current environment for clients. Markets peaked in late February 2020 before a rapid drop as the economy braced for the uncertain COVID pandemic. It recovered quickly followed by another sizable drop based on macroeconomic factors. The Russell 2000 Growth Index, a small-cap growth index, declined 2.98%, on a cumulative basis, from February 19, 2020 to present. The Russell Midcap Growth Index rose only 4.70% in this period. With that backdrop, the Fund's appreciation of 12.53% is much more attractive. We believe protecting and growing clients' assets during this challenging period positions long-term investors well for meaningful appreciation once the macro landscape changes. Table II provides a more complete look at how the Fund and various indexes performed throughout the pandemic and its aftermath.

We have started to see the performance of some individual securities diverge. Companies that demonstrated continued growth were rewarded, while those that exhibited any weakness were punished. The magnitude of these movements, however, has been unusual. This divergence of returns, we believe, should start to favor growth investors. Approximately 72% of the Fund's underlying positions, on a weighted average basis, appreciated in the quarter.

Table III.
Baron Funds Performance
As of December 31, 2022

Institutional Share Class Data

% of Net Assets of Fund		Fourth Quarter of 2022*	Annualized 12/29/2017 to 12/31/2022	Primary Benchmark	Fourth Quarter of 2022*	Annualized 12/29/2017 to 12/31/2022
33.5%	**Small Cap**					
	4.8% Baron Discovery Fund	0.22%	7.61%	Russell 2000 Growth Index	4.13%	3.51%
	15.8% Baron Growth Fund	11.93%	11.15%			
	12.9% Baron Small Cap Fund	4.24%	7.07%			
6.2%	**Small/Mid Cap**					
	6.2% Baron Focused Growth Fund	(4.52)%	20.94%	Russell 2500 Growth Index	4.72%	5.97%
13.8%	**Mid Cap**					
	13.8% Baron Asset Fund	12.21%	9.29%	Russell Midcap Growth Index	6.90%	7.64%
6.1%	**Large Cap**					
	3.6% Baron Fifth Avenue Growth Fund	(7.06)%	2.48%	Russell 1000 Growth Index	2.20%	10.96%
	2.5% Baron Durable Advantage Fund	4.65%	8.39%†	S&P 500 Index	7.56%	8.98%†
16.0%	**All Cap**					
	3.7% Baron Opportunity Fund	(4.54)%	13.11%	Russell 3000 Growth Index	2.31%	10.45%
	12.3% Baron Partners Fund	(19.94)%	21.98%	Russell Midcap Growth Index	6.90%	7.64%
10.0%	**International**					
	3.1% Baron Emerging Markets Fund	8.58%	(2.70)%	MSCI EM Index	9.70%	(1.40)%
	3.5% Baron Global Advantage Fund	(8.90)%	3.27%†	MSCI ACWI Index	9.76%	4.64%†
	3.4% Baron International Growth Fund	14.85%	2.17%	MSCI ACWI ex USA Index	14.28%	0.88%
14.3%	**Specialty**					
	6.1% Baron Real Estate Fund	6.17%	7.65%	MSCI USA IMI Extended Real Estate Index	8.71%	4.73%
	2.3% Baron Real Estate Income Fund	2.10%	(10.14)%†	MSCI US REIT Index	4.90%	(5.10)%†
	3.3% Baron Health Care Fund	9.08%	13.65%†	Russell 3000 Health Care Index	11.54%	10.18%†
	2.6% Baron FinTech Fund	4.98%	4.19%†	FactSet Global FinTech Index	3.91%	(3.30)%†

* Not annualized.

† Performance is calculated from the time the Fund was added to Baron WealthBuilder Fund: Baron Durable Advantage Fund – 3/13/2018; Baron Global Advantage Fund – 1/9/2018; Baron Health Care Fund – 10/18/2018; Baron FinTech Fund – 2/27/2020 and Baron Real Estate Income Fund – 5/17/2021.

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

Fund of Funds Structure and Investment Strategy

Baron WealthBuilder Fund closely mimics how we would incrementally invest across our various funds and strategies. The Fund allows investors to diversify across Baron Funds, gain exposure to various market caps, sectors, and geographies in a single product, and benefit from our rebalancing in a tax efficient manner. The portfolio managers of each underlying Baron Fund abide by the same core investment process and philosophy, focused on proprietary research to discover competitively advantaged businesses with immense opportunities and exceptional management teams. These businesses are led by executives who we think are talented and ethical.

The makeup of the underlying investments is very different from the Fund's key indexes. We feel the diversity in regions and sectors should mitigate risk, while providing strong absolute returns. While holding relatively the same number of securities as its primary benchmark (455 in the underlying Baron Funds vs. 502 in the U.S. Index), the similarities end there. The Fund's total underlying holdings declined by about 10% since the start of 2022 as our underlying Baron Funds have become incrementally more concentrated in higher conviction investments. The holdings in the underlying Baron Funds have a lower dividend yield on average (0.8% vs. 1.8% for the U.S. Index), with companies electing to reinvest earnings in their businesses for growth. And the approach is working; the projected annualized earnings per share growth rate over the next three to five years is 27.6% for the Fund's underlying holdings vs. 11.2% for the U.S. Index. We think that many of our investments could exceed external projections. Many of these businesses have depressed margins as they sacrifice current profitability for more durable and higher long-term growth. We believe higher and prolonged growth should reward long-term investors.

The underlying Baron Funds also favor higher-growth sectors and companies with unique attributes and competitive advantages. Information Technology, Consumer Discretionary, and Financials are among the top sectors by weight in the Fund. Companies in these sectors possess some of the highest growth rates in the global economy. The portfolio is also distinct in its industry weightings. The U.S. Index has a higher share of companies in industries that we believe have lower growth prospects, fewer defensible advantages, and are highly regulated. The U.S. Index has a greater weight in technology hardware storage & peripherals, oil, gas & consumable fuels, and pharmaceuticals. The Fund favors higher growth and competitively advantaged industries like hotels, restaurants & leisure, capital markets, professional services, and IT services. We believe companies in these industries have greater growth potential and advantages that can be maintained over the long term.

The Fund has exposure to non-U.S. companies, while the U.S. Index's constituents are solely domestic. We believe geographic diversity provides benefits, such as lower volatility over time. The Fund is also differentiated from the international coverage of the Global Index. The U.S. is 60.3% of the Global Index compared to 87.2% for the Fund. The non-U.S. exposure for the Global Index is skewed towards slower growth developed countries, whereas the Fund seeks faster growth in emerging economies. Of the Fund's non-U.S. exposure, 40.9% was in emerging and other countries. These markets represented 28.6% of the Global Index's non-U.S. investments. The Global Index had larger exposure to lower growth economies like Japan and France. Of its non-U.S. investments, Japan and France combined represented 21.6% of the Global Index, while only accounting for 5.1% of the Fund. Instead, the Fund favors emerging and fast-growing economies like India and China. Of its non-U.S. investments, China and India combined represented 22.8% of the Fund, while they represented only 13.3% of the Global Index.

We believe our allocations across the underlying Baron Funds, with their industry and geographic diversification, should continue to produce good returns over the long term.

Table IV.

Performance based characteristics since inception through December 31, 2022

	Baron WealthBuilder Fund (Institutional Shares)	S&P 500 Index	Morningstar Allocation 85%+ Equity Category
Alpha (%) – Annualized	-0.01	0.00	-4.25
Beta	1.18	1.00	0.92
Sharpe Ratio	0.38	0.44	0.16
Standard Deviation (%) – Annualized	23.97	18.69	17.54
Upside Capture (%)	110.76	100.00	81.56
Downside Capture (%)	110.63	100.00	96.91

Source: FactSet SPAR. Except for Standard Deviation and Sharpe Ratio, the performance based characteristics above were calculated relative to the S&P 500 Index.

Table V.

Sector exposures as of December 31, 2022

	Percent of Net Assets	S&P 500 Index	MSCI ACWI Index
Information Technology	20.9%	25.7%	20.0%
Consumer Discretionary	18.9	9.8	10.4
Financials	16.7	11.7	15.2
Health Care	14.7	15.8	13.4
Industrials	14.5	8.7	10.2
Real Estate	6.9	2.7	2.6
Communication Services	4.8	7.3	6.8
Materials	1.3	2.7	5.0
Consumer Staples	0.7	7.2	7.7
Energy	0.3	5.2	5.6
Utilities	0.1	3.2	3.2
Unclassified	0.1	–	–

Table VI.

Country exposures as of December 31, 2022

	Percent of Net Assets	S&P 500 Index	MSCI ACWI Index
United States	87.2%	100.0%	60.3%
United Kingdom	1.8	–	3.9
Netherlands	1.7	–	1.1
China	1.5	–	3.7
India	1.4	–	1.6
Canada	1.3	–	3.1
Ireland	0.6	–	0.2
Argentina	0.5	–	0.1
Korea	0.5	–	1.3
Brazil	0.4	–	0.6
Other	3.1	–	24.3

Table VII.
Fund of fund holdings as of December 31, 2022

	Percent of Net Assets
Baron Growth Fund	15.8%
Baron Asset Fund	13.8
Baron Small Cap Fund	12.9
Baron Partners Fund	12.3
Baron Focused Growth Fund	6.2
Baron Real Estate Fund	6.1
Baron Discovery Fund	4.8
Baron Opportunity Fund	3.7
Baron Fifth Avenue Growth Fund	3.6
Baron Global Advantage Fund	3.5
Baron International Growth Fund	3.4
Baron Health Care Fund	3.3
Baron Emerging Markets Fund	3.1
Baron FinTech Fund	2.6
Baron Durable Advantage Fund	2.5
Baron Real Estate Income Fund	2.3

Thank you for joining us as fellow shareholders in Baron WealthBuilder Fund. We continue to work hard to justify your confidence and trust in our stewardship of your hard-earned savings. We remain dedicated to providing you with the information we would like to have if our roles were reversed. We hope this letter enables you to make an informed decision about whether this Fund remains an appropriate investment.

Respectfully,

Ronald Baron
CEO and Portfolio Manager
December 31, 2022

Michael Baron
Co-Portfolio Manager
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Fund is a non-diversified fund because it invests, at any given time, in the securities of a select number of Baron mutual funds (the "Underlying Funds"), representing specific investment strategies. The Fund can invest in funds holding U.S. and international stocks; small-cap, small to mid-cap, large-cap, all-cap stocks; and specialty stocks. Each of the Underlying Funds has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Underlying Fund than in another, it will have greater exposure to the risks of that Underlying Fund. For further information regarding the investment risks of the Underlying Funds, please refer to the Underlying Funds' prospectus.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. **Sharpe Ratio** is a risk-adjusted performance statistic that measures reward per unit of risk. The higher the Sharpe ratio, the better a fund's risk adjusted performance. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Standard Deviation** (Std. Dev) measures the degree to which a fund's performance has varied from its average performance over a particular time period. The greater the standard deviation, the greater a fund's volatility (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. This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron WealthBuilder Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trade mark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA)

Baron Funds (Institutional Shares) and Benchmark Performance 12/31/2022

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns 1-Year	3-Year	5-Year	10-Year	Annual Expense Ratio	Net Assets
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	12.80%	7.30%	12/31/1994	-22.40%	7.45%	11.15%	12.33%	1.04%(3)	$6.86 billion
Baron Small Cap Fund†	Russell 2000 Growth Index	9.55%	5.65%	9/30/1997	-31.05%	3.96%	7.07%	10.21%	1.04%(3)	$3.93 billion
Baron Discovery Fund†	Russell 2000 Growth Index	11.37%	6.69%	9/30/2013	-35.12%	4.17%	7.61%	N/A	1.06%(3)	$1.15 billion
SMALL/MID CAP										
Baron Focused Growth Fund(1)	Russell 2500 Growth Index	12.84%	7.65%	5/31/1996	-28.14%	24.02%	20.94%	15.39%	1.05%(4)	$727.52 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.21%	9.79%(2)	6/12/1987	-25.87%	4.12%	9.29%	12.40%	1.04%(3)	$4.35 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	7.06%	10.05%	4/30/2004	-50.49%	-6.01%	2.48%	9.39%	0.76%/0.75%(3)(6)	$328.58 million
Baron Durable Advantage Fund	S&P 500 Index	9.37%	9.42%	12/29/2017	-24.81%	6.14%	9.37%	N/A	1.10%/0.70%(3)(7)	$50.61 million
ALL CAP										
Baron Partners Fund(1)	Russell Midcap Growth Index	14.35%	9.43%	1/31/1992	-42.41%	23.65%	21.98%	19.49%	1.11%(4)(5)	$4.83 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	7.63%	5.45%	2/29/2000	-42.83%	6.71%	13.11%	13.13%	1.05%(3)	$762.75 million
INTERNATIONAL										
Baron Emerging Markets Fund†	MSCI EM Index	2.77%	0.89%	12/31/2010	-25.82%	-3.44%	-2.70%	3.10%	1.08%(4)	$4.77 billion
Baron Global Advantage Fund†	MSCI ACWI Index	9.23%	7.95%	4/30/2012	-51.57%	-4.28%	4.21%	9.43%	0.90%(4)(8)	$770.73 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	9.04%	6.13%	12/31/2008	-27.29%	1.49%	2.17%	6.50%	0.96%/0.95%(4)(9)	$482.66 million
Baron New Asia Fund	MSCI AC Asia ex Japan Index	-18.92%	-16.27%	7/30/2021	-26.94%	N/A	N/A	N/A	8.59%/1.20%(4)(10)	$3.74 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	12.94%	10.20%	12/31/2009	-28.44%	8.69%	7.65%	10.28%	1.05%(4)	$1.28 billion
Baron Real Estate Income Fund	MSCI US REIT Index	6.91%	2.48%	12/29/2017	-27.47%	4.75%	6.91%	N/A	1.08%/0.80%(4)(11)	$77.32 million
Baron Health Care Fund†	Russell 3000 Health Care Index	13.90%	12.06%	4/30/2018	-16.90%	12.41%	N/A	N/A	0.89%/0.85%(4)(12)	$210.01 million
Baron FinTech Fund†	S&P 500 Index	4.24%	7.66%	12/31/2019	-33.30%	4.24%	N/A	N/A	1.18%/0.95%(4)(13)	$42.60 million
Baron Technology Fund	MSCI ACWI Information Technology Index	-44.30%	-31.07%	12/31/2021	-44.30%	N/A	N/A	N/A	1.73%/0.95%(4)(14)	$3.31 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	10.36%	9.42%	12/29/2017	-32.59%	8.61%	10.36%	N/A	1.08%/1.05%(4)(15)	$426.44 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 December 31, 2022.
(3) As of 9/30/2022.
(4) As of 12/31/2021.
(5) Comprised of operating expenses of 1.05% and interest expenses of 0.06%.
(6) Annual expense ratio was 0.76%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).
(7) Annual expense ratio was 1.10%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(8) Annual expense ratio was 0.90%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers). Expense reimbursement was less than 0.01%.
(9) Annual expense ratio was 0.96%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(10) Annual expense ratio was 8.59%, but the net annual expense ratio was 1.20% (net of Adviser's fee waivers).
(11) Annual expense ratio was 1.08%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
(12) Annual expense ratio was 0.89%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
(13) Annual expense ratio was 1.18%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(14) Expense ratios are estimated for the current fiscal year.
(15) Annual expense ratio was 1.08%, but the net annual expense ratio was 1.05% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
* Not annualized.
† 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.

Dear Baron Health Care Fund Shareholder:

Performance

In the quarter ended December 31, 2022, Baron Health Care Fund (the "Fund") rose 9.08% (Institutional Shares), compared with the 11.54% gain for the Russell 3000 Health Care Index (the "Benchmark") and the 7.56% gain for the S&P 500 Index. For the full year, the Fund declined 16.90% compared with the 6.10% decline for the Benchmark and the 18.11% decline for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 13.90% on an annualized basis compared with the 12.06% gain for the Benchmark and the 10.22% gain for the S&P 500 Index.

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron Health Care Fund Retail Shares[1,2]	Baron Health Care Fund Institutional Shares[1,2]	Russell 3000 Health Care Index[1]	S&P 500 Index[1]
Three Months[3]	9.06%	9.08%	11.54%	7.56%
One Year	(17.10)%	(16.90)%	(6.10)%	(18.11)%
Three Years	12.15%	12.41%	9.95%	7.66%
Since Inception (April 30, 2018)	13.61%	13.90%	12.06%	10.22%

The Fund appreciated 9.08% in the fourth quarter but trailed the Russell 3000 Health Care Index by 246 basis points due to several factors, including cash exposure in an up market, adverse stock selection, and differences in sub-industry exposures.

Apart from cash, investments in biotechnology, health care equipment, and health care technology were mostly responsible for the relative shortfall during the quarter. Weakness in biotechnology was partly due to the underperformance of **Inhibrx, Inc.**, a clinical stage biotechnology company with a pipeline of biologic therapeutic candidates developed using the company's protein engineering expertise and proprietary single-domain antibody platform. Inhibrx's shares declined after we initiated a position in

NEAL KAUFMAN
PORTFOLIO MANAGER

Retail Shares: BHCFX
Institutional Shares: BHCHX
R6 Shares: BHCUX

mid-October due to general small-cap biotechnology weakness into year end. Moderate gains from our high-conviction positions in **argenx SE** and **Vertex Pharmaceuticals Incorporated** along with lower aggregate exposure to strong performing large-cap companies **Gilead Sciences, Inc.**, **Amgen Inc.**, and **AbbVie, Inc.** presented additional headwinds to performance. Negative stock selection in health care equipment was related to sharp declines from fiber optic sensors manufacturer **Opsens Inc.**, intravascular lithotripsy leader **ShockWave Medical, Inc.**, and transcatheter aortic valve replacement pioneer **Edwards Lifesciences Corp.** These companies were the top detractors from absolute performance, and we have detailed the reasons for recent share price weakness below. The Fund's only remaining position in health care technology, physics-based drug discovery platform **Schrodinger, Inc.**, weighed the most on performance. Schrodinger's shares were down after management lowered guidance due to

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.17% and 0.89%, respectively, but the net annual expense ratio was 1.10% and 0.85% (net of the Adviser's fee waivers), 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3-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® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. 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 redemptions of Fund shares.

3 Not annualized.

BARON FUNDS 1987

foreign currency headwinds, lower-than-anticipated adoption and scale-up by smaller biotechnology companies impacted by the capital markets environment, and uncertainty about the timing of year-end purchase decisions among the company's largest customers.

These negative effects were somewhat offset by favorable stock selection in life sciences tools & services, pharmaceuticals, and managed health care along with higher exposure to outperforming health care distributors and lower exposure to lagging health care supplies. Strength in life sciences tools & services was driven by weighing instruments provider **Mettler-Toledo International, Inc.** and science and technology innovator **Danaher Corporation**, whose shares were up after reporting solid quarterly results and annual guidance despite headwinds from foreign exchange impacts. Favorable stock selection in pharmaceuticals, owing mostly to the outperformance of **AstraZeneca PLC**, was partly offset by the Fund's underexposure to large-cap companies **Pfizer Inc.** and **Merck & Co., Inc.**, whose shares were up 18.1% and 29.7%, respectively, in the period. AstraZeneca was the third largest contributor after benefiting from incremental positive news flow surrounding the company's oncology franchise at medical meetings. Performance in managed health care was bolstered by **Elevance Health, Inc.**, which operates as a health benefits company. Elevance's shares rose in response to strong quarterly results and raised guidance driven by solid medical cost management, pharmacy benefit manager strength, and healthy enrollment growth.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to the other Baron Funds, we remain focused on finding businesses that we believe have open-ended secular growth opportunities, durable competitive advantages, and strong management teams. We conduct independent research and take a long-term perspective. We are particularly focused on businesses that solve problems in health care, whether by reducing costs, enhancing efficiency, and/or improving patient outcomes.

We continue to think the Health Care sector will offer attractive investment opportunities over the next decade and beyond. Health Care is one of the largest and most complex sectors in the U.S. economy, accounting for approximately 19% of GDP in 2021 and encompassing a diverse array of sub-industries. Health Care is also a dynamic industry undergoing changes driven by legislation, regulation, and advances in science and technology. We think navigating these changes requires investment experience and sector expertise, which makes the Health Care sector particularly well suited for active management.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Intuitive Surgical, Inc.	0.93%
Merck & Co., Inc.	0.80
AstraZeneca PLC	0.78
Eli Lilly and Company	0.77
AbbVie Inc.	0.72

Intuitive Surgical, Inc. sells the da Vinci robotic surgical system. The stock rose in response to solid third quarter financial results, highlighted by 20% procedure growth, well ahead of investor expectations. The company also completed another $1 billion accelerated share repurchase program, signaling management's and the board's view that the stock is a good buy. We continue to believe Intuitive Surgical has a long runway for growth as more procedures are performed using the da Vinci system.

Merck & Co., Inc. is a large-cap pharmaceutical company with a deep heritage in drug discovery. Share gains were led by the continued growth of key asset Keytruda, the leading immune oncology agent used to treat a variety of cancers. Shares also benefited from increased investor interest as Merck proves its ability to scale its Gardasil vaccine that had previously been constrained by supply issues. We retain long-term conviction, as we expect Keytruda to solidify its position as the best-selling biopharmaceutical drug of all time.

AstraZeneca PLC is a global pharmaceutical company focused on oncology, respiratory, cardiovascular, and metabolism drugs. Shares increased given incremental positive news flow surrounding the oncology franchise at medical meetings and some mean reversion after lagging in the prior quarter. We retain conviction in AstraZeneca given its best-in-class growth profile among its pharmaceutical peers combined with its strong pipeline and commercial launch characteristics. We highlight Enhertu and Dato-Dxd as two new exciting near-term drug opportunities.

Eli Lilly and Company is a large-cap pharmaceutical company. Shares increased on investor optimism about Lilly's new product pipeline, which includes Mounjaro for diabetes and obesity and Donanemab for Alzheimer's disease. We continue to think Lilly has a healthy base business with limited near-term patent expirations, a strong pipeline, and potential for significant margin expansion, which should translate to strong revenue and earnings growth over at least the next five years.

AbbVie Inc. develops inflammatory, oncology, and aesthetic drugs. Shares rose primarily due to the rotation into large-cap pharmaceutical stocks trading at low valuations. Investors continue to be focused on the rate of erosion of the Humira franchise upon patent expiration in 2023, which we think is less important over the long term than the growth of novel franchises like Rinvoq and Skyrizi. We retain conviction given AbbVie's low valuation and growth opportunities.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Opsens Inc.	–0.34%
ShockWave Medical, Inc.	–0.32
Edwards Lifesciences Corp.	–0.22
Inhibrx, Inc.	–0.19
Schrodinger, Inc.	–0.13

Opsens Inc. sells pressure-sensing guidewires for heart disease diagnostics, including a new guidewire for transcatheter aortic valve replacement procedures. The stock fell on slower growth than investors expected due to a challenging hospital procedure environment related to staffing shortages. The company also issued equity to bolster the balance sheet. We continue to believe Opsens' new Savvywire guidewire will drive revenue growth acceleration given the benefits it offers to patients.

ShockWave Medical, Inc. provides intravascular lithotripsy for the minimally invasive treatment of arterial plaque. Shares experienced a pullback given ShockWave's premium valuation, but the company continued to execute on its product for coronary artery disease in the U.S. It also received reimbursement coverage for coronary-related treatment in Japan and its product launch in China remains in the early innings. We think ShockWave has a differentiated technology serving a significant unmet need in arterial disease with potential to expand into treatment of heart valves.

Edwards Lifesciences Corp. is the leading provider of valves for patients with heart disease. Shares fell after the company's transcatheter aortic valve replacement (TAVR) business missed Street expectations again. Management attributed the sales shortfall to disruption from hospital staffing shortages, an issue that has an outsized impact on TAVR procedures because they are resource-intensive and require multiple specialists. We reduced the position due to increased uncertainty around the growth outlook.

Inhibrx, Inc. is a biotechnology company with expertise in single-domain antibody structures. Since the Fund's investment in mid-October, shares gave back some gains from the prior quarter, which included an update on the progression of Inhibrx's recombinant human AAT-Fc protein product into pivotal clinical trials. The product is likely to replace plasma-based AAT and grow the established $1.5 billion to $2.0 billion market, in our view. We ascribe significant value to the lead product and are watching for updates from the broader oncology platform.

Schrodinger, Inc. is dedicated to the usage of physics-based computer modeling for drug discovery. Shares were down after management lowered guidance due to a modest impact from foreign currency headwinds, lower-than-anticipated adoption and scale-up by smaller biotechnology companies impacted by the capital markets environment, and uncertainty about the timing of year-end purchase decisions among its largest customers. We reduced the position due to concerns about near-term trends in the software business, but we continue to believe Schrodinger's computational platform has significant value.

Portfolio Structure

We build the portfolio from the bottom up, one stock at a time, using the Baron investment approach. We do not try to mimic an index, and we expect the Fund to look very different from the Benchmark. We loosely group the portfolio into three categories of stocks: earnings compounders, high-growth companies, and biotechnology companies. We define earnings compounders as companies that we believe can compound earnings at double-digit rates over the long term. We define high-growth stocks as companies we expect to generate mid-teens or better revenue growth. They may not be profitable today, but we believe they can be highly profitable in the future. We expect the portfolio to have a mix of earnings compounders, high-growth, and biotechnology companies.

The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of December 31, 2022, the Fund held 47 stocks. This compares with 493 stocks in the Benchmark. International stocks represented 13.9% of the Fund's net assets. The Fund's 10 largest holdings represented 45.1% of net assets. Compared with the Benchmark, the Fund was overweight in biotechnology, health care distributors, managed health care, and life sciences tools & services, and most underweight in pharmaceuticals and health care equipment. The market cap range of the investments in the Fund was $160 million to $495 billion with a weighted average market cap of $146 billion. This compared with the Benchmark's weighted average market cap of $196 billion.

We continue to invest in multiple secular growth themes in Health Care, such as genomics/genetic testing/genetic medicine, technology-enabled drug development/discovery, minimally invasive surgery, diabetes devices and therapeutics, anti-obesity medications, *picks and shovels* life sciences tools providers, the shift to lower cost sites of care, value-based health care, Medicare Advantage, and animal health, among others. To be clear, this list is not exhaustive: we own stocks in the portfolio that do not fit neatly into these themes and there are other themes not mentioned here that are in the portfolio. We evaluate each stock on its own merits.

Table IV.
Top 10 holdings as of December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
UnitedHealth Group Incorporated	2018	$227.2	$495.4	$19.9	9.5%
Eli Lilly and Company	2021	187.4	347.6	12.7	6.0
Thermo Fisher Scientific Inc.	2019	117.4	216.0	8.8	4.2
Humana Inc.	2019	35.0	64.8	8.5	4.0
AstraZeneca PLC	2021	188.4	210.1	8.3	3.9
Merck & Co., Inc.	2022	205.6	281.3	7.8	3.7
argenx SE	2018	2.8	21.0	7.6	3.6
McKesson Corporation	2021	34.2	53.2	7.4	3.5
Intuitive Surgical, Inc.	2018	49.9	93.8	7.1	3.4
Vertex Pharmaceuticals Incorporated	2022	61.4	74.1	6.6	3.2

Table V.
Fund investments in GICS sub-industries as of December 31, 2022

	Percent of Net Assets
Biotechnology	22.6%
Managed Health Care	16.4
Pharmaceuticals	16.2
Health Care Equipment	14.2
Life Sciences Tools & Services	13.7
Health Care Services	3.5
Health Care Distributors	3.5
Health Care Facilities	2.0
Health Care Supplies	0.7
Health Care Technology	0.2
Cash and Cash Equivalents	7.1
Total	100.0%*

* *Individual weights may not sum to the displayed total due to rounding.*

Recent Activity

During the fourth quarter, we established seven new positions and exited eight positions. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Cigna Corporation	$101.3	$4.9
HCA Healthcare, Inc.	67.8	4.0
Ascendis Pharma A/S	7.0	3.1
Option Care Health, Inc.	5.5	2.3
Moderna, Inc.	69.0	2.2

We initiated a position in **Cigna Corporation**, a health services organization with two primary segments, Cigna Healthcare and Evernorth. Cigna

Healthcare provides health insurance products, including a business in which Cigna provides administrative services only to plan sponsors (employers, unions, and other groups). Evernorth provides a portfolio of health care services, including pharmacy benefit management (PBM) services, care delivery services, data and analytics solutions, and distribution of specialty drugs. Each segment has a portion of business that provides steady, predictable growth. These foundational businesses, which account for roughly 60% of total revenue, include the U.S. commercial business, the PBM business, and international. The other 40% of revenue comes from higher-growth businesses, including the specialty pharmacy business, care delivery services, and Medicare Advantage. Management targets 10% to 13% annual EPS growth over the long term. The stock trades at a significant discount to industry peers because of the company's commercial health insurance and PBM business mix. We think the PBM business will benefit from the biosimilar wave in the next few years, and as Cigna's higher growth businesses become a bigger percentage of the overall mix, we think the stock can appreciate at least in line with its annual EPS growth with potential for valuation expansion.

We initiated a position in **HCA Healthcare, Inc.**, one of the nation's leading providers of health care services. As of September 30, 2022, HCA owned, managed, or operated 182 hospitals and approximately 2,400 ambulatory sites of care in 20 states and the U.K. We think long-term demographic trends as well as HCA's strong presence in attractive growth markets where there is net population migration position the company well to generate sustainable long-term growth. Prior to the COVID pandemic, management targeted long-term top-line organic growth of 4% to 6% with pricing/mix running in the 2% to 3% range and adjusted patient admissions increasing 2% to 3%. Although COVID has been disruptive to this framework, management believes organic revenue growth can return to its targeted 4% to 6% range with positive margin leverage possible at the high end of the range. Recently, the company has seen contract labor costs and wage pressure start to moderate and volume trends are improving. HCA also has a long-term track record returning capital to shareholders through special dividends and share repurchases.

We purchased additional shares of **Ascendis Pharma A/S**, a biopharmaceutical company headquartered in Copenhagen, Denmark. The company has a platform technology called TransCon that can extend the duration of a drug's action in the body. The company is applying its TransCon technology to drug candidates in endocrinology and oncology. In 2021, the company commercially launched Skytrofa, the first FDA-approved once-weekly product for pediatric growth hormone deficiency that has been clinically proven to be superior to currently available products. Ascendis is also developing TransCon PTH, a hormone replacement therapy for adults with hypoparathyroidism. The FDA has accepted for Priority Review the company's New Drug Application for TransCon PTH in adult patients with hypoparathyroidism and has set a target action date of April 30, 2023. A third endocrinology pipeline drug is TransCon CNP, a potential new once-weekly growth treatment option for achondroplasia. We think these three drugs combined have the potential to generate peak sales of roughly $4 billion. Ascendis also has two early-stage oncology product candidates and management recently announced plans to enter a third therapeutic category, ophthalmology.

We initiated a position in **Option Care Health, Inc.**, the largest independent player in the $15 billion U.S. home and alternate site infusion market. We believe Option Care is well positioned to capitalize on the ongoing shift to lower-cost sites of care and the proliferation of new specialty drug treatments. Home infusions cost 40% to 70% less than infusions at a hospital. Option Care's footprint, with over 150 locations, allows it to serve roughly 96% of the U.S. population in a market growing 5% to 7% a year. The company has a well-diversified portfolio of therapies and provider relationships with no customer concentration, enjoys in-network status with all larger payors, and has low direct government reimbursement risk as Medicare currently does not cover home infusion. We estimate the market would double if this were to occur in the future. Given its geographic coverage and therapeutic expertise, the company is assured a seat at the table to discuss new innovative episodic or fully capitated models with payors. It also has strong relationships with relevant drug manufacturers, facilitating early access to newly approved drugs and preferred supply arrangements, while its size and scale provide purchasing power. Management believes the company can continue to generate high single-digit organic revenue growth and mid-teens EBITDA growth. There is also an opportunity to enhance growth through M&A. The company has an excellent track record of acquiring and integrating acquisitions and, with 45% of its market still made up of regional and local providers, there is a meaningful consolidation opportunity.

We added to our position in **Moderna, Inc.**, a market leader in medicines made of messenger RNA (mRNA). We think Moderna has a competitively advantaged platform that allows the company to develop medicines and manufacture them at scale more rapidly than other classes of medicines. We believe that as COVID transitions to an endemic phase, annual COVID booster volumes could approximate flu vaccine volumes over time. The worldwide annual flu vaccine market consists of 500 million to 600 million vaccine doses. Assuming COVID boosters are combined with flu and RSV vaccines in one shot, and depending upon assumptions for vaccine pricing and market share, we think the annual recurring revenue opportunity for respiratory vaccines is at least $5 billion to $10 billion. Beyond this base business, Moderna has a large pipeline of development programs, including vaccines against latent viruses (such as CMV, EBV, and HIV), and medicines for cancer and rare diseases. Just recently, Moderna announced that its personalized cancer vaccine in combination with Merck's Keytruda demonstrated a statistically significant and clinically meaningful reduction in the risk of disease recurrency or death compared to Keytruda monotherapy in stage III/IV melanoma patients with high risk of recurrence following complete resection. These results are the first demonstration of efficacy for an investigational mRNA cancer treatment in a randomized clinical trial. Additionally, Moderna has roughly $18 billion of cash on its balance sheet as of December 31, 2022.

Table VII.
Top net sales for the quarter ended December 31, 2022

	Amount Sold (millions)
Bristol-Myers Squibb Company	$2.9
Bio-Techne Corporation	2.5
ICON Plc	1.8
Inari Medical, Inc.	1.7
Edwards Lifesciences Corp.	1.4

We sold **Bristol-Myers Squibb Company** due to lower conviction in the company's new product pipeline. We reduced **Bio-Techne Corporation** and **ICON Plc** to manage risk in light of increased biotechnology end-market headwinds. We reduced **Inari Medical, Inc.** due to increased competition and trimmed **Edwards Lifesciences Corp.** because of disappointing financial performance.

Outlook

After two challenging years, we think SMID-cap biotechnology stocks are positioned for better performance as interest rate hikes slow, stabilize, or even reverse. As a result, we increased our exposure to this area. Our newer investments include, among others: **Ascendis Pharma A/S** (discussed earlier); **Rocket Pharmaceuticals, Inc.**, a developer of gene therapies for rare, undertreated diseases; and **Inhibrx, Inc.**, a developer of biologics using the company's proprietary single-domain antibody platform.

In pharmaceuticals, our largest investment continues to be in **Eli Lilly and Company**. Lilly's new diabetes drug Mounjaro is likely to be approved for obesity in 2023. Lilly has two new obesity drugs advancing into Phase 3 trials. Lilly also has a drug in late-stage development for Alzheimer's disease. Lilly is not facing any significant near-term patent expirations, and we think the company should be able to grow revenue and earnings at attractive rates through the end of the decade and beyond.

Life sciences tools stocks underperformed in 2022 due to declining COVID-related revenues, the weak capital markets funding environment for their biotechnology customers, economic weakness in Europe, foreign currency headwinds, and COVID lockdowns in China. While some headwinds may continue in the near term, we think the life sciences tools companies we own are good long-term investments because they have secular growth drivers, pricing power, recurring revenues, high margins, and low-capital intensity.

By varying degrees, medical device companies continue to be impacted by nursing and staffing shortages resulting in constraints on procedure volumes. We think these headwinds will start to fade, and over the long term, medical device companies will see increasing demand driven by an aging global population and a higher disease burden from chronic diseases. We have investments in companies with innovative devices for sleep apnea, diabetes, and heart valve replacement, among other areas. For the most part, our investments are in companies addressing non-elective procedures, which makes them less likely to be deferred in a recession.

Managed care companies benefited in 2022 from low health care utilization, higher interest rates, and lack of exposure to foreign currency and global economic headwinds. We continue to think Medicare Advantage remains an attractive growth market. In addition, many managed care companies have growing health care services businesses, enabling them to capture more of the overall spending in health care. We continue to think the outlook for the managed care companies we own is positive.

Overall, our long-term outlook for Health Care remains bullish. Innovation in the sector and the themes in which we have been investing are very much intact. We believe the Fund includes competitively advantaged growth companies with pricing power, strong management, and excellent balance sheets.

As always, I would like to thank my colleague Josh Riegelhaupt, Assistant Portfolio Manager of Baron Health Care Fund, for his invaluable contributions to the Fund.

Thank you for investing in Baron Health Care Fund. I remain an investor in the Fund, alongside you.

Sincerely,

Neal Kaufman

Neal Kaufman
Portfolio Manager
December 31, 2022

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains 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.

Risks: In addition to general market conditions, the value of the Fund will be affected by investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Health Care Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Dear Baron FinTech Fund Shareholder:

Performance

In the quarter ended December 31, 2022, Baron FinTech Fund (the "Fund") rose 4.98% (Institutional Shares) compared with a 7.56% gain for the S&P 500 Index (the "Benchmark") and a 3.91% gain for the FactSet Global FinTech Index (the "Index").[1] Since inception (December 31, 2019), the Fund has risen 4.24% on an annualized basis compared with a 7.66% gain for the Benchmark and a 4.87% decline for the Index.

Table I.
Performance†
Annualized for periods ended December 31, 2022

	Baron FinTech Fund Retail Shares[2,3]	Baron FinTech Fund Institutional Shares[2,3]	FactSet Global FinTech Index[2]	S&P 500 Index[2]
Three Months[3]	4.92%	4.98%	3.91%	7.56%
One Year	(33.46)%	(33.30)%	(33.66)%	(18.11)%
Three Years and Since Inception (December 31, 2019)	3.99%	4.24%	(4.87)%	7.66%

JOSH SALTMAN
PORTFOLIO MANAGER

Retail Shares: BFINX
Institutional Shares: BFIIX
R6 Shares: BFIUX

2022 was a challenging year for equities in general and for higher growth fintech stocks, in particular. High inflation, rising interest rates, geopolitical tensions, and recession fears weighed on equity prices for most of the year. There was a large dispersion of returns across style categories and sectors. Value outperformed growth with the Russell 3000 Value and Growth Indexes down 8.0% and 29.0%, respectively. Energy was a massive outperformer (up 65.7% in the Benchmark), while the next best-performing sectors included Utilities, Consumer Staples, and Health Care. None of these sectors include fintech stocks, most of which are classified within Information Technology (IT), which meaningfully underperformed the broader market (down 28.2%).

Markets partially recovered in the fourth quarter as investor sentiment improved following the release of moderating inflation data and encouraging commentary from the Federal Reserve. The annual inflation rate in the U.S. fell to 7.1% in November, down for a fifth straight month from a high of 9.1% in June, fueling investor hopes that inflation has peaked and could prove less persistent than initially feared. Federal Reserve officials laid the groundwork for the central bank to slow its pace of monetary policy tightening. Much like the full-year performance, commodity-sensitive Energy, Industrials, and Materials sectors outperformed in the fourth quarter, while IT underperformed.

Despite trailing the broader market in the fourth quarter and the full year, the Fund modestly outperformed the more comparable FactSet Global FinTech Index in both periods as favorable stock selection overshadowed negative impacts from variations in thematic exposures. During the quarter, five of the Fund's seven investment themes outperformed the Index: Capital Markets, Payments, Information Services, Tech-Enabled Financials, and E-Commerce. The two quarterly underperformers were Enterprise Software and Digital IT Services. Leaders significantly outperformed Challengers during the quarter (up 9.4% vs. down 3.4%, respectively) and during the year (down 19.6% vs. down 53.9%, respectively).

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.57% and 1.18%, respectively, but the net annual estimated expense ratio was 1.20% and 0.95% (net of the Adviser's fee waivers), 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 cost. The Adviser reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's 3-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 As of the writing of this letter, the Fund has changed its primary benchmark to the FactSet Global FinTech Index. As of 12/31/2022, the Fund's primary benchmark was the S&P 500 Index.

2 The **FactSet Global FinTech Index™** is an unmanaged and equal-weighted index that measures the equity market performance of companies engaged in Financial Technologies, primarily in the areas of software and consulting, data and analytics, digital payment processing, money transfer, and payment transactional-related hardware. The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. 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.

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

4 Not annualized.

BARON FUNDS 1987

Favorable stock selection in Information Services, Payments, and Capital Markets accounted for most of the relative gains in the fourth quarter. Strength in Information Services was largely due to the outperformance of **Fair Isaac Corporation**, a data and analytics company focused on predicting consumer behavior. Fair Isaac was a top contributor after reporting strong quarterly earnings despite macroeconomic headwinds and providing robust preliminary guidance for fiscal year 2023 that was well ahead of Street expectations. Rating agencies **Moody's Corporation** and **S&P Global Inc.** also performed well after reporting solid financial results despite near-term debt issuance headwinds. Global payment networks **Mastercard Incorporated** and **Visa, Inc.** were responsible for much of the outperformance in Payments as both companies reported strong quarterly results despite currency headwinds and the suspension of their Russian operations. Positive stock selection in Capital Markets, owing largely to the outperformance of electronic trading platforms **Tradeweb Markets Inc.** and **MarketAxess Holdings Inc.**, was somewhat offset by the Fund's higher exposure to this lagging segment. Tradeweb and MarketAxess benefited from elevated trading activity during the quarter. Global investment bank **Houlihan Lokey, Inc.** also provided a lift to performance after reporting better-than-expected quarterly results despite challenging market conditions. M&A activity should pick up from depressed levels, and the pipeline for restructuring mandates is growing quickly.

These gains were partly offset by the Fund's unique exposure to Digital IT Services along with disappointing stock selection in Enterprise Software and lack of exposure to the top performing Hardware segment. Unique exposure to Digital IT Services detracted over 100 basis points from relative results as outsourced software development providers **Globant, S.A.**, **Endava plc**, and **CI&T Inc** were down sharply due to concerns about macroeconomic uncertainty weighing on client demand. Weakness in Enterprise Software was driven by financial technology solutions leader **Fidelity National Information Services, Inc.** and financial software provider **Intuit Inc.** Fidelity National's shares declined as banks have delayed IT investments due to macroeconomic uncertainty and weaker U.K. consumer spending reduced merchant processing growth. Wage inflation and higher supplier costs are also weighing on margins. Intuit's stock detracted due to an expected revenue decline for the more cyclical Credit Karma business and concerns that a recession would hurt Intuit's customer base of small businesses. This overshadowed otherwise solid quarterly results, with revenue up 29% year-over-year and earnings ahead of Street expectations.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Mastercard Incorporated	0.98%
Fair Isaac Corporation	0.95
Visa, Inc.	0.85
BlackRock Inc.	0.57
The Charles Schwab Corp.	0.44

Shares of global payment network **Mastercard Incorporated** increased after reporting strong quarterly results, with 15% revenue growth and 13% EPS growth despite significant headwinds from currency movements and the suspension of operations in Russia. Payment volume grew 21% in local currency (excluding Russia) as consumer spending remained resilient and the international travel recovery continued as border restrictions were lifted. We continue to own the stock due to Mastercard's long runway for growth and significant competitive advantages.

Shares of **Fair Isaac Corporation**, a data and analytics company focused on predicting consumer behavior, contributed to performance. The company reported good quarterly earnings despite mortgage headwinds and macroeconomic uncertainty. The company also provided fiscal year 2023 guidance that was well ahead of Street expectations. We believe Fair Isaac will be a steady earnings compounder, which should drive solid returns for the stock over a multi-year period.

Shares of global payment network **Visa, Inc.** increased after reporting strong quarterly results, with 19% growth in revenue and EPS despite currency headwinds and the suspension of operations in Russia. Payment volume grew 16% in local currency (excluding Russia and China) with notable strength in cross-border volumes driven by rebounding international travel. Management also provided encouraging guidance for the next fiscal year. We continue to own the stock due to Visa's long runway for growth and significant competitive advantages.

Shares of **BlackRock Inc.**, the world's largest asset manager, increased during the quarter. Despite volatility and a mid-December decline, most equity markets finished higher in the quarter, and BlackRock, which is heavily tied to these markets, benefited. Additionally, investors are anticipating that the company's fixed income products will experience growth in 2023. Alternative strategies are expanding as well and should continue to provide a profitable revenue stream.

Shares of online brokerage firm **The Charles Schwab Corp.** rose in the quarter on rising interest rates, which should generate increased profits on Schwab's more than $600 billion of interest-earning assets. Despite turbulent markets, the company attracted over $400 billion of net new client assets over the past 12 months. In addition to strong organic growth, we believe operating expenses per client assets will drop to record lows once the equity markets improve.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
ZoomInfo Technologies Inc.	–0.44%
Globant, S.A.	–0.30
Endava plc	–0.26
nCino Inc.	–0.26
CI&T Inc	–0.24

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Shares of ZoomInfo detracted from performance after the company provided a weaker revenue outlook driven by macroeconomic uncertainty. While we believe that ZoomInfo has a long runway for growth in a large addressable market, we exited the position to reassess the company's competitive positioning and growth trajectory.

Globant, S.A. provides outsourced software development, design, and digital marketing services for business customers. Shares fell despite strong business momentum, with 34% revenue growth and 30% EPS growth in the recent quarter and slightly higher full-year guidance. The share price decline likely reflected slower guidance for next quarter and concern about macroeconomic uncertainty weighing on client demand. We continue to own the stock because we believe Globant has a long runway for growth in a large global market for IT services.

Endava plc provides outsourced software development for business customers. Shares fell despite strong business momentum with 33%

revenue growth in the recent quarter and slightly higher financial guidance for the fiscal year. The share price decline likely reflected investor concern about macroeconomic uncertainty weighing on client demand. We continue to own the stock because we believe Endava will continue gaining share in a large global market for IT services.

Shares of **nCino Inc.**, a provider of cloud-based software for banks and credit unions, detracted from performance. The company reported solid earnings results and stronger margins but guided to slightly slower revenue growth in fiscal year 2023 than analysts expected. Management has also been cautious on the near-term macro environment. We retain long-term conviction as nCino has highly regarded products and operates in a large market as most banks still require meaningful investment in digital transformation.

CI&T Inc provides consulting and outsourced software development for business customers using delivery resources primarily in Brazil. Shares fell despite robust quarterly results, with 49% revenue growth, 34% EBITDA growth, and 131% EPS growth along with a hike in full-year guidance. The share price decline was likely due to volatility from low trading liquidity as well as investor concerns about macroeconomic uncertainty potentially weighing on client demand. We continue to own the stock because we believe CI&T will continue growing rapidly in a large global market for IT services.

Portfolio Structure

The Fund seeks to invest in competitively advantaged, growing fintech companies that we can own for years. We conduct independent, fundamental research and take a long-term perspective. The Fund invests in companies across all market capitalizations and geographies. The quality of the ideas and level of conviction determine the position size of each investment. We do not try to mimic an index, and we expect the Fund will look very different from the Benchmark.

As of December 31, 2022, the Fund held 47 positions. The Fund's 10 largest holdings represented 43.0% of net assets, and the 20 largest holdings represented 66.7% of net assets. International stocks represented 16.1% of net assets. The market capitalization range of the investments in the Fund was $730 million to $442.2 billion with a median of $15.2 billion and a weighted average of $89.7 billion. The Fund's active share versus the Benchmark was 94.6%.

We segment the Fund's holdings into seven investment themes. As of December 31, 2022, Information Services represented 20.3% of net assets, Payments represented 19.4%, Tech-Enabled Financials represented 18.0%, Enterprise Software represented 14.4%, Digital IT Services represented 10.5%, Capital Markets represented 7.3%, and E-Commerce represented 6.1%, with the remainder in cash. Over the past year, the Fund increased exposure to Tech-Enabled Financials, Payments, and Capital Markets, while exposure fell across the other themes. Compared to the FactSet Global FinTech Index, we have always been overweight Digital IT Services, Information Services, Capital Markets, and E-Commerce, while generally being meaningfully underweight Enterprise Software and Payments.

We also segment the Fund's holdings between Leaders and Challengers. Leaders are generally larger, more established companies with stable growth rates, higher margins, and moderate valuation multiples. Challengers are generally smaller, earlier-stage companies with higher growth rates, lower margins, and higher valuation multiples. We expect stocks in both categories to outperform over time, but Leaders tend to have steadier performance than less-proven Challengers, as we saw over the last year. As of December 31, 2022, Leaders represented 69.8% of net assets and Challengers represented 26.3%, with the remainder in cash.

Table IV.
Top 10 holdings as of December 31, 2022

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Visa, Inc.	2020	$376.2	$442.2	$2.5	5.9%
Mastercard Incorporated	2020	306.1	334.3	2.4	5.6
S&P Global Inc.	2020	67.9	109.1	2.0	4.7
Intuit Inc.	2020	69.3	109.3	2.0	4.7
The Charles Schwab Corp.	2022	130.9	155.4	1.7	4.1
LPL Financial Holdings Inc.	2021	12.9	17.2	1.7	4.1
Accenture plc	2020	133.7	175.9	1.7	3.9
MSCI, Inc.	2020	22.5	37.2	1.5	3.6
Endava plc	2020	2.6	4.4	1.5	3.4
Fair Isaac Corporation	2020	11.1	14.9	1.3	3.1

Table V.
Fund investments in Baron fintech themes as of December 31, 2022

	Percent of Net Assets
Information Services	20.3%
Payments	19.4
Tech-Enabled Financials	18.0
Enterprise Software	14.4
Digital IT Services	10.5
Capital Markets	7.3
E-Commerce	6.1
Cash and Cash Equivalents	3.9
Total	100.0%*

* Individual weights may not sum to the displayed total due to rounding.

Table VI.
Fund investments in GICS sub-industries as of December 31, 2022

	Percent of Net Assets
Data Processing & Outsourced Services	25.7%
Financial Exchanges & Data	18.6
Application Software	13.3
IT Consulting & Other Services	10.5
Investment Banking & Brokerage	10.2
Research & Consulting Services	6.4
Property & Casualty Insurance	4.6
Internet & Direct Marketing Retail	2.4
Asset Management & Custody Banks	2.3
Insurance Brokers	1.1
Internet Services & Infrastructure	1.0
Cash and Cash Equivalents	3.9
Total	100.0%*

* Individual weights may not sum to the displayed total due to rounding.

Recent Activity

We made only modest changes to the Fund's holdings during the quarter. After a strong run, we took some profits in **LPL Financial Holdings Inc.** to right-size the position and invested the proceeds into **The Charles Schwab Corp.** While both companies benefit from higher interest rates, LPL sees a more immediate lift to earnings, while most of the impact on Schwab's earnings takes several years to unfold due to the company's longer-duration balance sheet. We also added to our positions in **Fiserv, Inc.**, **The Progressive Corporation**, and **FactSet Research Systems, Inc.** All three are newer positions that were added in 2022, are classified as Leaders, and are gaining market share from less-advantaged competitors. We exited our position in **ZoomInfo Technologies Inc.** due to a much slower revenue outlook. The pace of the deceleration surprised us, and, following several recent acquisitions, we became less confident in the company's competitive positioning.

Table VII.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Fiserv, Inc.	$ 64.2	$522.3
The Charles Schwab Corp.	155.4	520.5
The Progressive Corporation	75.9	445.5
FactSet Research Systems, Inc.	15.3	293.1
Jack Henry & Associates, Inc.	12.8	73.3

Table VIII.
Top net sales for the quarter ended December 31, 2022

	Amount Sold (thousands)
LPL Financial Holdings Inc.	$968.1
ZoomInfo Technologies Inc.	412.4
Equifax Inc.	354.5
Ceridian HCM Holding Inc.	315.0
Nuvei Corporation	299.9

Outlook

Following the big market pullback in 2022, there was plenty of investor pessimism to start this year. Much of this pessimism was based on valid concerns about the near-term economic outlook. Interest rates and inflation may have peaked, but the market has moved on to concerns about earnings growth and a recession. The Fed has maintained its hawkish messaging on monetary policy, while its latest economic estimates project higher unemployment, higher inflation, and slower growth over the next two years. The risk of Fed overtightening and inducing a recession remains elevated. Nevertheless, equity markets had a strong start to the new year with the S&P 500 Index up 6.3% in January.

While we are certainly aware of the macroeconomic environment, we don't invest based on predictions of GDP growth, inflation, interest rates, or foreign currencies. There are compelling economic arguments to be made by both bullish and bearish investors. The CFO of investment bank Houlihan Lokey aptly characterized the macroeconomic outlook by noting, "There is half of the population that believes in a soft landing and half of the population that thinks it's going to get ugly." We have yet to find anyone who can accurately and consistently predict market movements. John Kenneth Galbraith once said, "There are two kinds of forecasters: those who don't know, and those who don't know they don't know." We take an agnostic approach to short-term market and economic forecasts because nobody really knows. What we do know is that economies tend to grow, and equity markets tend to appreciate over time. We also know that the fintech sector includes a plethora of companies with long runways for growth and sustainable competitive advantages that we expect will outperform the broader equity market over the long run.

We have curated a portfolio of fintech businesses to limit the exposure to any single economic outcome. The Fund is balanced across seven fintech themes, each of which are influenced by idiosyncratic factors. We are cognizant of the mix of Leaders and Challengers, with the relative mix driven by top-down risk considerations as well as bottom-up opportunities. We are also increasingly mindful of hidden correlations among our stocks, even those across different themes. For example, we recognized over a year ago that the Fund was poorly positioned for a period of rising interest rates given its overweight exposure to higher-growth technology companies. We addressed this by increasing the Fund's exposure to the Tech-Enabled Financials theme from 10.6% a year ago to 18.0% today by adding interest rate beneficiaries such as **LPL Financial Holdings Inc.**, **The Charles Schwab Corp.**, and **The Progressive Corporation**. We seek to position the Fund for a variety of economic environments, not just one.

We remain optimistic about the fundamental growth drivers for our fintech holdings. Consumer spending remains resilient despite a shift in spending from goods to services. For our Payments stocks, what consumers are buying doesn't matter so much as long as they're still spending. Despite the equity market pullback and slowing home price appreciation, Evercore ISI's Head of Economic Research Ed Hyman notes that consumer net worth is almost at a record high. We believe fintech is still in the early innings of growth as incumbent financial institutions still have a long digitization journey ahead and younger consumers continue favoring digital solutions.

Thank you for investing in Baron FinTech Fund. We are working hard to identify good investment ideas that we expect will generate attractive returns over the long term.

Sincerely,

Josh Saltman
Portfolio Manager
December 31, 2022

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains 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.

Risks: In addition to general market conditions, fintech companies may be adversely impacted by government regulations, economic conditions and deterioration in credit markets. Companies in the Information Technology sector are subject to rapid changes in technology product cycles; rapid product obsolescence; government regulation; and increased competition, both domestically and internationally, including competition from foreign competitors with lower production costs. The IT services industry can be significantly affected by competitive pressures, such as technological developments, fixed-rate pricing, and the ability to attract and retain skilled employees, and the success of companies in the industry is subject to continued demand for IT services. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron FinTech Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Active Share: a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

DEAR BARON NEW ASIA FUND SHAREHOLDER:

PERFORMANCE

Baron New Asia Fund (the "Fund") gained 6.60% (Institutional Shares) during the final quarter of 2022, while its principal benchmark index, the MSCI AC Asia ex Japan Index, returned 11.35%. The MSCI AC Asia ex Japan IMI Growth Index gained 11.30% for the quarter. In a year where growth stocks, in particular, suffered under rising interest rates and deteriorating liquidity conditions, the Fund declined 26.94%, while the MSCI AC Asia ex Japan Index retreated 19.67% and the MSCI AC Asia ex Japan IMI Growth Index lost 24.26%. The Fund underperformed both its principal benchmark index and the all-cap growth proxy during a strong fourth quarter for Asian equities, largely due to its significant overweight position in India, as stocks in this jurisdiction reversed a portion of their outperformance earlier in the year. In our previous letter, we surmised that we were likely passing through peak hawkishness; and as suggested, the fourth quarter featured a shift in sentiment regarding inflation expectations and anticipated central bank aggression, which was a primary catalyst for the global rally. Volatility remained elevated, as Asian equities, particularly those most sensitive to China, experienced a wave of selling early in the quarter over the country's unpopular adherence to the zero-COVID policy as well as unexpected changes to the Politburo standing committee, which abruptly reversed as the government's new leadership rolled out significant easing and stimulus measures and began to dismantle its zero-COVID measures. In our view, this vector change leaves China as the global jurisdiction with the highest likelihood of earnings expansion and outperformance relative to expectations as we enter 2023, while China's reopening would also marginally offset deteriorating global growth conditions. We believe that evolving macroeconomic conditions, relative valuations, and relative earnings prospects suggest that emerging market (EM) equities, a majority of which are domiciled in Asia, are likely positioned for a multi-year phase of outperformance. As always, we are confident that we have invested in many well-positioned and well-managed companies on a bottom-up basis that are poised to benefit from long-term and attractive investment themes.

MICHAEL KASS AND ANUJ AGGARWAL

PORTFOLIO MANAGERS

Retail Shares: BNAFX
Institutional Shares: BNAIX
R6 Shares: BNAUX

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron New Asia Fund Retail Shares[1,2]	Baron New Asia Fund Institutional Shares[1,2]	MSCI AC Asia ex Japan Index[1]	MSCI AC Asia ex Japan IMI Growth Index[1]
Three Months[3]	6.47%	6.60%	11.35%	11.30%
One Year	(27.24)%	(26.94)%	(19.67)%	(24.26)%
Since Inception (July 30, 2021)	(19.15)%	(18.92)%	(16.27)%	(19.95)%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 10.06% and 8.59%, respectively, but the net annual estimated expense ratio was 1.45% and 1.20% (net of the Adviser's fee waivers), 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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 The **MSCI AC Asia ex Japan Index** measures the performance of large and mid cap equity securities representation across 2 of 3 developed markets countries (excluding Japan) and 8 emerging markets countries in Asia. The **MSCI AC Asia ex Japan IMI Growth Index** measures the performance of large, mid, and small cap securities exhibiting overall growth style characteristics across 2 of 3 developed markets countries (excluding Japan) and 8 emerging market countries in Asia. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign 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 does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

For 2022, we underperformed our primary benchmark, the MSCI AC Asia ex Japan Index, while also trailing our all-cap Asia ex Japan growth proxy. During the year, Asian equities were marked with increased volatility, in our view primarily due to near-term challenges related to China's zero-COVID policy, economic and geopolitical uncertainties arising from Russia's invasion of Ukraine, and stubbornly high inflation readings, which forced central bankers to tighten aggressively. India broadly outperformed its Asian peers owing to a recovery in corporate earnings power supported by a resilient domestic economy that has successfully emerged from COVID-related disruptions. From a sector or theme perspective, adverse stock selection effect in the Information Technology sector, most notably from investments in our China value-added (**Yonyou Network Technology Co., Ltd.**, **Will Semiconductor Co., Ltd.**, **Silergy Corp.**, and **ACM Research, Inc.**) and digitization (**GDS Holdings Limited**, **Tokyo Electron Limited**, and **Xiaomi Corporation**) themes was a key driver of underperformance during the year. Poor stock selection in the Industrials sector (**Han's Laser Technology Industry Group Co., Ltd.**, **China Conch Environment Protection Holdings Limited**, **Zhejiang Dingli Machinery Co., Ltd.**, and **China Conch Venture Holdings Ltd.**) was another drag on performance. Adverse allocation and stock selection effects in Financials (**Lufax Holding Ltd** and **Max Financial Services Limited**) and Health Care (**Divi's Laboratories Limited**, **Hoya Corporation**, and **Zai Lab Limited**) also stood out as detractors. Partially offsetting the above, our cash position in a weak market environment was a positive contributor to relative performance during the year.

From a country perspective, for calendar year 2022, poor stock selection in China and India drove the vast majority of relative underperformance, though we attribute a good portion of this underperformance to our growth bias in a very difficult year for growth equities worldwide. In our view, the weakness in China was primarily driven by near-term earnings disruption pertaining to the country's zero-COVID policy. As illuminated elsewhere in this letter, we expect our China investments to stage a solid recovery in the year ahead as the worst of COVID-related disruptions are now likely behind us and a new easing and stimulus cycle has taken shape. In our view, despite a late-year rally, current market prices remain well below fundamental intrinsic value for many of our investments. Within India, and among other markets, growth equities broadly underperformed economically sensitive and commodity-oriented stocks in a rising rate environment, which weighed on relative results during the year. Partly offsetting the above was positive allocation and stock selection effect in Korea.

For the fourth quarter, we underperformed our primary benchmark as well as our all-cap growth proxy. Our large overweight positioning together with adverse stock selection in India were the key detractors from relative performance. We are not surprised by a retracement of prior period relative gains in our India holdings and remain excited about long-term opportunities in the country as landmark economic reforms implemented by the Modi administration are now supporting higher sustainable GDP growth while also accelerating formalization and digitization of the economy. Weak stock selection and allocation effect in Korea coupled with cash exposure in a market rally also detracted from relative results during the quarter. From a sector or theme perspective, poor stock selection effect in Financials, primarily driven by investments in our India wealth management/consumer finance theme (**Bajaj Finance Limited**, **SBI Life Insurance Company Limited**, **Max Financial Services Limited**, and **ICICI Bank Limited**), was a key detractor from relative performance during the quarter. Adverse stock selection in the Consumer Discretionary sector (**Jubilant FoodWorks Limited**, **Titan Company Limited**, and **Amber Enterprises India Ltd.**) also weighed on relative results. Closing the year, we are cautiously optimistic about the increasingly attractive risk-reward return potential for Asian equities as we enter 2023.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Samsung Electronics Co., Ltd.	0.73%
Tencent Holdings Limited	0.59
Taiwan Semiconductor Manufacturing Company Limited	0.56
AIA Group Limited	0.54
Kingdee International Software Group Company Limited	0.45

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** increased during the quarter due to investor expectations of a stabilization in DRAM and NAND prices heading into 2023. We are confident Samsung will remain a global leader in memory, smartphones, and foundry services and a major beneficiary of long-term semiconductor demand growth.

Tencent Holdings Limited operates the leading social network and messaging platforms (QQ, WeChat), the largest online entertainment and media business, and the largest online gaming business in China. Shares of Tencent were up this quarter, given improving macroeconomic conditions, the end of China's zero-COVID policy, and slowing regulatory activity in China. We retain conviction that Tencent can sustain durable growth given its track record of execution, scale, and unique and diversified online assets.

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** contributed in the fourth quarter due to easing geopolitical concerns and expectations for a demand recovery later in 2023. We retain conviction that Taiwan Semi's technological leadership, pricing power, and exposure to secular growth markets, including high-performance computing, automotive, 5G, and IoT, will allow the company to sustain strong earnings growth over the next several years.

AIA Group Limited is the largest pan-Asian life insurance company operating in over 18 Asian markets. Shares of AIA rose during the quarter as the Chinese government started relaxing zero-COVID restrictions, improving the outlook for new policy sales and growth in new business value. AIA also benefited from rising global interest rates, which boost expectations for investment income. We believe AIA is best placed to capture the significant growth opportunity in life insurance products in Asia, given its large agency distribution network, brand name, and strong balance sheet.

Kingdee International Software Group Company Limited, a leading Chinese enterprise resource planning (ERP) software company, contributed in the fourth quarter on an improving macroeconomic growth outlook and expectations for increased enterprise software spending. We believe Kingdee will be a key beneficiary of Chinese enterprises' digital transformation and software localization. We expect Kingdee to take market share from foreign ERP providers while transitioning to a subscription, cloud-based model, leading to increased recurring revenue and earnings visibility.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Kweichow Moutai Co., Ltd.	–0.48%
Bajaj Finance Limited	–0.38
Baidu, Inc.	–0.28
GDS Holdings Limited	–0.24
Jubilant FoodWorks Limited	–0.23

Kweichow Moutai Co., Ltd., owner of China's most valuable domestic spirits brand, detracted on investor concerns that rolling COVID-related lockdowns and a slowdown in China's property sector may reduce high-end consumption. We exited our position.

Bajaj Finance Limited, a leading non-bank financial company in India, detracted from performance largely as a result of anticipated weakness in near-term earnings growth owing to a broad slowdown in consumer discretionary. We retain conviction in Bajaj due to its best-in-class management team, robust long-term growth outlook, and conservative risk management frameworks. We think the company is well positioned to benefit from the growing demand for consumer financial services such as mortgages, personal and credit card loans, among other related products.

Shares of **Baidu, Inc.**, a leading Chinese artificial intelligence company, fell in the fourth quarter due to geopolitical uncertainties and COVID-related lockdowns. We retain conviction that Baidu will deliver strong earnings growth over the next several years, driven by the secular growth in digital advertising, market share gains in cloud computing, continued progress in autonomous vehicle development, and improving operational efficiency.

GDS Holdings Limited is a leading Chinese data center operator within Tier 1 cities. Shares fell due to a customer churn event and continued COVID-related lockdowns impacting the pace of customer move-ins. We exited our position during the quarter.

Jubilant FoodWorks Limited, the master franchisee for Domino's Pizza in India, detracted from performance due to near-term earnings weakness owing to escalating raw material costs and a general slowdown in discretionary consumption in India. We retain conviction in Jubilant given its dominant positioning in the pizza category (70% market share) along with upside optionality from recently launched categories such as fried chicken (Popeye's brand) and biryani (Hong's Kitchen).

Portfolio Structure

Table IV.
Top 10 holdings as of December 31, 2022

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Limited	5.3%
Samsung Electronics Co., Ltd.	3.7
Tencent Holdings Limited	3.4
Alibaba Group Holding Limited	3.0
Reliance Industries Limited	3.0
Bajaj Finance Limited	2.8
ICICI Bank Limited	2.7
HDFC Bank Limited	2.4
Bharti Airtel Limited	2.2
Yum China Holdings Inc.	2.1

Exposure by Country

Table V.
Percentage of securities by country as of December 31, 2022

	Percent of Net Assets
China	33.5%
India	30.5
Taiwan	8.2
Korea	7.7
Hong Kong	5.6
Japan	3.4
Indonesia	3.3
Thailand	1.4
United States	0.1

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing companies of all sizes in Asia can exhibit attractive growth potential. At the end of the fourth quarter of 2022, the Fund's median market cap was $11.1 billion, and we were invested 56.2% in giant-cap companies, 31.1% in large-cap companies, 5.7% in mid-cap companies, and 1.0% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the fourth quarter, we added a few new investments toward existing themes while also increasing exposure to several positions that were established in earlier periods. We continue our endeavor to add to our highest conviction ideas.

We were active in adding to our EM consumer theme, most notably by initiating a position in **China Mengniu Dairy Co. Ltd.**, a leading player in China's dairy industry with an approximate 30% share in the liquid milk market. The company is vertically integrated and owns a significant portion of China's scaled dairy farms, which creates high barriers to entry and limits competition from smaller players. Given its core focus on product safety and its leading brand recognition, Mengniu is a beneficiary of industry consolidation driven by the Chinese government in the aftermath of the 2008 Melamine crisis. The company's ongoing product mix shift and premiumization strategy should also aid margin improvement and market share gains. Mengniu is led by CEO Lu Minfang who has a proven track record of value creation at several multi-national companies, including Danone, Johnson & Johnson, and General Electric. We believe Mengniu's largest shareholder, China's state-owned food processing company (COFCO), safeguards corporate governance. We expect Mengniu to sustain mid-teens earnings growth over the next three to five years while maintaining its best-in-class industry position.

During the quarter, we also increased exposure to our global security theme by initiating an investment in **Delta Electronics, Inc.** Based in Taiwan, Delta is a leading global supplier of power storage components, automation equipment, and electric vehicle (EV) components. Over the past three years, Delta has been proactive in diversifying its supply chain by relocating its manufacturing locations away from China and into Thailand and India. Against the backdrop of escalating U.S.-China trade tensions and geopolitical risk, we view Delta as a prime beneficiary of supply-chain diversification. The company also benefits from several ongoing secular growth opportunities, including global deployment of 5G networks, industrial automation, and robotics. In addition, Delta holds a leading 10% share in the global EV charging and power electronics market. In our view, exposure to this high-growth category provides increased earnings visibility as Delta's EV business scales up over the medium to long term. In our view, Delta is well positioned to generate mid-teens earnings growth over the next three to five years.

As part of our China value-added theme, we initiated a position in **Glodon Company Limited**, the leading Chinese construction software provider. In our view, the company is uniquely positioned to benefit from increasing software penetration in the construction industry, which is the least digitized in China. Glodon's cost estimation solution has a dominant competitive position, with over 70% market share, and is undergoing a successful transition to a subscription, cloud-based model, which enhances earnings visibility. The company is also rapidly expanding in the construction management market, which is at an early growth stage in China. We expect that Glodon's differentiated solutions, which are driving significant productivity gains in China's huge construction and infrastructure markets, and its expanding operating margins, driven by increased scale and operational efficiency improvements, will allow the company to generate strong double-digit earnings growth over the next several years.

During the quarter, we also added to our sustainability/ESG theme by initiating an investment in **PT Merdeka Copper Gold Tbk**, an Indonesian metals & mining company. Merdeka's primary asset, the Tujuh Bukit Porphyry project, has the second largest copper deposits in Indonesia. We are bullish on the long-term growth outlook for copper and expect a multi-year supply deficit driven by a structural increase in demand from EVs, among other industries. EVs on average require four times the amount of copper compared to traditional ICE vehicles, while wind/solar power plants use five times the copper per megawatt compared to conventional power plants. We are also positive on the outlook for nickel, a critical element used in high-performance batteries. Merdeka recently announced the acquisition of the world's largest undeveloped nickel and cobalt deposits, potentially accounting for the third largest nickel resource in the world. Merdeka also announced a strategic partnership with China's CATL, the world's largest battery manufacturer, which adds further credibility to the story.

Finally, we added to several of our existing positions during the quarter, most notably **Jiangsu Hengli Hydraulic Co., Ltd.**, **Taiwan Semiconductor Manufacturing Company Limited**, **Samsung Electronics Co., Ltd.**, **Shenzhen Mindray Bio-Medical Electronics Co., Ltd.**, **China Tourism Group Duty Free Corporation Limited**, **Midea Group Co., Ltd.**, and **JD.com, Inc**.

During the quarter, we also exited several positions, including **Kweichow Moutai Co., Ltd.**, **Edelweiss Financial Services Limited**, **China Conch Environment Protection Holdings Limited**, **ICICI Lombard General Insurance Company Limited**, and **GDS Holdings Limited**.

Outlook

In our third quarter letter, we suggested that Fed hawkishness was likely reaching a zone of practical constraint, as, in our view, investors believed that the Fed's impatience with backward-looking and elevated inflation readings would manifest as a policy error and/or trigger financial instability. We suggested that a peak in the U.S. dollar, real interest rates, and sovereign bond yields would likely signal the passing of peak hawkishness and result in moderating equity risk premia and a trough in earnings multiples. We believe the fourth quarter of 2022 has likely confirmed the prediction above, and as we stated in our last letter, these conditions suggest to us that we are entering a sustainable period of EM/emerging Asian equity outperformance. While a global earnings contraction remains a possibility, we believe the combination of macroeconomic conditions, relative valuations, and relative earnings prospects warrant that forward-looking investors should begin to rebalance portfolios. In our view, now is the time to take a contrarian view of ex-U.S. investments.

While the fourth quarter concluded with solid global equity returns, the quarter was nonetheless characterized by high volatility, particularly in EM. Early in the quarter, disappointment with China's adherence to its zero-COVID policy, as well as unexpected changes to the Politburo standing committee, triggered a second capitulation in equities, only to be fully reversed when authorities abruptly unveiled aggressive easing and stimulus measures and signaled the dismantling of zero-COVID. We believe this market capitulation represents a bottom in China equities, and, in our view, further confirms the likelihood that emerging Asian equities are positioned for an improvement in relative performance. From the end of October to year end, the MSCI AC Asia ex Japan Index outperformed the S&P 500 Index by approximately 19%, and this outperformance has continued into the new year. In the near term, we believe China is the global jurisdiction with the greatest likelihood of earnings recovery and outperformance, triggered by the previously mentioned post-COVID economic reopening and coincident large-scale easing and stimulus measures. In contrast, while the U.S./global economy is likely moving past peak hawkishness, we expect an extended period of slowing economic growth and earnings vulnerability while awaiting the next Fed easing cycle. In other words, while the global markets are likely reaching a trough in earnings *multiples,* we are now entering an undefined period of uncertainty for U.S./global earnings power, and the unresolved question will shift to whether the Fed will wait too long to pivot to an easing bias.

Notwithstanding the recent outperformance noted above, we enter 2023 with U.S. equities trading at a near record high relative to EM equities and facing an elevated risk of earnings disappointment, while EM equities in aggregate are trading near a 25-year low relative to U.S. equities and, in our view, stand poised for an improving relative economic and earnings outlook. Over the intermediate and longer term, while a mean reversion in relative valuation is enough to suggest material outperformance, it is a marked improvement in relative earnings expectations that will trigger sustained and unexpected outperformance. As we have outlined in previous communications, we believe the principal catalysts for improving EM and international relative earnings expectations will be the global capital investment cycle that is required to fund deglobalization, supply-chain diversification, sustainability, and energy, commodity, and agricultural security; India's productivity initiatives reaching escape velocity and driving a virtuous investment cycle; and China's pivot to value-added economic activity. We believe we are at or near a final top in the 14-year, extended U.S. dollar bull market and expect that a subsequent period of stronger EM and international currencies and stable or moderating bond yields will prove stimulative to consumption and investment in these jurisdictions. In short, we reiterate that we believe now is a time to take a contrarian view of the EM/emerging Asia equity asset class.

Thank you for investing in the Baron New Asia Fund.

Sincerely,

Michael Kass and Anuj Aggarwal
Portfolio Managers
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. In addition, investments in developing countries may have increased risks due to a greater possibility of settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. Government actions, bureaucratic obstacles and inconsistent economic reform within the Indian government have had a significant effect on the Indian economy and could adversely affect market conditions, economic growth and the profitability of private enterprises in India. 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 manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron New Asia Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Baron Technology Fund

Dear Baron Technology Fund Shareholder:

Performance

Baron Technology Fund (the "Fund") was down 5.75% (Institutional Shares) in the fourth quarter, underperforming the MSCI ACWI Information Technology Index, which rose 5.77%, due to differences in industry exposures and, to a lesser extent, stock selection.

Table I.
Performance
Annualized for periods ended December 31, 2022

	Baron Technology Fund Retail Shares[1,2]	Baron Technology Fund Institutional Shares[1,2]	MSCI ACWI Information Technology Index[1]	S&P 500 Index[1]
Three Months[3]	(5.76)%	(5.75)%	5.77%	7.56%
One Year and Since Inception (December 31, 2021)	(44.40)%	(44.30)%	(31.07)%	(18.11)%

MICHAEL A. LIPPERT AND ASHIM MEHRA

PORTFOLIO MANAGERS

Retail Shares: BTEEX
Institutional Shares: BTECX
R6 Shares: BTEUX

Review & Outlook

We believe investing in technology is a compelling and important way to capitalize on the rapid pace of change in the world, much of it driven by our lives becoming more interconnected, data-driven, and digital. Technology innovations continue to propel powerful and indisputable secular growth trends disrupting industries and yielding open-ended growth opportunities. We launched Baron Technology Fund to provide investors with a portfolio laser focused on these technology trends. By investing in this Fund, investors will gain concentrated exposure to companies capitalizing on durable-growth opportunities driven by such themes as cloud computing, electric vehicles (EVs), advanced semiconductors, and artificial intelligence (AI). These developments have resulted in a jet stream of secular tailwinds that we believe will not only blow through any macro headwinds over the near term but spur faster and more sustainable growth than other industry sectors.

This Fund is co-managed by Michael Lippert and Ashim Mehra. Mike has worked at Baron for over 21 years and is the portfolio manager of Baron Opportunity Fund and the Firm's Head of Technology Research. Ashim has worked at Baron for over 11 years and is the portfolio manager of Baron Innovators Fund and the leader of the Firm's internet, e-commerce, and media research efforts. Together, we have over three decades of combined experience in technology investing, a deep understanding of the key technology industry groups and opportunities they present, and a deep partnership forged over our decade-plus of working closely together. Our complementary backgrounds, Ashim as an engineer and Michael as an attorney, have enabled us to develop a comprehensive approach to portfolio management that incorporates rigorous due diligence, a long-term outlook, and a focus on innovation. Our goal is to help investors realize the full potential of their technology investments and gain the financial rewards that come with it.

Baron Technology Fund is an actively managed, all-cap fund that invests in U.S. and international companies benefiting from technology innovation. We plan to manage the Fund as a high-conviction portfolio with between 40 to 50 individual investments. The primary benchmark for the Fund is the

Performance listed in the above table is net of annual operating expenses. Annual estimated expense ratio for the Retail Shares and Institutional Shares is 1.98% and 1.73%, respectively, but the net annual expense ratio is 1.20% and 0.95% (net of the Adviser's fee waivers), 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 Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month-end, visit www.BaronFunds.com or call 1-800-99BARON.

1 The **MSCI ACWI Information Technology Index** includes large and mid cap securities across 23 Developed Markets (DM) countries and 24 Emerging Markets (EM) countries. All securities in the index are classified in the Information Technology sector as per the Global Industry Classification Standard (GICS®). MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. 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 Not annualized.

MSCI ACWI Information Technology Index. By analytical and experiential design, the portfolio will be more diversified than this Index, with exposure to not only Information Technology (IT) industry groups, such as software, semiconductors, IT services, and electronic payments, but also such technology-driven verticals as EVs, digital media/advertising, and e-commerce. We caution investors that this dynamic may lead to a mismatch between the performance of our Fund and our IT-only primary benchmark. To be clear, our long-term goal is to deliver excellent absolute returns for our investors, as well as superior relative returns versus our primary benchmark, the broader market, and peers.

At Baron, we believe the formula for successful growth investing has always been to identify the best companies, management teams with vision and a track record of success, business models that are easy to analyze and understand, and to hold those investments for the long term. This philosophy/approach will remain the bedrock of our Fund. We will continue to focus our research, analysis, and investment decisions on identifying the undeniable, powerful, durable secular growth trends that will drive industry 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. Here is a partial list of the secular technology trends we plan to emphasize:

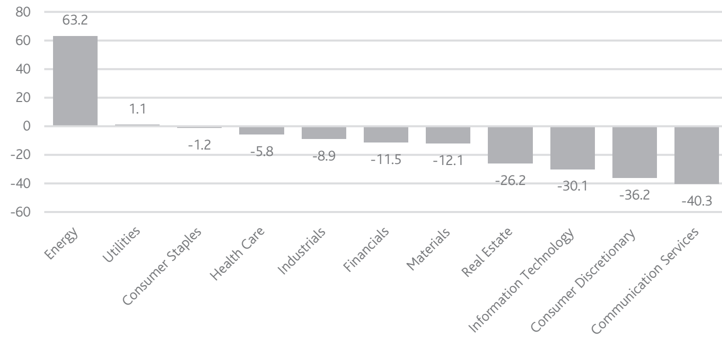
- Cloud Computing
- Software-as-a-service (SaaS)
- Artificial Intelligence
- Electric Vehicles/Autonomous Driving
- Semiconductors
- Digital Media/Services
- Targeted/Data-Driven Digital Advertising
- E-commerce
- Cybersecurity
- DevSecOps
- IT Services
- Electronic Payments

Our decades of investing have taught us that secular trends, durability of growth, and free cash flow (FCF) generation at scale are the key factors in long-term growth investing and ultimately stock returns. Faster-for-longer is a hallmark of all great growth stocks. It is what we look for in almost all our investments. But how does a management team and company achieve that? In our experience, it is through relentless disruptive innovation, trial and error, iterative improvement, and knocking down walls. It is expanding and then capturing a meaningful share of a company's total addressable market, or TAM, and by becoming a multi-product or service business with the right product-market fit, with the ambitious goal of being recognized as a *platform* company. Within our research team, we colloquially refer to such TAM expansion as *open-ended growth, second or third acts, or multiple TAMs*. Think about great growth companies that are now household names, such as **Microsoft Corporation** and **Amazon.com, Inc.**, our top two holdings. Each grew faster-for-longer because of second, third or more acts; each achieved better-than-expected open-ended growth because they developed multiple TAMs; and each created enormous shareholder value. Microsoft started with Windows on personal computers and servers, expanded into the Office suite (e-mail, spreadsheets, word processing) loaded on your device, and crossed the chasm to become a cloud leader with Azure and Office 365. Amazon launched its business as an online book seller and expanded category by category to become an e-commerce platform selling pretty much everything. It disrupted legacy logistics by building the "rails" that deliver products to your door the day after you order them, if not the same day; and it pioneered the current generation of cloud computing with Amazon Web Services. These are the types of companies we will be looking to include in our Fund's portfolio.

In all candor, 2022 was a terrible year to launch a technology-focused fund given the rotation out of growth-oriented segments of the market, such as IT, Consumer Discretionary, and Communication Services, and into Energy, Utilities, Health Care, Financials, and other value-leaning sectors. This backdrop made for a difficult year to be investing in the technology space as the graphic below depicts.

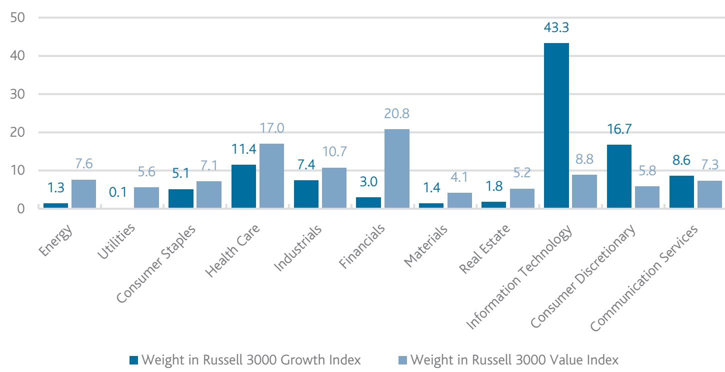
Russell 3000 Index Sector Returns

for Calendar Year 2022



Value vs. Growth Sector Weights

as of December 31, 2022



Sources: FactSet, FTSE Russell.

The pandemic accelerated digital transformations, and technology stocks reached record levels propelled by these tailwinds. The winds not only turned in 2022 but blew in a perfect storm. Technology stocks fell sharply because of the combined impact of rising rates (the Federal Reserve raised rates by 425 cumulative basis points, the fastest pace in 40-plus years), declining multiples, challenging macroeconomic conditions, heightened geopolitical risks (particularly the Ukraine war), and investors fleeing technology stocks for the perceived safety of other value-type sectors. So where are we now? We believe valuations are attractive for long-term investors. The secular trends we emphasize are not only intact but accelerating in terms of how they are disrupting industries and impacting all our lives. We believe these trends will drive outsized growth even during this period of economic weakness and should accelerate once the headwinds abate. Yet the broader technology space has been acting as though we've been in a recession for over a year now. Stocks have sharply retreated, multiples have compressed, and forward numbers (company guidance and Street estimates) have come down. Multiples have contracted below long-term averages–including pre-pandemic and higher interest rates eras, on an absolute and a growth-adjusted basis. Numbers have come down significantly for 2023 and forward projections for 2024 and 2025 appear reasonable and even conservative. While we eschew ever calling the bottom in short-term fundamentals or stock prices, we have run fact-based and pragmatic scenarios across our investments, and believe we are much closer to the bottom, if not already there, and at stock price levels where the risk/reward and upside/downside is in our favor, particularly over the long term (to be clear, by that we mean 2- to 3-year returns, not 5 or 10).

We have tactically responded to the sell-off by endeavoring to optimize our portfolio carefully and pragmatically by buying or adding to businesses that possess the key criteria described above (particularly, faster-for-longer and FCF generation), favoring those companies that our research indicates will be more resilient during this period of macro weakness and accelerate once the global economy starts to rebound. For example, this year we took advantage of the significant weakness in semiconductor stocks to buildout that part of our portfolio, as we believe the secular trends around cloud computing, accelerated computing, Internet of Things (including automobiles), and AI are only accelerating and the long-term demand for powerful and efficient chips extends as far as our research eyes can see. We also selectively leaned into our EV, software, digital media, and e-commerce investments. Among others, during the fourth quarter we initiated or added to:

Electric Vehicles: **Tesla, Inc.**

Semiconductors: **Advanced Micro Devices, Inc.**, **Monolithic Power Systems, Inc.**, **ASML Holding N.V.**, **indie Semiconductor, Inc.**, and **NVIDIA Corporation**

Software: **Datadog, Inc.**, **GitLab Inc.**, and **Cloudflare, Inc.**

Digital Media: **Meta Platforms, Inc.**

E-commerce/Cloud Computing: **Amazon.com, Inc.**

The theme we are most excited about for the next several years is AI. The public launch of ChatGPT in late November shook the world and may prove to be an inflection-point moment in the adoption of AI. ChatGPT is a sophisticated chatbot from OpenAI, built on top of a family of large language models (LLMs), that responds to text inputs and provides articulate answers in a detailed, natural language manner never seen before by the wider public. Use cases include writing natural answers, writing "creatively" (e.g., poems in the style of your choice), auto-completing and debugging code, summarizing long text, having conversations, etc. LLMs like ChatGPT, as well as text-to-images models like DALL-E, also from OpenAI, are a type of AI referred to as Generative AI. Other forms of AI that have been impacting our lives for years are known as recommendation systems. These include such widely adopted use cases as recommendations of search results on Google; videos to watch on YouTube, Netflix, TikTok, and Reels; products to buy on Amazon and other e-commerce sites; songs or podcasts to listen to on streaming services like Spotify; and what ads to show users on mobile applications, internet sites, and connected TV services. Moreover, autonomous driving systems, like Tesla's Autopilot, are also based on AI. We acknowledge there might be a little current hype around ChatGPT, but we have long been believers that AI is the next major secular tectonic shift, like mobile and cloud, and will be the most compelling force to power technology innovation and impact human life over the next decade. Aside from large platform players like Microsoft and Meta, we believe the prime beneficiaries of AI will be a subset of the semiconductor universe, particularly the accelerated computing leaders NVIDIA and Advanced Micro Devices, both of which are sizeable positions in the portfolio.

For 2022, nearly all our software holdings, e-commerce (particularly, Amazon and **Shopify Inc.**), and EVs (chiefly Tesla) detracted the most from the portfolio's absolute and relative performance. As touched on above, the e-commerce and EV verticals are not part of our primary IT-only benchmark and accounted for a significant amount of the Fund's relative underperformance for the year. All these industries and the companies within them were impacted by the gale force winds of rising rates/collapsing multiples and economic weakness. We retain conviction in the secular developments driving all these industries and believe the durable long-term growth trends for these industries will significantly exceed the broader economy. As outlined above, during the year we increased our positions in high-conviction holdings exposed to these digital transformation trends. Moreover, our lower exposure to **Apple Inc.** versus the substantial weight in our primary index (an average weight of 19.7% for the year) further detracted from relative performance.

Our strategy remains to run the well-honed Baron play in the year ahead: identify the best long-term investments and seek to buy or add to them at what we believe are attractive valuations. We are deeply invested in your success, as we are both material investors in the Fund alongside you. We are committed to learning from the past, iteratively improving our processes and judgments, and systematically testing our assumptions and questioning each other to yield better decisions. While 2022 was a challenging launch year, both of us have been investing across the technology space for a long time–and have been mentored by Ron Baron – and we are able put one year's worth of performance in proper perspective. We are optimistic about what the future holds for advancements in technology and the Baron Technology Fund.

Table II.
Top contributors to performance for the quarter ended December 31, 2022

	Percent Impact
Gartner, Inc.	0.77%
ASML Holding N.V.	0.70
NVIDIA Corporation	0.57
Mastercard Incorporated	0.54
Microsoft Corporation	0.44

Shares of **Gartner, Inc.**, the world's largest provider of syndicated research, contributed to our results in the quarter. Gartner is a business that our Firm has been investing in for over 15 years, counting among the Firm's longest tenured investments. By expanding beyond IT to the broader set of business services (a major "second act"), we estimate that Gartner's research TAM has inflected to exceed $100 billion of annual recurring revenue, at least 25 times larger than its current business. Gartner sells its research on a subscription basis with annual contract terms and upfront cash payments, creating valuable recurring revenue streams with high retention rates and verifiable pricing power. Its business model carries high incremental margins, as its research can be written once but resold indefinitely with minimal incremental costs. As a result, Gartner is generating significant cash flow, which management has deployed to make acquisitions and to repurchase stock. In the quarter, Gartner shares responded positively to the company's sustained business momentum despite growing concerns over macroeconomic conditions. For the third quarter, Gartner grew its research contract value at 14.5%, including 12.7% growth in its Global Technology

Services practice and 21.4% growth in its Global Business Services practice. Margins meaningfully exceeded expectations despite growing investments across the company, driven by Gartner's strong unit economics and high incremental margins. Finally, cash flow continued to meaningfully exceed net income, with the company allocating $1 billion to share repurchases through the first three quarters of the year.

Shares of **ASML Holding N.V.**, a designer and manufacturer of semiconductor production equipment with leading share in photolithography, rose during the quarter as the company maintained its strong near-term outlook and increased its longer-term outlook at its Capital Markets Day. While investors are expecting a slowdown in semiconductor capex in 2023, ASML's demand continues to exceed its capacity to produce and the company reported record bookings and backlog during its October earnings report. The company also reiterated its goal to significantly increase capacity through 2025 to continue to support its customers' strategic roadmaps. ASML has 100% market share in high-end lithography (extreme ultraviolet or EUV) equipment, which is a critical component of advanced semiconductor chip manufacturing, and therefore it maintains extremely close relationships with its customers that grant it high visibility for many years. The company remains well positioned to meet or possibly exceed its newly announced medium- and longer-term targets as its customers continue to build out more capacity in the coming years to support growing demand for global semiconductor devices.

NVIDIA Corporation is a fabless semiconductor mega cap that is a global leader in gaming cards and accelerated computing hardware and software. Despite the ongoing inventory correction in gaming, shares rose over 20% during the fourth quarter because of continued resilience in the company's data center segment, which beat expectations and grew more than 30% year-over-year, driven by robust demand for accelerating computing graphic processing units (GPUs) to power data-intensive, AI, and cloud workloads. Along these lines, the company announced an agreement with Microsoft and Oracle, in which it will go to market together with these cloud providers, receiving a revenue share for the usage by Microsoft/Oracle end customers of NVIDIA GPUs in the cloud as well as NVIDIA's AI Enterprise software suite as a service. This strategic announcement should both reduce hurdles for AI adoption in vertical industries as well as drive incremental usage-based, high-margin revenues for NVIDIA. In addition, OpenAI's ChatGPT uses NVIDIA GPUs to train its models and runs on NVIDIA GPUs in the Microsoft Azure cloud to provide its answers. We continue to believe that NVIDIA's end-to-end AI platform–both GPUs and increasingly high-margin software–and its leading market share in gaming, data centers, and autonomous machines, along with the size of these markets, will enable the company to grow faster-for-longer for years to come.

Shares of global payment network **Mastercard Incorporated** outperformed after reporting strong quarterly results with 15% revenue growth and 13% earnings growth, despite significant headwinds from currency movements and the suspension of operations in Russia. Payment volume grew 21% in local currency, excluding Russia, as consumer spending remained resilient and international travel continued to recover as border restrictions are lifted. Major foreign currencies strengthened toward the end of the quarter, which should support future growth. We continue to own the stock due to Mastercard's long runway for growth and significant competitive advantages.

Shares of **Microsoft Corporation** outperformed despite a mixed fiscal first quarter due to macro challenges that negatively impacted results and guidance, including foreign exchange headwinds, weakening PC demand, and a cyclical slowdown in advertising spending. Total revenue beat Street expectations at 16% constant-currency growth (vs. estimates of 14%), but its Azure cloud computing business missed analyst projections by 1% for the second straight quarter, though it still grew a robust 42% year-over-year, as Microsoft helped its customers optimize existing workloads due to the macro backdrop. While the optimization of workloads is a short-term headwind, we believe it is the right thing to do and should help drive more consumption by customers over time. Our research continues to indicate that the longer-term secular trend of cloud computing remains healthy and intact. For example, in its fourth quarter CIO survey report, Morgan Stanley showed, among other things, that cloud computing was the second highest CIO spending priority (behind only security software), that cloud application workloads were expected to increase from 27% of total workloads today to 46% by the end of 2025, and that Azure was listed as the preferred cloud vendor and likely to take share over the short and long term.[1] Additionally, Microsoft is positioned to be a prime beneficiary of ChatGPT. Microsoft invested $1 billion in OpenAI in 2020 and is rumored to be considering investing an additional $10 billion for a 49% stake in the company. Moreover, ChatGPT runs on Microsoft's Azure platform, and Microsoft recently announced the general availability of its Azure OpenAI Service enabling Azure customers to access advanced AI models, including ChatGPT itself soon. We remain bullish on Microsoft's long-term opportunity in the cloud, and believe AI has the potential to be additive to growth for years to come.

Table III.
Top detractors from performance for the quarter ended December 31, 2022

	Percent Impact
Tesla, Inc.	–3.15%
Amazon.com, Inc.	–2.40
ZoomInfo Technologies Inc.	–0.98
CrowdStrike Holdings, Inc.	–0.82
The Trade Desk	–0.59

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Shares underperformed due to growing concerns regarding delivery volumes and vehicle pricing dynamics, as global demand appeared to be impacted by widespread macro downturns, COVID outbreaks in China, and higher interest rates (impacting vehicle financing). In addition, following the closing of CEO Elon Musk's acquisition of Twitter, Elon has dedicated a material portion of his time to that business, sold Tesla shares to fund the transaction, and attracted controversy arising from his public tweets and management of Twitter. Moreover, following a couple of years in which the industry, and Tesla, benefited from elevated prices due to robust demand in a supply-constrained environment, Tesla recently reduced prices across all key geographies. Despite these issues and concerns, which we take seriously and are carefully researching, our long-term investment conviction in Tesla remains intact, we believe Tesla's stock has been oversold and the current

[1] Microsoft Azure was the top vendor "you are using or likely to use in managing your hybrid cloud environment" at 46%; as well as the top "preferred public cloud vendor" today and for the next three years at 38% and 48%, respectively; and the top vendor "with largest gain or loss of incremental share of IT budget as a result of the shift to the cloud in 2023" at a net figure of 40%. Amazon was the second ranked vendor on all these surveys at 17%, 31%, 34%, and 24% net, respectively.

valuation is compelling, and we added to our position during the fourth quarter. Several points as to why we maintain conviction in the Company:

(1) We remain confident in Elon as Tesla's CEO and leader, and the highly capable and trusted management team working alongside him. While we don't align with everything Elon says and does, given our Firm's long-term investments in Tesla and SpaceX, we know him to be a leader and visionary, and to possess a unique skillset to drive amazing innovations others thought impossible.

(2) Tesla ended the third quarter with just under $22 billion of cash and effectively no recourse debt, it is expected (by the Street) to generate over $4 of run-rate earnings in the fourth quarter, it has generated $9 billion of FCF over the trailing 12 months, its near- and long-term earnings and cash flow power remains robust, and it has proven EV unit economics with its Model 3/Y line of vehicles achieving a high of $15,000 of gross profit per vehicle (ex all credits). Tesla will exit 2022 with a production rate of approximately 2 million vehicles and will end 2023 at a far higher level with the ramp of its new, localized, and more efficient factories in Texas and Berlin. In 2022, EV sales accounted for 10% of the global automotive market, and Elon's public target for Tesla is to sell 20 million EVs by 2030. With its scale, brand, direct-to-consumer model, unit-level economics, balance sheet, superior product lineup, manufacturing efficiencies, Cybertruck launching later this year, a lower-priced model with a $20,000 production cost launching next year, we think Tesla's management made the correct aggressive and disruptive move to lower prices and take market share, capitalizing on the relative weakness of its legacy automotive and far smaller EV competitors, as well as substantial consumer incentives in the U.S. under the Inflation Reduction Act (IRA). We always expected Tesla to reduce pricing as driving volume is a key strategy for the company, and the high-margin software (autonomous driving) and robotaxi opportunities inside of a larger fleet are substantial. We believe Tesla should be able to sell approximately four to five million EVs by mid-decade. Already, reports from all around the world of spiking consumer orders for Tesla vehicles abound.

(3) We believe the IRA will materially benefit Tesla's U.S. operations. Tesla currently holds roughly 60% of the EV market share in the U.S., making it by far the largest EV producer in the region. The IRA will offer 10% to 15% price reductions (tax rebates) for eligible consumers on eligible vehicles, and potentially even more for commercial customers. On top of that, the IRA's production tax credit of $45 per kilowatt hour can imply a roughly 30% cost reduction in the battery, the most expensive component in Tesla's cost of production.

(4) Tesla has several long-term growth drivers viewed as not much more than options by the Street, including full self-driving, robotaxis, commercial battery storage, and autonomous robots.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Shares of Amazon were down in the quarter, as the company guided to relative weakness in margins and its cloud business, due to the same macro headwinds and optimization trends impacting Microsoft Azure. We believe that Amazon is well positioned to improve profitability back to historical levels, particularly in its core North American retail division. We have already seen some of this play out with reports of Amazon's increased cost discipline and broad-based layoffs. We believe Amazon can sustain premium growth compared to the rest of the internet and software sectors, given its competitive strengths and scale. Longer term, Amazon has substantially more room to grow in e-commerce, where it has less than 15% penetration in its TAM, and cloud, where it is a clear leader in the vast and growing cloud infrastructure market.

ZoomInfo Technologies Inc. provides go-to-market business intelligence software. Shares of ZoomInfo detracted from performance after the company shared a weaker top-line outlook driven by meaningful macro weakness compounded by exposure to certain verticals, like software. We have researched and spoken to the company and industry experts in detail recently to assess short-term macro risks versus our longer-term growth thesis. We continue to closely monitor ZoomInfo's progress in overcoming elongated sales cycles in the current environment and test our conviction that they will be able to drive premium growth over time as it continues to innovate and make smart acquisitions to establish the company as the only broad platform vendor in its space.

CrowdStrike Holdings, Inc. is a market-leading cloud-native cybersecurity vendor. Shares declined on the back of a weaker-than-expected earnings report, in which revenue beat Street expectations but net new annual recurring revenue (ARR) slightly missed consensus due to elongated sales cycles that impacted deals with small- and medium-sized businesses (SMB) and phased start dates with larger customers. For example, instead of 100,000 endpoints starting on day one, 75,000 start on day one and 25,000 start six months later. For fuller context, in the fiscal third quarter, revenue grew 53%, ARR grew 54%, net new ARR was $198 million versus expectations about $218 million, and the business generated 30% FCF margins. Accounting for the net new ARR miss, the company offered conservative initial guidance for fiscal year 2024 (ending January 2024), with ARR growth in the low 30s, subscription revenue growth in the low-to-mid 30s, and FCF margins around the 30% level. While this was a painful reset, CrowdStrike noted its SMB win rates had improved, enterprise win rates remained consistent, its gross and net retention rates held best-in-class levels, and its emerging products were experiencing rapid adoption. Despite short-term weakness, Morgan Stanley's fourth quarter CIO survey showed security software projects remained the top CIO priority, and our research continues to indicate that CrowdStrike is one of the few true platforms in the security space.

The Trade Desk is the leading demand-side platform enabling agencies to efficiently purchase digital advertising across PC, mobile, and online video channels. Shares were down due to exposure to the macro-challenged digital advertising market, though peers were even more negatively impacted. Trade Desk continues to be well positioned in supporting advertising for the rapidly growing Connected TV market, which benefits from the secular shift from linear TV, and is validated by new ad-supported entrants Netflix and Disney+. Trade Desk also released a new version of its platform this quarter, which should aid adoption of its universal identification tool and drive share gains long term. Broadly, we remain positive given Trade Desk's technology, scale, and estimated 10% share in the $100 billion programmatic advertising market, and a small and growing subset of the $700 billion global advertising market.

Portfolio Structure

The Fund invests in companies of any market capitalization that we believe will deliver durable growth from the development, advancement, and/or use of technology. The Fund invests primarily in U.S. securities, but may invest up to 35% in non-U.S. securities. We ended the fourth quarter with 12.2% of net assets invested outside of the U.S., with the largest exposures being to the U.K. and the Netherlands.

At the end of fourth quarter, the largest market cap holding in the Fund was $2.1 trillion and the smallest was $540 million. The median market cap of the Fund was $32.2 billion, and the weighted average market cap was $443.6 billion.

The Fund had $3.3 million of assets under management. The Fund had investments in 40 unique companies. The Fund's top 10 positions accounted for 48.2% of net assets.

By GICS industry (See Table V), Software was the largest weight in the Fund at 34.6%, followed by Semiconductors & Semiconductor Equipment at 19.3%.

Table IV.
Top 10 holdings as of December 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Microsoft Corporation	$1,787.7	$354.2	10.7%
Amazon.com, Inc.	856.9	272.1	8.2
Datadog, Inc.	23.3	128.5	3.9
ServiceNow, Inc.	78.4	125.8	3.8
NVIDIA Corporation	359.5	125.4	3.8
Endava plc	4.4	124.2	3.8
Gartner, Inc.	26.6	122.4	3.7
CoStar Group, Inc.	31.4	118.8	3.6
Tesla, Inc.	389.0	114.6	3.5
Ceridian HCM Holding Inc.	9.9	110.3	3.3

Table V.
Fund investments in GICS industries as of December 31, 2022

	Percent of Net Assets
Software	34.6%
Semiconductors & Semiconductor Equipment	19.3
IT Services	15.3
Internet & Direct Marketing Retail	8.2
Interactive Media & Services	7.0
Automobiles	4.1
Professional Services	3.6
Technology Hardware Storage & Peripherals	2.9
Media	2.0
Electronic Equipment Instruments & Components	1.6
Hotels Restaurants & Leisure	0.7
Cash and Cash Equivalents	0.7
Total	100.0%*

* Individual weights may not sum to the displayed total due to rounding.

Recent Activity

Table VI.
Top net purchases for the quarter ended December 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Tesla, Inc.	$389.0	$107.2
Datadog, Inc.	23.3	93.1
Meta Platforms, Inc.	315.6	65.4
GitLab Inc.	6.8	34.4
Advanced Micro Devices, Inc.	104.4	21.0

For **Tesla, Inc.** see our discussion above.

During the quarter, we added to our position in **Datadog, Inc.**, a SaaS-based data analytics platform for cloud infrastructure monitoring, application performance monitoring, and log management. These products give customers better visibility to their cloud IT environments, help improve application performance, and reduce downtime by solving problems faster after they occur. We have tracked Datadog closely since its IPO, and have owned it in other Baron Funds, and decided to invest after building more conviction in the company's platform strategy, go-to-market advantages, and new product traction. Datadog's strong brand, ease of use, and compatibility with all major cloud computing services have powered one of the most efficient go-to-market models in software, with sales growth significantly outpacing sales and marketing spending. This has led to expanding FCF margins and enabled Datadog to invest more heavily than its competitors in new product development. Over the last three years, the company has released more than a dozen new products in complementary areas like cloud security and database monitoring. We see a long runway for profitable growth as customers continue to expand their cloud architectures, build new applications that need to be monitored, and adopt more Datadog products.

During the quarter, we initiated a position in **Meta Platforms, Inc.**, owner of Facebook and Instagram, the world's largest social networks. Prior to our purchase, shares had declined materially due to investor concerns about rising expenses in a difficult macro environment. Since our purchase, management has pivoted and demonstrated that it understands the need for serious cost discipline measures, including layoffs and reducing its data center and office footprint. Meanwhile, Meta's short video offering, Reels, has been improving with share gains against rival TikTok and monetization growing at a healthy pace. While the macroeconomic environment remains tricky for advertising and there are multiple moving pieces for the company, we believe Meta will utilize its leadership in mobile advertising, massive user base, and technological scale to maintain its strength in digital advertising with further monetization opportunities ahead.

This quarter we initiated a position in **GitLab Inc.**, a software development and IT operations (DevOps) platform that developers, product managers, IT operations teams, and security professionals use to collaborate throughout the software development lifecycle. For developers, GitLab addresses the planning, creation, verification, testing, and deployment of code. Once code is shipped into production, IT operations professionals use GitLab to continuously protect and monitor code and identify any issues or bugs for further updates. The GitLab platform helps more than 15,000 customers reduce time-to-market for new applications, automate continuous feature updates, reduce security vulnerabilities, and retain developer talent. GitLab is the only end-to-end DevOps platform that addresses all stages of the software lifecycle using a single codebase and unified data model, giving it a competitive advantage over point solutions. GitLab employs an open-source model, which has led to viral adoption among 30 million developers. More than 2,900 of these developers are active contributors to GitLab's product, enabling the company to release upgrades much faster than competitors. These consistent product enhancements have led to low churn and strong expansion in GitLab's existing customer base, driving a best-in-class 150%-plus dollar-based net retention rate. Given GitLab is in the early innings of monetizing its large active user base, and with only 1% penetration of the $43 billion application development software TAM, we see a long runway for growth ahead.

During the quarter, we added to our position in **Advanced Micro Devices, Inc.** (AMD), a global fabless semiconductor company focusing on high-performance computing technology, software, and products. AMD designs leading high-performance central and graphics processing units (known as CPUs and GPUs) and integrates them with hardware and software to build differentiated solutions for customers. AMD has been gaining meaningful share in personal computing and server end-markets over the past several years driven by the performance of its processors and technology and strong execution against its technology roadmap, and we believe share gains will continue over the coming years from a combination of AMD's continued advancements and Intel's stumbles in developing its own leading-edge technology. Additionally, AMD's recent Xilinx and Pensando acquisitions enhance its positioning within the data center market, a key growth engine for the semiconductor industry, and Xilinx specifically opens several new growth opportunities in diverse end-markets like industrial, automotive, and communications. The company also generates significant cash flow, giving it capital allocation optionality for further M&A and returning capital to shareholders.

Table VII.
Top net sales for the quarter ended December 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
CoStar Group, Inc.	$ 31.4	$42.5
MongoDB, Inc.	11.3	41.1
Gartner, Inc.	26.6	38.1
Spotify Technology S.A.	15.8	31.3
Alibaba Group Holding Limited	202.1	28.1

We exited our positions in **MongoDB, Inc.**, **Spotify Technology S.A.**, and **Alibaba Group Holding Limited** in the quarter due to fundamental challenges and to fund other investments, such as those discussed in this letter.

The above sales of **CoStar Group, Inc.** and **Gartner, Inc.** were both trims because these stocks performed well relative to the rest of the portfolio during the year and had increased in position size. As Table IV shows, both remain top 10 holdings in the Fund.

To conclude, despite the current uncertain macroeconomic environment, we remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends across the broader technology space.

Sincerely,

Michael A. Lippert and Ashim Mehra
Portfolio Managers
December 31, 2022

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, technology companies, including internet-related and information technology companies, as well as companies propelled by new technologies, may present the risk of rapid change and product obsolescence, and their successes may be difficult to predict for the long term. Technology companies may also be adversely affected by changes in governmental policies, competitive pressures and changing demand. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Technology Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Portfolio Market Capitalization (Unaudited)

Baron Asset Fund

Baron Asset Fund invests in mid-sized growth companies with market capitalizations above $2.5 billion or the smallest market cap stock in the Russell Midcap Growth Index at reconstitution, whichever is larger, and below the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
The Charles Schwab Corp.	$155,425	3.4%
Equinix, Inc.	60,615	1.0
Roper Technologies Inc.	45,824	2.6
Amphenol Corporation	45,311	1.6
DexCom, Inc.	43,740	1.8
Fidelity National Information Services, Inc.	40,261	0.7
MSCI, Inc.	37,194	0.3
IDEXX Laboratories, Inc.	33,786	6.3
Mettler-Toledo International, Inc.	32,225	6.0
Illumina, Inc.	31,806	1.0
CoStar Group, Inc.	31,429	4.3
SBA Communications Corp.	30,264	2.0
Verisk Analytics, Inc.	27,590	3.9
Gartner, Inc.	26,563	9.8
Willis Towers Watson Public Limited Company	26,473	0.9
Veeva Systems Inc.	25,125	1.7
T. Rowe Price Group, Inc.	24,371	0.6
CBRE Group, Inc.	24,315	1.0
CDW Corporation	24,178	1.6
Alexandria Real Estate Equities, Inc.	23,903	0.6
Arch Capital Group Ltd.	23,221	3.2
First Republic Bank	22,297	0.6
The Trade Desk	21,945	0.6
Verisign, Inc.	21,780	2.8
ANSYS, Inc.	21,045	3.2
argenx SE	20,958	0.5
EPAM Systems, Inc.	18,850	0.4

Company	Equity Market Cap (in millions)	% of Net Assets
Rollins, Inc.	$17,995	1.4%
West Pharmaceutical Services, Inc.	17,424	1.8
IDEX Corporation	17,221	1.8
LPL Financial Holdings Inc.	17,207	0.1
Rivian Automotive, Inc.	16,973	0.2
The Cooper Companies, Inc.	16,320	1.6
ICON Plc	15,860	0.7
FactSet Research Systems, Inc.	15,285	3.4
Tradeweb Markets Inc.	15,217	0.5
Fair Isaac Corporation	14,950	2.1
Aspen Technology, Inc.	13,257	0.8
SS&C Technologies Holdings, Inc.	13,115	0.9
Bio-Techne Corporation	13,010	3.1
ZoomInfo Technologies Inc.	12,154	1.0
Teleflex Incorporated	11,709	0.7
Liberty Broadband Corporation	11,296	0.3
TransUnion	10,936	1.9
MarketAxess Holdings Inc.	10,497	1.3
Ceridian HCM Holding Inc.	9,853	2.4
Hyatt Hotels Corp.	9,689	1.1
Vail Resorts, Inc.	9,611	3.3
Floor & Decor Holdings, Inc.	7,389	0.4
Choice Hotels International, Inc.	6,004	1.4
Guidewire Software, Inc.	5,122	2.0
		96.5%*

* Individual weights may not sum to total due to rounding.

Baron Growth Fund

Baron Growth Fund invests in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Total Investments
MSCI, Inc.	$37,194	10.3%
IDEXX Laboratories, Inc.	33,786	3.2
Mettler-Toledo International, Inc.	32,225	1.5
CoStar Group, Inc.	31,429	5.8
Gartner, Inc.	26,563	7.4
Alexandria Real Estate Equities, Inc.	23,903	1.6
Arch Capital Group Ltd.	23,221	8.3
ANSYS, Inc.	21,045	3.5
West Pharmaceutical Services, Inc.	17,424	1.7
FactSet Research Systems, Inc.	15,285	6.9
Gaming and Leisure Properties, Inc.	13,414	4.0
Bio-Techne Corporation	13,010	3.5
The Carlyle Group Inc.	10,850	0.7
Vail Resorts, Inc.	9,611	6.9
Morningstar, Inc.	9,193	2.9
Iridium Communications Inc.	6,458	5.9
Kinsale Capital Group, Inc.	6,036	3.8
Choice Hotels International, Inc.	6,004	4.8
Houlihan Lokey, Inc.	5,984	0.6
Boyd Gaming Corporation	5,692	0.3
Littelfuse, Inc.	5,451	0.2
Primerica, Inc.	$5,233	3.1%
Marriott Vacations Worldwide Corp.	5,158	2.4
Guidewire Software, Inc.	5,122	0.9
Trex Company, Inc.	4,645	0.7
PENN Entertainment, Inc.	4,607	2.1
Essent Group Ltd.	4,188	0.3
Red Rock Resorts, Inc.	4,161	1.0
Altair Engineering Inc.	3,644	0.5
Bright Horizons Family Solutions, Inc.	3,644	1.0
Dechra Pharmaceuticals PLC	3,603	0.3
Neogen Corp.	3,291	0.3
Cohen & Steers, Inc.	3,145	1.7
Moelis & Company	2,952	0.2
Douglas Emmett, Inc.	2,756	0.8
Marel hf.	2,658	0.2
American Assets Trust, Inc.	1,604	0.1
Figs Inc.	1,117	0.2
OneSpa World Holdings Limited	863	0.0
BrightView Holdings, Inc.	641	0.1
		99.5%*

* Individual weights may not sum to total due to rounding.

Baron Small Cap Fund

Baron Small Cap Fund invests 80% of its net assets in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
DexCom, Inc.	$43,740	1.7%
TransDigm Group, Inc.	34,237	2.0
Waste Connections, Inc.	34,095	1.5
IDEXX Laboratories, Inc.	33,786	0.6
Mettler-Toledo International, Inc.	32,225	1.2
SBA Communications Corp.	30,264	1.8
Gartner, Inc.	26,563	6.4
The Trade Desk	21,945	0.9
ICON Plc	15,860	3.5
Liberty Media Corporation - Liberty Formula One	13,740	1.8
Aspen Technology, Inc.	13,257	1.8
Liberty SiriusXM Group	12,801	0.6
Liberty Broadband Corporation	11,296	0.5
Ceridian HCM Holding Inc.	9,853	1.5
Cognex Corporation	8,147	1.8
Americold Realty Trust	7,627	0.9
Floor & Decor Holdings, Inc.	7,389	2.5
Inspire Medical Systems, Inc.	7,277	1.8
WEX Inc.	7,134	1.1
Planet Fitness, Inc.	7,057	2.0
RBC Bearings Incorporated	6,075	1.5
Kinsale Capital Group, Inc.	6,036	3.3
Houlihan Lokey, Inc.	5,984	1.4
Clarivate Plc	5,623	0.7
SiteOne Landscape Supply, Inc.	5,292	3.1
HealthEquity, Inc.	5,217	1.3
Vertiv Holdings, LLC	5,154	2.7
Guidewire Software, Inc.	5,122	1.9
DraftKings Inc.	5,112	0.3
Chart Industries, Inc.	4,904	1.9
Trex Company, Inc.	4,645	0.9
PENN Entertainment, Inc.	4,607	0.5
Driven Brands Holdings Inc.	4,572	1.6
Clearwater Analytics Holdings, Inc.	4,469	0.7
Madison Square Garden Sports Corp.	$4,461	1.0%
Endava plc	4,354	1.5
Shoals Technologies Group, Inc.	4,177	1.1
Red Rock Resorts, Inc.	4,161	2.8
ASGN Incorporated	4,066	3.6
Altair Engineering Inc.	3,644	0.9
Bright Horizons Family Solutions, Inc.	3,644	1.2
Dechra Pharmaceuticals PLC	3,603	0.8
Nuvei Corporation	3,551	0.5
Neogen Corp.	3,291	0.9
Axonics, Inc.	3,097	1.6
Sprout Social, Inc.	3,096	1.0
Avient Corporation	3,070	1.5
BRP Group, Inc.	2,917	2.0
John Bean Technologies Corporation	2,910	1.3
Progyny, Inc.	2,893	0.5
Mercury Systems, Inc.	2,594	1.4
Installed Building Products, Inc.	2,449	2.7
UTZ Brands, Inc.	2,223	1.3
First Advantage Corporation	1,975	1.3
E2open Inc.	1,774	1.1
The Cheesecake Factory, Inc.	1,631	1.8
Madison Square Garden Entertainment Corp.	1,554	0.2
Hillman Solutions Corp.	1,402	0.5
Janus International Group, Inc.	1,396	1.3
The Beauty Health Company	1,303	0.8
Kratos Defense & Security Solutions, Inc.	1,300	0.6
Grid Dynamics Holdings, Inc.	830	0.9
Repay Holdings Corporation	794	0.8
European Wax Center, Inc.	791	0.9
Membership Collective Group Inc.	739	0.1
Holley Inc.	251	0.2
		95.9%*

* Individual weights may not sum to total due to rounding.

Baron Opportunity Fund

Baron Opportunity Fund invests in high growth businesses of any market capitalization selected for their capital appreciation potential.

Company	Equity Market Cap (in millions)	% of Net Assets
Microsoft Corporation	$1,787,732	14.1%
Alphabet Inc.	1,145,225	6.5
Amazon.com, Inc.	856,939	5.3
Visa, Inc.	442,217	3.6
Tesla, Inc.	388,972	3.4
NVIDIA Corporation	359,504	4.3
Mastercard Incorporated	334,328	3.2
Meta Platforms, Inc.	315,555	0.4
ASML Holding N.V.	217,409	1.5
Advanced Micro Devices, Inc.	104,432	1.5
Intuitive Surgical, Inc.	93,771	1.9
ServiceNow, Inc.	78,431	2.6
Equinix, Inc.	60,615	1.2
Snowflake Inc.	46,163	1.6
Edwards Lifesciences Corp.	46,128	1.0
Workday, Inc.	43,004	1.4
Adyen N.V.	42,755	0.5
Shopify Inc.	37,541	0.8
Electronic Arts Inc.	33,732	1.7
Illumina, Inc.	31,806	1.8
CoStar Group, Inc.	31,429	3.4
Gartner, Inc.	$26,563	5.2%
CrowdStrike Holdings, Inc.	24,936	1.1
Datadog, Inc.	23,341	1.1
The Trade Desk	21,945	1.2
argenx SE	20,958	4.0
Take-Two Interactive Software, Inc.	17,475	1.0
Rivian Automotive, Inc.	16,973	1.5
Monolithic Power Systems, Inc.	16,599	1.2
Cloudflare, Inc.	14,857	1.2
HubSpot, Inc.	14,045	0.4
ZoomInfo Technologies Inc.	12,154	2.6
Endeavor Group Holdings, Inc.	10,651	1.5
Ceridian HCM Holding Inc.	9,853	1.7
ShockWave Medical, Inc.	7,431	1.2
GitLab Inc.	6,802	0.5
Guidewire Software, Inc.	5,122	1.4
Endava plc	4,354	1.9
Arrowhead Pharmaceuticals, Inc.	4,300	0.7
Rocket Pharmaceuticals, Inc.	1,541	1.0
indie Semiconductor, Inc.	866	1.4
		93.7%*

* Individual weights may not sum to total due to rounding.

Baron Partners Fund

Baron Partners Fund is a non-diversified fund that invests primarily in U.S. companies of any size with significant growth potential.

Company	Equity Market Cap (in millions)	% of Total Investments
Tesla, Inc.	$388,972	25.8%
The Charles Schwab Corp.	155,425	5.9
Airbnb, Inc.	54,923	0.1
Brookfield Corporation	51,456	0.5
Brookfield Asset Management Ltd.	46,957	0.1
Adyen N.V.	42,755	1.4
Shopify Inc.	37,541	0.5
MSCI, Inc.	37,194	1.6
IDEXX Laboratories, Inc.	33,786	5.6
Illumina, Inc.	31,806	0.2
CoStar Group, Inc.	31,429	9.8
Gartner, Inc.	26,563	4.1
Arch Capital Group Ltd.	23,221	7.1
HEICO Corporation	18,219	0.6
FactSet Research Systems, Inc.	15,285	5.0
Spotify Technology S.A.	$15,248	0.3%
Gaming and Leisure Properties, Inc.	13,414	1.6
Hyatt Hotels Corp.	9,689	5.2
Vail Resorts, Inc.	9,611	4.3
Iridium Communications Inc.	6,458	3.5
Marriott Vacations Worldwide Corp.	5,158	1.6
Guidewire Software, Inc.	5,122	0.9
Red Rock Resorts, Inc.	4,161	0.8
Cohen & Steers, Inc.	3,145	0.6
Douglas Emmett, Inc.	2,756	0.2
Krispy Kreme, Inc.	1,728	0.2
Figs Inc.	1,117	0.8
Velo3D, Inc.	334	0.2
		88.5%*

* Individual weights may not sum to total due to rounding.

Baron Fifth Avenue Growth Fund

Baron Fifth Avenue Growth Fund invests in large-sized growth companies with market capitalizations no smaller than the top 85th percentile by total market capitalization of the Russell 1000 Growth Index at June 30, or companies with market capitalizations above $10 billion, whichever is smaller.

Company	Equity Market Cap (in millions)	% of Total Investments
Amazon.com, Inc.	$856,939	7.3%
Tesla, Inc.	388,972	3.0
NVIDIA Corporation	359,504	5.5
Mastercard Incorporated	334,328	7.3
Meta Platforms, Inc.	315,555	2.5
ASML Holding N.V.	217,409	3.7
Intuitive Surgical, Inc.	93,771	5.9
ServiceNow, Inc.	78,431	6.4
Snowflake Inc.	46,163	5.7
Adyen N.V.	42,755	2.6
MercadoLibre, Inc.	42,562	3.1
Block, Inc.	37,583	2.5
Shopify Inc.	37,541	3.7
Atlassian Corporation Plc	32,880	1.4
Illumina, Inc.	31,806	2.9
Mobileye Global Inc.	$28,115	1.5%
Veeva Systems Inc.	25,125	3.8
CrowdStrike Holdings, Inc.	24,936	3.7
Datadog, Inc.	23,341	4.2
The Trade Desk	21,945	1.5
argenx SE	20,958	4.4
EPAM Systems, Inc.	18,850	3.6
Rivian Automotive, Inc.	16,973	1.5
Cloudflare, Inc.	14,857	2.2
ZoomInfo Technologies Inc.	12,154	3.2
GitLab Inc.	6,802	1.3
Endava plc	4,354	3.2
		97.8%*

* Individual weights may not sum to total due to rounding.

Baron Focused Growth Fund

Baron Focused Growth Fund is a non-diversified fund that invests in small and mid-sized growth companies with market capitalizations up to the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
Tesla, Inc.	$388,972	10.4%
Shopify Inc.	37,541	1.0
MSCI, Inc.	37,194	4.8
IDEXX Laboratories, Inc.	33,786	1.6
CoStar Group, Inc.	31,429	6.2
Verisk Analytics, Inc.	27,590	3.3
Alexandria Real Estate Equities, Inc.	23,903	0.7
Arch Capital Group Ltd.	23,221	7.8
ANSYS, Inc.	21,045	2.0
FactSet Research Systems, Inc.	15,285	5.0
Spotify Technology S.A.	15,248	1.1
American Homes 4 Rent	10,653	1.0
Hyatt Hotels Corp.	9,689	6.2
Vail Resorts, Inc.	$9,611	5.2%
Iridium Communications Inc.	6,458	4.5
Choice Hotels International, Inc.	6,004	2.4
Marriott Vacations Worldwide Corp.	5,158	2.3
Guidewire Software, Inc.	5,122	3.0
PENN Entertainment, Inc.	4,607	1.9
Red Rock Resorts, Inc.	4,161	3.3
Manchester United plc	3,844	1.3
Douglas Emmett, Inc.	2,756	0.7
Krispy Kreme, Inc.	1,728	1.4
Figs Inc.	1,117	3.5
		80.4%*

* Individual weights may not sum to total due to rounding.

Baron International Growth Fund

Baron International Growth Fund is a diversified fund that invests in non-U.S companies with significant growth potential. Investments may be made across all market capitalizations. The Fund invests principally in companies of developed countries and may invest up to 35% in companies of developing countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$405,653	0.7%
Taiwan Semiconductor Manufacturing Company Limited	378,383	1.6
LVMH Moet Hennessy Louis Vuitton SE	366,270	1.3
Nestle S.A.	318,645	1.7
Alibaba Group Holding Limited	233,221	1.0
AstraZeneca PLC	210,116	2.8
Reliance Industries Limited	208,316	1.6
Linde plc	161,059	2.4
AIA Group Limited	131,005	0.7
HDFC Bank Limited	109,752	0.8
Keyence Corporation	95,289	1.8
JD.com, Inc.	87,661	0.6
Glencore PLC	85,601	1.2
Industria de Diseno Textil, S.A.	82,905	1.7
Compagnie Financiere Richemont SA	74,457	0.8
BNP Paribas S.A.	70,359	1.7
China Tourism Group Duty Free Corporation Limited	64,080	0.7
Bharti Airtel Limited	56,274	0.7
Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	55,108	0.7
Hong Kong Exchanges and Clearing Limited	54,771	0.3
Recruit Holdings Co., Ltd.	53,978	1.0
Midea Group Co., Ltd.	52,128	0.8
Pernod Ricard SA	50,737	1.7
Bajaj Finance Limited	48,118	1.5
Tokyo Electron Limited	45,987	0.7
Agilent Technologies, Inc.	44,307	1.6
Universal Music Group N.V.	43,698	1.1
Sberbank of Russia PJSC	41,333	0.0
Baidu, Inc.	39,524	0.8
Lloyds Banking Group plc	36,935	0.5
Constellation Software, Inc.	33,086	1.7
Experian plc	31,331	1.2
Galaxy Entertainment Group Limited	28,882	0.5
Genmab A/S	27,955	1.5
Grupo Mexico, S.A.B. de C.V.	27,330	0.7
Coupang, Inc.	26,041	0.3
Agnico Eagle Mines Limited	23,690	1.1
Yum China Holdings Inc.	23,539	0.5
Cellnex Telecom, S.A.	23,383	0.6
Arch Capital Group Ltd.	23,221	2.9
Koninklijke DSM N.V.	21,386	1.4
Epiroc AB	21,253	1.2
argenx SE	20,958	2.5
Tenaris S.A.	20,754	1.3
Techtronic Industries Co. Ltd.	20,473	0.5
Z Holdings Corporation	19,310	0.6
Renesas Electronics Corporation	17,661	1.0
Norsk Hydro ASA	15,485	0.4
B3 S.A. - Brasil, Bolsa, Balcao	15,260	0.4
Symrise AG	15,209	1.5
Eurofins Scientific SE	$13,827	1.4%
Newcrest Mining Limited	12,559	0.6
Suzano S.A.	12,438	1.4
Jiangsu Hengli Hydraulic Co., Ltd.	11,858	0.6
Credicorp Ltd.	10,788	0.9
Vivendi SA	10,578	0.8
Bank of Ireland Group plc	10,197	1.0
Full Truck Alliance Co. Ltd.	8,867	0.9
Dino Polska S.A.	8,398	1.0
Hyundai Heavy Industries Co., Ltd.	8,144	1.1
Kingdee International Software Group Company Limited	7,451	0.6
MonotaRO Co., Ltd.	7,094	0.7
Hapvida Participacoes e Investimentos S.A.	6,874	0.2
Stevanato Group S.p.A	5,351	1.1
Clariant AG	5,259	1.2
B&M European Value Retail S.A.	4,982	0.9
Japan Airport Terminal Co., Ltd.	4,635	1.4
DLocal Limited	4,609	0.1
Kingsoft Corporation Ltd.	4,555	0.6
Wix.com Ltd.	4,517	0.6
Endava plc	4,354	0.6
InPost S.A.	4,217	1.3
Godrej Properties Limited	4,116	0.6
Korea Shipbuilding & Offshore Engineering Co., Ltd.	3,957	1.4
GDS Holdings Limited	3,929	0.2
Dechra Pharmaceuticals PLC	3,603	0.6
Zai Lab Limited	3,006	0.4
StoneCo Ltd.	2,948	0.4
Max Financial Services Limited	2,826	0.4
Estun Automation Co., Ltd.	2,711	0.6
Watches of Switzerland Group Limited	2,376	0.8
SMS Co., Ltd.	2,228	1.5
Meyer Burger Technology AG	2,083	2.2
Befesa S.A.	1,929	1.2
Nippon Life India Asset Management Limited	1,877	0.4
Future plc	1,851	0.9
Afya Limited	1,464	0.7
S4 Capital plc	1,299	0.8
AMG Advanced Metallurgical Group N.V.	1,197	1.5
JM Financial Limited	825	0.4
Ceres Power Holdings plc	814	0.4
Taboola.com Ltd.	780	0.3
WANdisco plc	745	1.0
Edelweiss Financial Services Limited	730	0.4
Aker Carbon Capture AS	713	0.5
J D Wetherspoon plc	691	0.2
Waga Energy SA	625	1.5
eDreams ODIGEO SA	540	1.2
Okamoto Industries, Inc.	525	0.6
Similarweb Ltd.	489	0.1
Innovid Corp.	229	0.1
Mister Spex SE	150	0.2
		97.2%*

* Individual weights may not sum to total due to rounding.

Baron Real Estate Fund

Baron Real Estate Fund is a diversified fund that invests 80% of its net assets in equity securities of U.S. and non-U.S. real estate and real estate-related companies of any size. The Fund's investment in non-U.S. companies will not exceed 25%.

Company	Equity Market Cap (in millions)	% of Net Assets
Home Depot, Inc.	$321,920	0.3%
Lowe's Companies, Inc.	120,481	1.5
Prologis, Inc.	104,059	5.2
American Tower Corp.	98,643	4.3
Blackstone Inc.	88,874	1.6
The Sherwin-Williams Company	61,503	1.4
Equinix, Inc.	60,615	3.9
Brookfield Corporation	51,456	4.6
Public Storage Incorporated	49,212	2.5
Brookfield Asset Management Ltd.	46,957	1.2
Las Vegas Sands Corporation	36,734	1.0
Hilton Worldwide Holdings Inc.	34,175	0.6
CoStar Group, Inc.	31,429	5.3
D.R. Horton, Inc.	30,713	3.1
SBA Communications Corp.	30,264	2.7
Lennar Corporation	25,778	3.7
CBRE Group, Inc.	24,315	3.8
Alexandria Real Estate Equities, Inc.	23,903	1.4
Vulcan Materials Company	23,273	2.3
Extra Space Storage Inc.	19,711	1.1
Invitation Homes, Inc.	$18,122	0.8%
Gaming and Leisure Properties, Inc.	13,414	1.6
MGM Resorts International	12,876	1.9
Equity Lifestyle Properties, Inc.	12,023	1.3
Pool Corporation	11,806	2.5
Rexford Industrial Realty, Inc.	10,673	3.0
American Homes 4 Rent	10,653	0.8
Hyatt Hotels Corp.	9,689	0.5
Vail Resorts, Inc.	9,611	1.8
Jones Lang LaSalle Incorporated	7,564	3.0
Floor & Decor Holdings, Inc.	7,389	2.9
Fortune Brands Innovations, Inc.	7,311	1.7
Boyd Gaming Corporation	5,692	1.4
Toll Brothers, Inc.	5,528	4.9
SiteOne Landscape Supply, Inc.	5,292	3.1
Marriott Vacations Worldwide Corp.	5,158	1.5
Trex Company, Inc.	4,645	2.3
Red Rock Resorts, Inc.	4,161	1.6
Fifth Wall Acquisition Corp III	354	1.0
		89.0%*

* Individual weights may not sum to total due to rounding.

Baron Emerging Markets Fund

Baron Emerging Markets Fund is a diversified fund that invests 80% of its net assets in non-U.S. companies of all sizes domiciled, headquartered or whose primary business activities or principal trading markets are in developing countries. The Fund may invest up to 20% in companies in developed market countries and in Frontier Countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$405,653	2.7%
Taiwan Semiconductor Manufacturing Company Limited	378,383	4.9
Samsung Electronics Co., Ltd.	261,075	3.6
Alibaba Group Holding Limited	233,221	3.1
Reliance Industries Limited	208,316	2.7
AIA Group Limited	131,005	1.0
HDFC Bank Limited	109,752	1.6
Keyence Corporation	95,289	1.1
JD.com, Inc.	87,661	1.3
Glencore PLC	85,601	1.4
ICICI Bank Limited	75,126	1.4
Naspers Limited	72,552	0.5
China Tourism Group Duty Free Corporation Limited	64,080	1.0
Wal-Mart de Mexico, S.A.B. de C.V.	61,462	1.5
Bharti Airtel Limited	56,274	1.8
Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	55,108	1.0
Hong Kong Exchanges and Clearing Limited	54,771	0.6
Midea Group Co., Ltd.	52,128	1.5
Bajaj Finance Limited	48,118	2.6
PT Bank Rakyat Indonesia (Persero) Tbk	48,094	1.6
Budweiser Brewing Company APAC Limited	41,654	1.3
Sberbank of Russia PJSC	41,333	0.0
Baidu, Inc.	39,524	1.4
Asian Paints Limited	35,802	0.4
MediaTek Inc.	32,524	0.4
WuXi Biologics Cayman Inc.	32,373	0.7
Galaxy Entertainment Group Limited	28,882	1.1
Titan Company Limited	27,874	0.7
Grupo Mexico, S.A.B. de C.V.	27,330	0.8
Coupang, Inc.	26,041	0.5
Delta Electronics, Inc.	24,213	1.6
Yum China Holdings Inc.	23,539	1.6
NARI Technology Co. Ltd.	23,499	0.7
Tenaris S.A.	20,754	1.3
Techtronic Industries Co. Ltd.	20,473	0.9
China Mengniu Dairy Co. Ltd.	17,938	1.4
Shenzhou International Group Holdings Ltd.	16,909	0.8
Norsk Hydro ASA	15,485	0.5
B3 S.A. - Brasil, Bolsa, Balcao	15,260	0.6
SBI Life Insurance Company Limited	14,896	1.3
Yunnan Baiyao Group Co., Ltd.	14,051	0.9
Hangzhou Tigermed Consulting Co., Ltd.	12,709	0.6
Suzano S.A.	12,438	2.0
Beijing Oriental Yuhong Waterproof Technology Co., Ltd.	12,162	0.8
Jiangsu Hengli Hydraulic Co., Ltd.	11,858	1.4
PT Bank Negara Indonesia (Persero) Tbk	11,051	0.4
Divi's Laboratories Limited	10,953	0.7
Godrej Consumer Products Limited	10,805	0.9
Credicorp Ltd.	10,788	1.3
Glodon Company Limited	10,274	0.8
BDO Unibank, Inc.	9,984	1.1

Company	Equity Market Cap (in millions)	% of Net Assets
Localiza Rent a Car S.A.	$9,917	0.8%
Gold Fields Limited	9,226	1.1
Full Truck Alliance Co. Ltd.	8,867	1.6
Tata Consumer Products Limited	8,612	0.6
XP Inc.	8,521	0.3
Ayala Land, Inc.	8,156	0.7
Hyundai Heavy Industries Co., Ltd.	8,144	1.2
Kingdee International Software Group Company Limited	7,451	1.0
ICICI Lombard General Insurance Company Limited	7,342	0.3
Hapvida Participacoes e Investimentos S.A.	6,874	0.4
PT Merdeka Copper Gold Tbk	6,381	0.6
Muthoot Finance Ltd.	5,158	0.8
Hua Hong Semiconductor Limited	4,562	0.2
Kingsoft Corporation Ltd.	4,555	1.2
Lufax Holding Ltd	4,435	0.3
Tata Communications Limited	4,390	1.3
InPost S.A.	4,217	1.2
Ozon Holdings PLC	4,119	0.0
Godrej Properties Limited	4,116	0.6
Jubilant FoodWorks Limited	4,076	0.5
Korea Shipbuilding & Offshore Engineering Co., Ltd.	3,957	1.7
China Conch Venture Holdings Ltd.	3,939	0.3
GDS Holdings Limited	3,929	0.5
Korea Aerospace Industries, LTD.	3,924	0.8
Fix Price Group Ltd.	3,886	0.0
Han's Laser Technology Industry Group Co., Ltd	3,882	0.3
Venustech Group Inc.	3,574	0.8
Zhejiang Dingli Machinery Co., Ltd.	3,485	0.4
Zai Lab Limited	3,006	0.7
StoneCo Ltd.	2,948	0.6
Max Financial Services Limited	2,826	0.9
Estun Automation Co., Ltd.	2,711	1.3
Aarti Industries Limited	2,673	0.6
Network International Holdings Ltd.	1,980	0.3
Nippon Life India Asset Management Limited	1,877	0.7
Afya Limited	1,464	0.6
Shanghai Henlius Biotech, Inc.	891	0.1
Inter & Co Inc.	840	0.1
JM Financial Limited	825	0.8
China Conch Environment Protection Holdings Limited	742	0.2
Edelweiss Financial Services Limited	730	0.6
Azul S.A.	726	0.1
ACM Research, Inc.	458	0.1
Aarti Pharmalabs Limited	416	0.1
Aeris Industria Comercio Equipamentos Geracao Energia SA	164	0.1
Yandex N.V.	121	0.0
Codere Online Luxembourg, S.A.	116	0.1
		93.2%*

* Individual weights may not sum to total due to rounding.

Baron Global Advantage Fund

Baron Global Advantage Fund is a diversified fund that invests primarily in established and emerging markets companies located throughout the world with capitalization within the range of companies included in the MSCI ACWI Index.

Company	Equity Market Cap (in millions)	% of Total Investments
Tesla, Inc.	$388,972	1.9%
NVIDIA Corporation	359,504	2.8
ASML Holding N.V.	217,409	2.7
Meituan Inc.	138,525	2.7
Bajaj Finance Limited	48,118	4.9
Snowflake Inc.	46,163	4.5
Adyen N.V.	42,755	2.9
MercadoLibre, Inc.	42,562	5.6
Block, Inc.	37,583	1.7
Shopify Inc.	37,541	3.3
Illumina, Inc.	31,806	2.4
Coupang, Inc.	26,041	3.4
Veeva Systems Inc.	25,125	2.8
CrowdStrike Holdings, Inc.	24,936	3.8
Datadog, Inc.	23,341	3.4
argenx SE	20,958	4.6
EPAM Systems, Inc.	18,850	2.4
Rivian Automotive, Inc.	16,973	1.6
Zscaler, Inc.	16,137	1.5
Cloudflare, Inc.	$14,857	2.2%
ZoomInfo Technologies Inc.	12,154	2.8
Bill.com Holdings, Inc.	11,514	2.0
Globant, S.A.	7,045	1.6
Zomato Limited	6,130	0.7
DLocal Limited	4,609	1.5
Wix.com Ltd.	4,517	0.9
Endava plc	4,354	6.6
InPost S.A.	4,217	1.9
Guardant Health, Inc.	2,786	0.7
Afya Limited	1,464	2.3
Schrodinger, Inc.	1,331	1.0
Fiverr International Ltd.	1,082	1.1
Taboola.com Ltd.	780	1.1
MaxCyte, Inc.	541	1.2
Innovid Corp.	229	0.7
Codere Online Luxembourg, S.A.	116	0.6
		87.9%*

* Individual weights may not sum to total due to rounding.

Baron Discovery Fund

Baron Discovery Fund invests in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
Liberty Media Corporation - Liberty Formula One	$13,740	0.9%
Axon Enterprise, Inc.	11,809	3.6
Dynatrace Holdings LLC	11,025	1.4
Rexford Industrial Realty, Inc.	10,673	3.1
Ceridian HCM Holding Inc.	9,853	2.1
Floor & Decor Holdings, Inc.	7,389	2.4
GitLab Inc.	6,802	1.8
RH	6,400	0.6
Texas Roadhouse, Inc.	6,086	1.5
RBC Bearings Incorporated	6,075	0.9
Kinsale Capital Group, Inc.	6,036	4.6
Allegro MicroSystems, Inc.	5,743	1.9
Boyd Gaming Corporation	5,692	3.5
SiteOne Landscape Supply, Inc.	5,292	2.6
CyberArk Software Ltd.	5,279	0.8
Smartsheet Inc.	5,169	2.0
Guidewire Software, Inc.	5,122	1.4
Chart Industries, Inc.	4,904	2.0
Novanta Inc.	4,849	0.6
Trex Company, Inc.	4,645	0.7
Clearwater Analytics Holdings, Inc.	4,469	2.1
Endava plc	4,354	2.0
Qualys, Inc.	4,263	1.8
Red Rock Resorts, Inc.	4,161	0.7
ASGN Incorporated	4,066	1.4
Azenta, Inc.	4,020	0.4
Maravai LifeSciences Holdings, Inc.	3,652	0.5
Inari Medical, Inc.	3,410	0.6
Advanced Energy Industries, Inc.	3,207	3.2
Axonics, Inc.	3,097	3.5
BRP Group, Inc.	2,917	1.3
Progyny, Inc.	$2,893	1.1%
Varonis Systems, Inc.	2,639	1.3
Mercury Systems, Inc.	2,594	2.7
Petco Health and Wellness Company, Inc.	2,521	1.0
Nova Ltd.	2,351	1.2
Silk Road Medical, Inc.	2,015	2.9
ForgeRock, Inc.	1,954	0.5
Definitive Healthcare Corp.	1,760	1.5
Veracyte, Inc.	1,703	1.2
The Cheesecake Factory, Inc.	1,631	1.4
Establishment Labs Holdings Inc.	1,598	0.8
Revance Therapeutics, Inc.	1,519	1.6
Alkami Technology Inc.	1,335	1.7
Montrose Environmental Group, Inc.	1,319	2.3
The Beauty Health Company	1,303	1.0
Kratos Defense & Security Solutions, Inc.	1,300	1.7
ACV Auctions Inc.	1,299	0.9
S4 Capital plc	1,299	0.8
Kornit Digital Ltd.	1,144	0.2
indie Semiconductor, Inc.	866	1.5
ViewRay Incorporated	813	1.6
Ichor Holdings, Ltd.	773	1.1
PAR Technology Corporation	711	1.7
Cerus Corporation	648	0.6
CareDx, Inc.	611	1.6
Couchbase, Inc.	599	2.2
Navitas Semiconductor Corporation	539	0.8
SmartRent, Inc.	482	0.8
Inogen, Inc.	452	1.4
Velo3D, Inc.	334	0.2
Markforged Holding Corporation	225	0.2
		95.7%*

* Individual weights may not sum to total due to rounding.

Baron Durable Advantage Fund

Baron Durable Advantage Fund invests primarily in large-sized companies with market capitalizations no smaller than the top 90th percentile by market capitalization of the S&P 500 Index at June 30, or companies with market capitalizations above $10 billion, whichever is smaller.

Company	Equity Market Cap (in millions)	% of Net Assets
Microsoft Corporation	$1,787,732	8.3%
Alphabet Inc.	1,145,225	3.4
Amazon.com, Inc.	856,939	4.8
UnitedHealth Group Incorporated	495,373	4.8
Visa, Inc.	442,217	4.9
NVIDIA Corporation	359,504	3.5
Mastercard Incorporated	334,328	4.1
Meta Platforms, Inc.	315,555	5.0
Thermo Fisher Scientific Inc.	215,978	4.0
Costco Wholesale Corporation	202,562	2.8
Danaher Corporation	193,216	4.2
Accenture plc	175,941	4.7
Adobe Inc.	156,453	2.0
Texas Instruments Incorporated	149,949	2.8
Intuit Inc.	109,342	4.1
S&P Global Inc.	109,124	3.7
Blackstone Inc.	$88,874	1.1%
The Estee Lauder Companies Inc.	88,529	1.1
CME Group, Inc.	60,492	3.0
Brookfield Corporation	51,456	3.0
Moody's Corporation	51,043	2.0
Brookfield Asset Management Ltd.	46,957	0.6
Agilent Technologies, Inc.	44,307	1.4
MSCI, Inc.	37,194	3.0
TE Connectivity Ltd.	36,418	1.5
Mettler-Toledo International, Inc.	32,225	1.3
Arch Capital Group Ltd.	23,221	4.9
HEICO Corporation	18,219	3.2
Monolithic Power Systems, Inc.	16,599	3.3
		96.4%*

* Individual weights may not sum to total due to rounding.

Baron Real Estate Income Fund

Baron Real Estate Income Fund is a non-diversified fund that under normal circumstances, invests at least 80% of its net assets in real estate income-producing securities and other real estate securities of any market capitalization, including common stocks and equity securities, debt and preferred securities, non-U.S. real estate income-producing securities, and any other real estate-related yield securities.

Company	Equity Market Cap (in millions)	% of Net Assets
Prologis, Inc.	$104,059	13.8%
American Tower Corp.	98,643	10.4
Equinix, Inc.	60,615	7.3
Crown Castle Inc.	58,739	1.9
Brookfield Corporation	51,456	2.7
Public Storage Incorporated	49,212	6.0
Brookfield Asset Management Ltd.	46,957	1.8
Simon Property Group, Inc.	38,411	4.9
VICI Properties Inc.	32,315	2.1
Welltower Inc.	30,974	1.6
SBA Communications Corp.	30,264	5.3
Digital Realty Trust, Inc.	29,461	1.6
Alexandria Real Estate Equities, Inc.	23,903	2.6
AvalonBay Communities, Inc.	22,596	0.7
Equity Residential	22,297	1.2
Extra Space Storage Inc.	$19,711	3.3%
Invitation Homes, Inc.	18,122	1.3
Ventas, Inc.	18,007	2.7
Sun Communities, Inc.	17,716	4.9
Gaming and Leisure Properties, Inc.	13,414	2.5
Equity Lifestyle Properties, Inc.	12,023	2.8
Rexford Industrial Realty, Inc.	10,673	3.3
American Homes 4 Rent	10,653	1.9
Vail Resorts, Inc.	9,611	0.5
CubeSmart	9,039	2.6
EastGroup Properties, Inc.	6,452	4.1
Terreno Realty Corporation	4,326	1.8
Brookfield Infrastructure Corporation	4,300	2.9
		98.3%*

* Individual weights may not sum to total due to rounding.

Baron Health Care Fund

Baron Health Care Fund is a non-diversified fund that under normal circumstances, invests at least 80% of its net assets in equity securities in the form of common stock of companies engaged in the research, development, production, sale, delivery or distribution of products and services related to the health care industry.

Company	Equity Market Cap (in millions)	% of Net Assets
UnitedHealth Group Incorporated	$495,373	9.5%
Eli Lilly and Company	347,613	6.0
AbbVie Inc.	285,804	3.1
Merck & Co., Inc.	281,302	3.7
Thermo Fisher Scientific Inc.	215,978	4.2
AstraZeneca PLC	210,116	3.9
Danaher Corporation	193,216	1.0
Abbott Laboratories	191,427	1.8
Elevance Health, Inc.	122,511	2.8
Cigna Corporation	101,304	2.5
Intuitive Surgical, Inc.	93,771	3.4
Vertex Pharmaceuticals Incorporated	74,127	3.2
Moderna, Inc.	69,007	2.6
Zoetis Inc.	68,303	1.8
HCA Healthcare, Inc.	67,841	2.0
Humana Inc.	64,843	4.0
McKesson Corporation	53,190	3.5
Edwards Lifesciences Corp.	46,128	1.1
DexCom, Inc.	43,740	1.5
IDEXX Laboratories, Inc.	33,786	1.0
Mettler-Toledo International, Inc.	32,225	2.2
Illumina, Inc.	31,806	1.1
Alnylam Pharmaceuticals, Inc.	29,238	1.3
Genmab A/S	27,955	0.9
argenx SE	20,958	3.6
Insulet Corp.	$20,445	0.6%
West Pharmaceutical Services, Inc.	17,424	0.3
The Cooper Companies, Inc.	16,320	0.7
ICON Plc	15,860	0.8
Bio-Techne Corporation	13,010	3.1
Repligen Corporation	9,401	0.7
Legend Biotech Corporation	8,192	0.9
ShockWave Medical, Inc.	7,431	1.1
Inspire Medical Systems, Inc.	7,277	2.2
Ascendis Pharma A/S	6,965	2.1
Option Care Health, Inc.	5,473	1.0
Prometheus Biosciences, Inc.	5,103	0.6
Cytokinetics, Inc.	4,336	1.0
Arrowhead Pharmaceuticals, Inc.	4,300	0.5
Dechra Pharmaceuticals PLC	3,603	0.8
Inari Medical, Inc.	3,410	0.5
Xenon Pharmaceuticals Inc.	2,466	0.9
Rocket Pharmaceuticals, Inc.	1,541	1.1
Schrodinger, Inc.	1,331	0.2
Inhibrx, Inc.	1,073	0.8
MaxCyte, Inc.	541	0.3
Opsens Inc.	160	0.9
		92.9%*

* Individual weights may not sum to total due to rounding.

Baron FinTech Fund

Baron FinTech Fund is a non-diversified fund that, under normal circumstances, invests at least 80% of its net assets in securities of companies that develop, use, or rely on innovative technologies or services, in a significant way, for banking, lending, capital markets, financial data analytics, insurance, payments, asset management, or wealth management. The Fund may purchase securities of companies of any market capitalization and may invest in foreign stocks, including emerging market securities.

Company	Equity Market Cap (in millions)	% of Net Assets
Visa, Inc.	$442,217	5.9%
Mastercard Incorporated	334,328	5.6
Accenture plc	175,941	3.9
The Charles Schwab Corp.	155,425	4.1
Intuit Inc.	109,342	4.7
S&P Global Inc.	109,124	4.7
BlackRock Inc.	107,118	2.3
The Progressive Corporation	75,880	3.0
Fiserv, Inc.	64,182	1.7
CME Group, Inc.	60,492	1.8
Moody's Corporation	51,043	2.5
Adyen N.V.	42,755	2.0
MercadoLibre, Inc.	42,562	2.4
Fidelity National Information Services, Inc.	40,261	1.0
Block, Inc.	37,583	1.8
Shopify Inc.	37,541	1.0
MSCI, Inc.	37,194	3.6
CoStar Group, Inc.	31,429	1.8
Verisk Analytics, Inc.	27,590	1.7
Global Payments Inc.	26,856	1.4
Equifax Inc.	23,798	1.7
LPL Financial Holdings Inc.	17,207	4.1
FactSet Research Systems, Inc.	15,285	2.5
Tradeweb Markets Inc.	15,217	2.4
Fair Isaac Corporation	14,950	3.1
Jack Henry & Associates, Inc.	$12,807	1.7%
Bill.com Holdings, Inc.	11,514	1.0
TransUnion	10,936	1.2
MarketAxess Holdings Inc.	10,497	1.0
Ceridian HCM Holding Inc.	9,853	0.3
Globant, S.A.	7,045	2.7
Wise Plc	6,972	1.8
Kinsale Capital Group, Inc.	6,036	1.6
Houlihan Lokey, Inc.	5,984	2.0
Guidewire Software, Inc.	5,122	1.8
DLocal Limited	4,609	0.5
Clearwater Analytics Holdings, Inc.	4,469	1.2
Endava plc	4,354	3.4
Nuvei Corporation	3,551	0.3
nCino Inc.	2,936	0.6
BRP Group, Inc.	2,917	1.1
Network International Holdings Ltd.	1,980	1.5
Alkami Technology Inc.	1,335	0.3
Paymentus Holdings, Inc.	985	0.3
CI&T Inc	864	0.5
Repay Holdings Corporation	794	0.3
Expensify, Inc.	730	0.3
		96.1%*

* Individual weights may not sum to total due to rounding.

Baron New Asia Fund

Baron New Asia Fund is a diversified fund that seeks capital appreciation through investments primarily in equity securities located in Asia, but including all other developed, developing, and frontier countries in the Asian region.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$405,653	3.4%
Taiwan Semiconductor Manufacturing Company Limited	378,383	5.3
Samsung Electronics Co., Ltd.	261,075	3.7
Alibaba Group Holding Limited	233,221	3.0
Reliance Industries Limited	208,316	3.0
AIA Group Limited	131,005	1.8
HDFC Bank Limited	109,752	2.4
Keyence Corporation	95,289	1.7
JD.com, Inc.	87,661	1.4
ICICI Bank Limited	75,126	2.7
China Tourism Group Duty Free Corporation Limited	64,080	1.2
Bharti Airtel Limited	56,274	2.2
Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	55,108	1.2
Hong Kong Exchanges and Clearing Limited	54,771	1.2
Midea Group Co., Ltd.	52,128	1.6
Bajaj Finance Limited	48,118	2.8
PT Bank Rakyat Indonesia (Persero) Tbk	48,094	1.8
Tokyo Electron Limited	45,987	0.6
Budweiser Brewing Company APAC Limited	41,654	1.5
Baidu, Inc.	39,524	1.6
Asian Paints Limited	35,802	0.6
WuXi AppTec Co., Ltd	34,280	0.5
Hoya Corporation	34,054	1.1
MediaTek Inc.	32,524	0.5
WuXi Biologics Cayman Inc.	32,373	0.7
Galaxy Entertainment Group Limited	28,882	1.2
Titan Company Limited	27,874	1.7
Coupang, Inc.	26,041	0.5
Delta Electronics, Inc.	24,213	1.3
Yum China Holdings Inc.	23,539	2.1
NARI Technology Co. Ltd.	23,499	0.8
Techtronic Industries Co. Ltd.	20,473	1.1
China Mengniu Dairy Co. Ltd.	17,938	1.6
SBI Life Insurance Company Limited	14,896	2.1
Yunnan Baiyao Group Co., Ltd.	14,051	1.0
Hangzhou Tigermed Consulting Co., Ltd.	12,709	0.6
Beijing Oriental Yuhong Waterproof Technology Co., Ltd.	12,162	0.8
Jiangsu Hengli Hydraulic Co., Ltd.	11,858	1.5
PT Bank Negara Indonesia (Persero) Tbk	11,051	0.8
Divi's Laboratories Limited	$10,953	0.7%
Godrej Consumer Products Limited	10,805	1.4
Energy Absolute PCL	10,446	1.4
Glodon Company Limited	10,274	1.0
Full Truck Alliance Co. Ltd.	8,867	1.7
Tata Consumer Products Limited	8,612	1.4
Hyundai Heavy Industries Co., Ltd.	8,144	1.5
Apollo Hospitals Enterprise Limited	7,782	1.0
Kingdee International Software Group Company Limited	7,451	1.1
Tube Investments of India Limited	6,477	0.3
PT Merdeka Copper Gold Tbk	6,381	0.7
PI Industries Limited	6,272	0.8
Zomato Limited	6,130	0.8
Airtac International Group	6,058	0.5
Silergy Corp.	5,408	0.6
Hua Hong Semiconductor Limited	4,562	0.2
Kingsoft Corporation Ltd.	4,555	1.3
Lufax Holding Ltd	4,435	0.3
Tata Communications Limited	4,390	0.9
Godrej Properties Limited	4,116	0.8
Jubilant FoodWorks Limited	4,076	0.9
Korea Shipbuilding & Offshore Engineering Co., Ltd.	3,957	1.1
China Conch Venture Holdings Ltd.	3,939	0.3
Korea Aerospace Industries, LTD.	3,924	0.9
Han's Laser Technology Industry Group Co., Ltd	3,882	0.3
Venustech Group Inc.	3,574	0.9
Zhejiang Dingli Machinery Co., Ltd.	3,485	0.4
Zai Lab Limited	3,006	0.7
Max Financial Services Limited	2,826	0.7
Dixon Technologies Ltd.	2,811	0.7
Estun Automation Co., Ltd.	2,711	1.3
Aarti Industries Limited	2,673	0.6
IIFL Wealth Management Limited	1,911	0.4
JM Financial Limited	825	0.5
Amber Enterprises India Ltd.	770	0.4
ACM Research, Inc.	458	0.1
Aarti Pharmalabs Limited	416	0.1
Neogen Chemicals Limited	377	0.7
		93.8%*

* Individual weights may not sum to total due to rounding.

Baron Technology Fund

Baron Technology Fund is a non-diversified fund that, under normal market conditions, invests at least 80% of its net assets in equity securities in the form of common stock of U.S. and non-U.S. technology companies of any market capitalization, selected for their durable growth potential from the development, advancement and use of technology.

Company	Equity Market Cap (in millions)	% of Net Assets
Apple Inc.	$2,066,942	2.9%
Microsoft Corporation	1,787,732	10.7
Alphabet Inc.	1,145,225	2.1
Amazon.com, Inc.	856,939	8.2
Visa, Inc.	442,217	3.1
Tesla, Inc.	388,972	3.5
Taiwan Semiconductor Manufacturing Company Limited	378,383	2.1
NVIDIA Corporation	359,504	3.8
Mastercard Incorporated	334,328	3.2
Meta Platforms, Inc.	315,555	2.0
Broadcom Inc.	233,653	2.2
ASML Holding N.V.	217,409	3.2
Intuit Inc.	109,342	2.5
Advanced Micro Devices, Inc.	104,432	2.6
ServiceNow, Inc.	78,431	3.8
Lam Research Corporation	57,320	1.8
Snowflake Inc.	46,163	1.7
Workday, Inc.	43,004	1.3
Shopify Inc.	37,541	1.1
Atlassian Corporation Plc	32,880	0.8
Marvell Technology, Inc.	31,603	0.6
CoStar Group, Inc.	$31,429	3.6%
Gartner, Inc.	26,563	3.7
CrowdStrike Holdings, Inc.	24,936	1.5
Datadog, Inc.	23,341	3.9
The Trade Desk	21,945	1.0
Rivian Automotive, Inc.	16,973	0.6
Monolithic Power Systems, Inc.	16,599	1.6
Cloudflare, Inc.	14,857	1.4
HubSpot, Inc.	14,045	1.5
ZoomInfo Technologies Inc.	12,154	2.9
Ceridian HCM Holding Inc.	9,853	3.3
GitLab Inc.	6,802	1.1
DLocal Limited	4,609	0.4
Endava plc	4,354	3.8
Braze, Inc.	2,611	1.1
S4 Capital plc	1,299	0.9
indie Semiconductor, Inc.	866	1.5
PAR Technology Corporation	711	1.6
eDreams ODIGEO SA	540	0.7
		99.3%*

* Individual weights may not sum to total due to rounding.

Baron Asset Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (96.48%)			
Communication Services (1.89%)			
	Advertising (0.61%)		
594,000	The Trade Desk, Inc., Cl A[1]	$ 11,554,017	$ 26,629,020
	Cable & Satellite (0.31%)		
175,000	Liberty Broadband Corporation, Cl C[1]	12,253,925	13,347,250
	Interactive Media & Services (0.97%)		
1,398,709	ZoomInfo Technologies, Inc.[1]	30,281,101	42,115,128
Total Communication Services		54,089,043	82,091,398
Consumer Discretionary (6.41%)			
	Automobile Manufacturers (0.18%)		
425,305	Rivian Automotive, Inc., Cl A[1]	33,173,790	7,838,371
	Home Improvement Retail (0.37%)		
230,000	Floor & Decor Holdings, Inc., Cl A[1]	20,284,647	16,014,900
	Hotels, Resorts & Cruise Lines (2.55%)		
546,442	Choice Hotels International, Inc.	5,198,084	61,551,227
543,233	Hyatt Hotels Corp., Cl A[1]	16,817,762	49,135,425
		22,015,846	110,686,652
	Leisure Facilities (3.31%)		
603,538	Vail Resorts, Inc.	11,683,688	143,853,282
Total Consumer Discretionary		87,157,971	278,393,205
Financials (14.25%)			
	Asset Management & Custody Banks (0.60%)		
237,514	T. Rowe Price Group, Inc.	5,729,987	25,903,277
	Financial Exchanges & Data (5.52%)		
370,725	FactSet Research Systems, Inc.	19,898,420	148,738,577
201,267	MarketAxess Holdings, Inc.	21,743,183	56,131,354
30,000	MSCI, Inc.	7,783,774	13,955,100
326,189	Tradeweb Markets, Inc., Cl A	11,978,713	21,179,452
		61,404,090	240,004,483
	Insurance Brokers (0.89%)		
158,421	Willis Towers Watson PLC[2]	19,439,430	38,746,608
	Investment Banking & Brokerage (3.45%)		
1,750,936	The Charles Schwab Corp.	1,542,900	145,782,931
19,000	LPL Financial Holdings, Inc.	4,376,048	4,107,230
		5,918,948	149,890,161
	Property & Casualty Insurance (3.18%)		
2,203,444	Arch Capital Group Ltd.[1,2]	7,933,936	138,332,214
	Regional Banks (0.61%)		
216,421	First Republic Bank	5,518,736	26,379,556
Total Financials		105,945,127	619,256,299
Common Stocks (continued)			
Health Care (25.23%)			
	Biotechnology (0.51%)		
58,366	argenx SE, ADR[1,2]	$ 18,854,201	$ 22,110,792
	Health Care Equipment (8.78%)		
682,000	DexCom, Inc.[1]	54,311,293	77,229,680
673,630	IDEXX Laboratories, Inc.[1]	12,186,829	274,814,095
118,644	Teleflex, Inc.	19,087,390	29,617,101
		85,585,512	381,660,876
	Health Care Supplies (1.64%)		
215,418	The Cooper Companies, Inc.	36,713,299	71,232,270
	Health Care Technology (1.71%)		
459,386	Veeva Systems, Inc., Cl A[1]	27,115,596	74,135,713
	Life Sciences Tools & Services (12.59%)		
1,599,944	Bio-Techne Corporation	39,595,545	132,603,359
160,000	ICON plc[1,2]	34,229,795	31,080,000
212,552	Illumina, Inc.[1]	9,061,707	42,978,014
181,117	Mettler-Toledo International, Inc.[1]	10,795,784	261,795,568
334,404	West Pharmaceutical Services, Inc.	14,419,530	78,701,981
		108,102,361	547,158,922
Total Health Care		276,370,969	1,096,298,573
Industrials (13.25%)			
	Environmental & Facilities Services (1.38%)		
1,643,418	Rollins, Inc.	24,597,482	60,050,493
	Industrial Machinery (1.79%)		
340,760	IDEX Corporation	24,525,881	77,805,731
	Research & Consulting Services (10.08%)		
2,439,930	CoStar Group, Inc.[1]	59,005,227	188,557,790
1,438,500	TransUnion	77,172,718	81,634,875
951,206	Verisk Analytics, Inc.	23,582,787	167,811,763
		159,760,732	438,004,428
Total Industrials		208,884,095	575,860,652
Information Technology (30.94%)			
	Application Software (13.05%)		
571,856	ANSYS, Inc.[1]	20,310,482	138,154,691
166,026	Aspen Technology, Inc.[1]	30,241,636	34,101,741
1,636,093	Ceridian HCM Holding, Inc.[1]	64,026,865	104,955,366
150,000	Fair Isaac Corp.[1]	63,616,939	89,787,000
1,421,809	Guidewire Software, Inc.[1]	77,473,157	88,948,371
257,192	Roper Technologies, Inc.	26,184,327	111,130,091
		281,853,406	567,077,260
	Data Processing & Outsourced Services (1.67%)		
474,217	Fidelity National Information Services, Inc.	26,725,944	32,175,623
771,076	SS&C Technologies Holdings, Inc.	20,933,204	40,142,217
		47,659,148	72,317,840

Baron Asset Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Electronic Components (1.58%)		
900,000	Amphenol Corp., Cl A	$ 42,881,684	$ 68,526,000
	Internet Services & Infrastructure (2.80%)		
592,103	Verisign, Inc.[1]	27,318,889	121,641,640
	IT Consulting & Other Services (10.21%)		
50,000	EPAM Systems, Inc.[1]	24,927,247	16,387,000
1,271,323	Gartner, Inc. [1]	27,028,517	427,342,513
		51,955,764	443,729,513
	Technology Distributors (1.63%)		
397,363	CDW Corp.	26,228,965	70,961,085
Total Information Technology		477,897,856	1,344,253,338
Real Estate (4.51%)			
	Real Estate Services (0.96%)		
542,323	CBRE Group, Inc., Cl A[1]	6,067,334	41,737,178
	Specialized REITs (3.55%)		
175,000	Alexandria Real Estate Equities, Inc.[4]	26,236,333	25,492,250
65,416	Equinix, Inc.	4,258,856	42,849,443
306,856	SBA Communications Corp.	7,734,439	86,014,805
		38,229,628	154,356,498
Total Real Estate		44,296,962	196,093,676
TOTAL COMMON STOCKS		**1,254,642,023**	**4,192,247,141**
Private Common Stocks (0.51%)			
Consumer Discretionary (0.51%)			
	Internet & Direct Marketing Retail (0.51%)		
197,613	StubHub Holdings, Inc., Cl A[1,3,4]	**50,000,041**	**22,138,584**
Private Preferred Stocks (1.63%)			
Industrials (1.63%)			
	Aerospace & Defense (1.63%)		
96,298	Space Exploration Technologies Corp., Cl N[1,3,4]	**26,000,460**	**70,839,647**

Principal Amount		Cost	Value
Short Term Investments (1.21%)			
$52,506,487	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $52,528,948; (Fully Collateralized by $30,090,700 U.S.Treasury Note, 3.25% due 6/30/2029 Market value - $28,884,725 and $10,000,000 U.S. Treasury Note, 3.875% due 11/30/2029 Market value - $10,000,687 and $17,235,000 U.S. Treasury Note, 1.875% due 02/15/2032 Market value - $14,671,294)	$ 52,506,487	$ 52,506,487
TOTAL INVESTMENTS (99.83%)		$1,383,149,011	4,337,731,859
CASH AND OTHER ASSETS LESS LIABILITIES (0.17%)			7,469,543
NET ASSETS			$4,345,201,402
RETAIL SHARES (Equivalent to $86.84 per share based on 23,138,578 shares outstanding)			$2,009,337,519
INSTITUTIONAL SHARES (Equivalent to $91.69 per share based on 23,863,773 shares outstanding)			$2,188,179,128
R6 SHARES (Equivalent to $91.67 per share based on 1,611,051 shares outstanding)			$ 147,684,755

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2022, the market value of restricted and fair valued securities amounted to $92,978,231 or 2.14% of net assets. These securities are not deemed liquid.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
ADR American Depositary Receipt.

Baron Growth Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (100.59%)			
Communication Services (5.92%)			
	Alternative Carriers (5.92%)		
7,890,000	Iridium Communications, Inc.[1,4]	$ 48,629,515	$ 405,546,000
Consumer Discretionary (18.77%)			
	Casinos & Gaming (3.47%)		
440,000	Boyd Gaming Corporation	11,056,072	23,993,200
4,910,000	Penn Entertainment, Inc.[1]	50,657,816	145,827,000
1,695,000	Red Rock Resorts, Inc., Cl A	30,919,576	67,816,950
		92,633,464	237,637,150
	Education Services (1.03%)		
1,115,000	Bright Horizons Family Solutions, Inc.[1]	35,080,904	70,356,500
	Hotels, Resorts & Cruise Lines (7.32%)		
2,965,000	Choice Hotels International, Inc.[4]	71,648,874	333,977,600
1,250,000	Marriott Vacations Worldwide Corp.	66,814,800	168,237,500
		138,463,674	502,215,100
	Leisure Facilities (6.95%)		
2,000,000	Vail Resorts, Inc.	56,102,209	476,700,000
Total Consumer Discretionary		322,280,251	1,286,908,750
Financials (39.21%)			
	Asset Management & Custody Banks (2.49%)		
1,685,000	The Carlyle Group, Inc.	34,374,519	50,280,400
1,860,000	Cohen & Steers, Inc.	40,191,523	120,081,600
		74,566,042	170,362,000
	Financial Exchanges & Data (20.41%)		
1,200,000	FactSet Research Systems, Inc.	59,954,575	481,452,000
930,000	Morningstar, Inc.	18,953,575	201,428,700
1,540,000	MSCI, Inc.	28,503,285	716,361,800
		107,411,435	1,399,242,500
	Investment Banking & Brokerage (0.77%)		
450,000	Houlihan Lokey, Inc.	19,625,873	39,222,000
350,000	Moelis & Co., Cl A	5,215,059	13,429,500
		24,840,932	52,651,500
	Life & Health Insurance (3.10%)		
1,500,000	Primerica, Inc.	31,190,715	212,730,000
	Property & Casualty Insurance (12.15%)		
9,105,000	Arch Capital Group Ltd.[1,2]	28,404,480	571,611,900
1,000,000	Kinsale Capital Group, Inc.	35,007,763	261,520,000
		63,412,243	833,131,900
	Thrifts & Mortgage Finance (0.29%)		
520,000	Essent Group Ltd.[2]	14,300,210	20,217,600
Total Financials		315,721,577	2,688,335,500
Health Care (10.72%)			
	Health Care Equipment (3.21%)		
540,000	IDEXX Laboratories, Inc.[1]	7,568,743	220,298,400

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Health Care Supplies (0.43%)		
1,829,564	Figs, Inc., Cl A[1]	$ 19,728,364	$ 12,312,965
1,147,434	Neogen Corp.[1]	13,141,411	17,475,420
		32,869,775	29,788,385
	Life Sciences Tools & Services (6.80%)		
2,960,000	Bio-Techne Corporation	38,883,322	245,324,800
72,000	Mettler-Toledo International, Inc.[1]	3,293,302	104,072,400
495,000	West Pharmaceutical Services, Inc.	16,833,686	116,498,250
		59,010,310	465,895,450
	Pharmaceuticals (0.28%)		
598,076	Dechra Pharmaceuticals PLC (United Kingdom)[2]	18,422,044	18,851,247
Total Health Care		117,870,872	734,833,482
Industrials (6.90%)			
	Building Products (0.71%)		
1,150,000	Trex Co., Inc.[1]	10,329,303	48,679,500
	Environmental & Facilities Services (0.10%)		
950,000	BrightView Holdings, Inc.[1]	11,465,197	6,545,500
	Industrial Machinery (0.21%)		
4,275,000	Marel hf (Netherlands)[2]	18,281,671	14,735,273
	Research & Consulting Services (5.88%)		
5,215,000	CoStar Group, Inc.[1]	21,784,904	403,015,200
Total Industrials		61,861,075	472,975,473
Information Technology (12.54%)			
	Application Software (4.87%)		
725,000	Altair Engineering, Inc., Cl A[1]	11,330,019	32,965,750
1,000,000	ANSYS, Inc.[1]	22,816,668	241,590,000
945,000	Guidewire Software, Inc.[1]	28,784,151	59,119,200
		62,930,838	333,674,950
	Electronic Components (0.19%)		
60,000	Littelfuse, Inc.	6,452,400	13,212,000
	IT Consulting & Other Services (7.48%)		
1,525,000	Gartner, Inc.[1]	21,222,737	512,613,500
Total Information Technology		90,605,975	859,500,450
Real Estate (6.53%)			
	Diversified REITs (0.08%)		
200,000	American Assets Trust, Inc.	3,350,428	5,300,000
	Office REITs (0.76%)		
3,340,000	Douglas Emmett, Inc.	28,956,081	52,371,200
	Specialized REITs (5.69%)		
750,000	Alexandria Real Estate Equities, Inc.[5]	26,054,963	109,252,500
5,385,000	Gaming and Leisure Properties, Inc.	114,093,295	280,504,650
		140,148,258	389,757,150
Total Real Estate		172,454,767	447,428,350
TOTAL COMMON STOCKS		1,129,424,032	6,895,528,005

Baron Growth Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Private Convertible Preferred Stocks (0.48%)			
Industrials (0.22%)			
	Electrical Components & Equipment (0.22%)		
59,407,006	Northvolt AB (Sweden)[2,3,5]	$ 9,374,989	$ 15,099,241
Materials (0.26%)			
	Fertilizers & Agricultural Chemicals (0.26%)		
341,838	Farmers Business Network, Inc., Series F[1,2,3,5]	11,300,002	12,275,403
80,440	Farmers Business Network, Inc., Series G[1,2,3,5]	5,000,000	5,297,778
Total Materials		16,300,002	17,573,181
TOTAL PRIVATE CONVERTIBLE PREFERRED STOCKS		**25,674,991**	**32,672,422**
Warrants (0.00%)			
Consumer Discretionary (0.00%)			
	Hotels, Resorts & Cruise Lines (0.00%)		
96,515	OneSpaWorld Holdings Ltd. Warrants, Exp 3/19/2024[1,2,5]	**0**	**120,644**
TOTAL INVESTMENTS (101.07%)		**$1,155,099,023**	**6,928,321,071**
LIABILITIES LESS CASH AND OTHER ASSETS (-1.07%)			**(73,016,303)**
NET ASSETS			**$6,855,304,768**
RETAIL SHARES (Equivalent to $84.99 per share based on 25,806,202 shares outstanding)			**$2,193,348,088**
INSTITUTIONAL SHARES (Equivalent to $89.49 per share based on 50,012,011 shares outstanding)			**$4,475,507,109**
R6 SHARES (Equivalent to $89.50 per share based on 2,083,278 shares outstanding)			**$ 186,449,571**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2022, the market value of restricted and fair valued securities amounted to $32,672,422 or 0.48% of net assets. These securities are not deemed liquid.
4 An “Affiliated” investment may include any company in which the Fund owns 5% or more of its outstanding shares.
5 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).

Baron Small Cap Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (95.89%)			
Communication Services (5.05%)			
	Advertising (0.86%)		
750,000	The Trade Desk, Inc., Cl A[1]	$ 2,662,500	$ 33,622,500
	Cable & Satellite (1.15%)		
75,000	Liberty Broadband Corporation, Cl A[1]	298,828	5,688,750
200,000	Liberty Broadband Corporation, Cl C[1]	772,163	15,254,000
625,000	Liberty Media Corp.-Liberty SiriusXM, Cl C[1]	1,322,732	24,456,250
		2,393,723	45,399,000
	Movies & Entertainment (3.04%)		
1,200,000	Liberty Media Corporation-Liberty Formula One, Cl C[1]	21,262,385	71,736,000
150,000	Madison Square Garden Entertainment Corp.[1]	2,346,185	6,745,500
225,000	Madison Square Garden Sports Corp.[1]	8,416,556	41,249,250
		32,025,126	119,730,750
Total Communication Services		37,081,349	198,752,250
Consumer Discretionary (15.02%)			
	Auto Parts & Equipment (0.24%)		
4,500,000	Holley, Inc.[1]	37,719,254	9,540,000
	Casinos & Gaming (3.58%)		
875,000	DraftKings, Inc., Cl A[1]	11,187,787	9,966,250
700,000	Penn Entertainment, Inc.[1]	12,320,393	20,790,000
2,750,000	Red Rock Resorts, Inc., Cl A	75,439,769	110,027,500
		98,947,949	140,783,750
	Education Services (1.20%)		
750,000	Bright Horizons Family Solutions, Inc.[1]	29,824,721	47,325,000
	Home Improvement Retail (2.48%)		
1,400,000	Floor & Decor Holdings, Inc., Cl A[1]	55,967,953	97,482,000
	Homebuilding (2.72%)		
1,249,262	Installed Building Products, Inc.	65,269,095	106,936,827
	Hotels, Resorts & Cruise Lines (0.10%)		
1,000,000	Membership Collective Group, Inc., Cl A[1]	13,900,478	3,740,000
	Leisure Facilities (2.00%)		
1,000,000	Planet Fitness, Inc., Cl A[1]	41,366,076	78,800,000
	Restaurants (1.81%)		
2,250,000	The Cheesecake Factory, Inc.	62,520,432	71,347,500
	Specialized Consumer Services (0.89%)		
2,800,000	European Wax Center, Inc., Cl A[1]	53,348,102	34,860,000
Total Consumer Discretionary		458,864,060	590,815,077
Consumer Staples (2.12%)			
	Packaged Foods & Meats (1.31%)		
3,250,000	UTZ Brands, Inc.	52,114,568	51,545,000
	Personal Products (0.81%)		
3,500,000	The Beauty Health Co.[1]	50,004,368	31,850,000
Total Consumer Staples		102,118,936	83,395,000

Shares		Cost	Value
Common Stocks (continued)			
Financials (6.69%)			
	Insurance Brokers (1.98%)		
3,100,000	BRP Group, Inc., Cl A[1]	$ 50,723,405	$ 77,934,000
	Investment Banking & Brokerage (1.39%)		
625,000	Houlihan Lokey, Inc.	28,909,333	54,475,000
	Property & Casualty Insurance (3.32%)		
500,000	Kinsale Capital Group, Inc.	72,425,816	130,760,000
Total Financials		152,058,554	263,169,000
Health Care (13.77%)			
	Health Care Equipment (5.64%)		
1,000,000	Axonics, Inc.[1]	35,459,918	62,530,000
580,000	DexCom, Inc.[1]	1,922,936	65,679,200
60,000	IDEXX Laboratories, Inc.[1]	829,217	24,477,600
275,000	Inspire Medical Systems, Inc.[1]	17,045,222	69,267,000
		55,257,293	221,953,800
	Health Care Supplies (0.87%)		
2,250,000	Neogen Corp.[1]	31,648,338	34,267,500
	Life Sciences Tools & Services (4.65%)		
700,000	ICON plc[1,2]	38,492,341	135,975,000
32,500	Mettler-Toledo International, Inc.[1]	1,571,421	46,977,125
		40,063,762	182,952,125
	Managed Health Care (1.79%)		
800,000	HealthEquity, Inc.[1]	13,208,487	49,312,000
675,000	Progyny, Inc.[1]	22,959,593	21,026,250
		36,168,080	70,338,250
	Pharmaceuticals (0.82%)		
1,020,000	Dechra Pharmaceuticals PLC (United Kingdom)[2]	28,920,686	32,150,215
Total Health Care		192,058,159	541,661,890
Industrials (27.09%)			
	Aerospace & Defense (3.94%)		
2,200,000	Kratos Defense & Security Solutions, Inc.[1]	32,701,507	22,704,000
1,200,000	Mercury Systems, Inc.[1]	37,862,063	53,688,000
125,000	TransDigm Group, Inc.[1]	0	78,706,250
		70,563,570	155,098,250
	Building Products (2.25%)		
5,500,000	Janus International Group, Inc.[1]	54,266,533	52,360,000
850,000	Trex Co., Inc.[1]	34,405,324	35,980,500
		88,671,857	88,340,500
	Diversified Support Services (1.58%)		
2,275,000	Driven Brands Holdings, Inc.[1]	57,328,359	62,130,250
	Electrical Components & Equipment (3.78%)		
1,800,000	Shoals Technologies Group, Inc., Cl A[1]	29,324,283	44,406,000
7,650,000	Vertiv Holdings Co.	78,901,960	104,499,000
		108,226,243	148,905,000

Baron Small Cap Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Industrials (continued)			
	Environmental & Facilities Services (1.52%)		
450,000	Waste Connections, Inc.[2]	$ 19,650,000	$ 59,652,000
	Human Resource & Employment Services (4.95%)		
1,750,000	ASGN, Inc.[1]	55,248,586	142,590,000
4,000,000	First Advantage Corp.[1]	65,399,826	52,000,000
		120,648,412	194,590,000
	Industrial Machinery (4.70%)		
650,000	Chart Industries, Inc.[1]	88,995,122	74,899,500
550,000	John Bean Technologies Corp.	48,810,954	50,231,500
285,000	RBC Bearings, Incorporated[1]	34,467,037	59,664,750
		172,273,113	184,795,750
	Research & Consulting Services (0.74%)		
3,500,000	Clarivate PLC[1,2]	39,366,721	29,190,000
	Trading Companies & Distributors (3.63%)		
2,750,000	Hillman Solutions Corp.[1,3]	30,926,187	19,827,500
1,050,000	SiteOne Landscape Supply, Inc.[1]	57,097,581	123,186,000
		88,023,768	143,013,500
Total Industrials		764,752,043	1,065,715,250
Information Technology (21.97%)			
	Application Software (9.01%)		
750,000	Altair Engineering, Inc., Cl A[1]	11,935,619	34,102,500
350,000	Aspen Technology, Inc.[1]	32,534,028	71,890,000
950,000	Ceridian HCM Holding, Inc.[1]	29,430,555	60,942,500
1,500,000	Clearwater Analytics Holdings, Inc., Cl A[1]	27,854,229	28,125,000
7,388,636	E2open Parent Holdings, Inc., Cl A[1]	72,231,889	43,371,293
1,225,000	Guidewire Software, Inc.[1]	31,269,358	76,636,000
700,000	Sprout Social, Inc., Cl A[1]	40,024,947	39,522,000
		245,280,625	354,589,293
	Data Processing & Outsourced Services (2.40%)		
700,000	Nuvei Corp., 144A (Canada)[1,2]	19,394,958	17,787,000
3,900,000	Repay Holdings Corporation[1]	35,724,877	31,395,000
275,300	WEX, Inc. [1]	14,455,072	45,052,845
		69,574,907	94,234,845
	Electronic Equipment & Instruments (1.80%)		
1,500,000	Cognex Corp.	25,832,809	70,665,000
	IT Consulting & Other Services (8.76%)		
770,000	Endava plc, ADR [1,2]	25,677,665	58,905,000
750,000	Gartner, Inc. [1]	10,381,271	252,105,000
3,000,000	Grid Dynamics Holdings, Inc. [1]	36,322,597	33,660,000
		72,381,533	344,670,000
Total Information Technology		413,069,874	864,159,138

Shares		Cost	Value
Common Stocks (continued)			
Materials (1.50%)			
	Specialty Chemicals (1.50%)		
1,750,000	Avient Corp.	$ 55,580,984	$ 59,080,000
Real Estate (2.68%)			
	Specialized REITs (2.68%)		
1,250,000	Americold Realty Trust, Inc.[3]	20,023,654	35,387,500
250,000	SBA Communications Corp.	1,006,880	70,077,500
Total Real Estate		21,030,534	105,465,000
TOTAL COMMON STOCKS		**2,196,614,493**	**3,772,212,605**

Principal Amount			
Short Term Investments (4.10%)			
$161,373,364	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $161,442,396; (Fully Collateralized by $12,973,600 U.S. Treasury Bond, 2.375% due 2/15/2042 Market value - $9,976,997 and $60,433,600 U.S. Treasury Bond, 3.0% due 2/15/2048 Market value - $50,841,910 and $147,126,900 U.S. Treasury Bond, 2.25% due 2/15/2052 Market value - $103,781,991)	**$ 161,373,364**	**$ 161,373,364**
TOTAL INVESTMENTS (99.99%)		**$2,357,987,857**	**3,933,585,969**
CASH AND OTHER ASSETS LESS LIABILITIES (0.01%)			**208,849**
NET ASSETS			**$3,933,794,818**
RETAIL SHARES (Equivalent to $24.63 per share based on 45,998,989 shares outstanding)			**$1,132,783,575**
INSTITUTIONAL SHARES (Equivalent to $26.48 per share based on 98,616,982 shares outstanding)			**$2,611,120,386**
R6 SHARES (Equivalent to $26.47 per share based on 7,174,752 shares outstanding)			**$ 189,890,857**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[144A] Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $17,787,000 or 0.45% of net assets.
[ADR] American Depositary Receipt.

Baron Opportunity Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (93.70%)			
Communication Services (14.94%)			
	Advertising (1.24%)		
210,510	The Trade Desk, Inc., Cl A[1]	$ 4,349,448	$ 9,437,163
	Interactive Home Entertainment (2.72%)		
108,500	Electronic Arts, Inc.	12,253,641	13,256,530
71,700	Take-Two Interactive Software, Inc.[1]	7,538,545	7,466,121
		19,792,186	20,722,651
	Interactive Media & Services (9.46%)		
559,000	Alphabet, Inc., Cl C[1]	30,410,115	49,600,070
25,500	Meta Platforms, Inc., Cl A[1]	3,036,590	3,068,670
648,369	ZoomInfo Technologies, Inc.[1]	20,114,816	19,522,391
		53,561,521	72,191,131
	Movies & Entertainment (1.52%)		
516,000	Endeavor Group Holdings, Inc., Cl A[1]	12,384,000	11,630,640
Total Communication Services		90,087,155	113,981,585
Consumer Discretionary (10.23%)			
	Automobile Manufacturers (4.88%)		
614,183	Rivian Automotive, Inc., Cl A[1]	12,206,302	11,319,393
210,400	Tesla, Inc.[1]	13,523,451	25,917,072
		25,729,753	37,236,465
	Internet & Direct Marketing Retail (5.35%)		
485,500	Amazon.com, Inc.[1]	29,742,116	40,782,000
Total Consumer Discretionary		55,471,869	78,018,465
Health Care (11.60%)			
	Biotechnology (5.65%)		
80,739	argenx SE, ADR[1,2]	4,143,502	30,586,355
124,561	Arrowhead Pharmaceuticals, Inc.[1]	2,494,474	5,052,194
382,000	Rocket Pharmaceuticals, Inc.[1]	7,228,464	7,475,740
		13,866,440	43,114,289
	Health Care Equipment (4.14%)		
104,300	Edwards Lifesciences Corp.[1]	5,219,929	7,781,823
54,505	Intuitive Surgical, Inc.[1]	7,920,379	14,462,902
45,400	Shockwave Medical, Inc.[1]	2,236,335	9,334,694
		15,376,643	31,579,419
	Life Sciences Tools & Services (1.81%)		
68,315	Illumina, Inc.[1]	11,957,854	13,813,293
Total Health Care		41,200,937	88,507,001
Industrials (3.42%)			
	Research & Consulting Services (3.42%)		
337,330	CoStar Group, Inc.[1]	13,497,332	26,068,862
Information Technology (52.29%)			
	Application Software (8.11%)		
199,570	Ceridian HCM Holding, Inc.[1]	9,380,036	12,802,416
87,500	Gitlab, Inc., Cl A[1,4]	3,730,936	3,976,000
172,100	Guidewire Software, Inc.[1]	4,837,836	10,766,576
10,800	HubSpot, Inc.[1]	3,570,527	3,122,604
52,000	ServiceNow, Inc.[1,4]	15,689,186	20,190,040
65,500	Workday, Inc., Cl A[1]	10,499,798	10,960,115
		47,708,319	61,817,751

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Data Processing & Outsourced Services (7.31%)		
3,000	Adyen N.V., (Netherlands), 144A[1,2]	$ 2,422,754	$ 4,164,747
69,800	MasterCard Incorporated, Cl A	15,595,187	24,271,554
131,500	Visa, Inc., Cl A	21,184,506	27,320,440
		39,202,447	55,756,741
	Internet Services & Infrastructure (0.75%)		
165,000	Shopify, Inc., Cl A[1,2]	4,970,682	5,727,150
	IT Consulting & Other Services (7.13%)		
193,868	Endava plc, ADR[1,2]	6,503,238	14,830,902
117,587	Gartner, Inc.[1]	4,874,492	39,525,694
		11,377,730	54,356,596
	Semiconductor Equipment (1.53%)		
21,300	ASML Holding N.V.[2]	10,043,235	11,638,320
	Semiconductors (8.40%)		
173,000	Advanced Micro Devices, Inc.[1]	12,922,039	11,205,210
1,793,500	indie Semiconductor, Inc., Cl A[1]	12,356,509	10,456,105
26,200	Monolithic Power Systems, Inc.	10,450,028	9,264,582
226,900	NVIDIA Corp.	21,203,681	33,159,166
		56,932,257	64,085,063
	Systems Software (19.06%)		
202,000	Cloudflare, Inc., Cl A[1,4]	8,494,557	9,132,420
77,623	Crowdstrike Holdings, Inc., Cl A[1]	5,534,067	8,172,926
109,000	Datadog, Inc., Cl A[1,4]	8,110,625	8,011,500
449,900	Microsoft Corporation	68,021,212	107,895,018
85,008	Snowflake, Inc., Cl A[1,4]	11,548,604	12,202,048
		101,709,065	145,413,912
Total Information Technology		271,943,735	398,795,533
Real Estate (1.22%)			
	Specialized REITs (1.22%)		
14,225	Equinix, Inc.	2,122,124	9,317,802
TOTAL COMMON STOCKS		**474,323,152**	**714,689,248**
Private Common Stocks (1.79%)			
Communication Services (0.46%)			
	Interactive Media & Services (0.46%)		
5,000	X Holdings I, Inc.[1,3,4]	5,000,000	3,510,150
Industrials (1.33%)			
	Aerospace & Defense (1.32%)		
105,020	Space Exploration Technologies Corp., Cl A[1,3,4]	4,607,169	7,725,581
31,890	Space Exploration Technologies Corp., Cl C[1,3,4]	1,392,972	2,345,922
		6,000,141	10,071,503
	Trucking (0.01%)		
3,571	GM Cruise Holdings LLC, Cl B[1,3,4]	103,563	81,101
Total Industrials		6,103,704	10,152,604
TOTAL PRIVATE COMMON STOCKS		**11,103,704**	**13,662,754**

Baron Opportunity Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Private Convertible Preferred Stocks (1.03%)			
Materials (1.03%)			
	Fertilizers & Agricultural Chemicals (1.03%)		
219,321	Farmers Business Network, Inc., Series F[1,3,4]	$ 7,250,007	$ 7,875,817
Private Preferred Stocks (2.63%)			
Industrials (2.63%)			
	Aerospace & Defense (1.79%)		
18,519	Space Exploration Technologies Corp., Cl N[1,3,4]	5,000,130	13,623,122
	Trucking (0.84%)		
266,956	GM Cruise Holdings, Cl G[1,3,4]	7,034,290	6,420,292
TOTAL PRIVATE PREFERRED STOCKS		**12,034,420**	**20,043,414**
TOTAL INVESTMENTS (99.15%)		**$504,711,283**	**756,271,233**
CASH AND OTHER ASSETS LESS LIABILITIES (0.85%)			**6,476,844**
NET ASSETS			**$762,748,077**
RETAIL SHARES (Equivalent to $23.58 per share based on 17,116,684 shares outstanding)			**$403,683,364**
INSTITUTIONAL SHARES (Equivalent to $25.05 per share based on 13,434,948 shares outstanding)			**$336,541,310**
R6 SHARES (Equivalent to $25.08 per share based on 898,163 shares outstanding)			**$ 22,523,403**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2022, the market value of restricted and fair valued securities amounted to $41,581,985 or 5.45% of net assets. These securities are not deemed liquid.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $4,164,747 or 0.55% of net assets.

Baron Partners Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (106.45%)			
Communication Services (4.59%)			
	Alternative Carriers (4.26%)		
4,000,000	Iridium Communications, Inc.[1]	$ 130,869,959	$ 205,600,000
	Movies & Entertainment (0.33%)		
200,000	Spotify Technology SA[1,2]	50,081,483	15,790,000
Total Communication Services		180,951,442	221,390,000
Consumer Discretionary (45.78%)			
	Automobile Manufacturers (31.01%)		
12,150,000	Tesla, Inc.[1,5]	183,531,738	1,496,637,000
	Casinos & Gaming (0.99%)		
1,200,000	Red Rock Resorts, Inc., Cl A	37,336,710	48,012,000
	Hotels, Resorts & Cruise Lines (8.33%)		
80,000	Airbnb, Inc., Cl A[1]	8,087,119	6,840,000
3,325,000	Hyatt Hotels Corp., Cl A[1]	115,871,182	300,746,250
700,000	Marriott Vacations Worldwide Corp.	81,762,309	94,213,000
		205,720,610	401,799,250
	Leisure Facilities (5.19%)		
1,050,000	Vail Resorts, Inc.	64,124,520	250,267,500
	Restaurants (0.26%)		
1,200,000	Krispy Kreme, Inc.	19,468,869	12,384,000
Total Consumer Discretionary		510,182,447	2,209,099,750
Financials (24.98%)			
	Asset Management & Custody Banks (1.48%)		
150,000	Brookfield Asset Management Ltd., Cl A[1,2]	3,937,523	4,300,500
1,000,000	Brookfield Corp.[2]	29,391,130	31,460,000
550,000	Cohen & Steers, Inc.	43,276,852	35,508,000
		76,605,505	71,268,500
	Financial Exchanges & Data (7.91%)		
720,000	FactSet Research Systems, Inc.	55,503,768	288,871,200
200,000	MSCI, Inc.	62,888,713	93,034,000
		118,392,481	381,905,200
	Investment Banking & Brokerage (7.07%)		
4,100,000	The Charles Schwab Corp.	100,494,277	341,366,000
	Property & Casualty Insurance (8.52%)		
6,550,000	Arch Capital Group Ltd.[1,2]	30,153,582	411,209,000
Total Financials		325,645,845	1,205,748,700
Health Care (7.99%)			
	Health Care Equipment (6.76%)		
800,000	IDEXX Laboratories, Inc.[1]	35,048,047	326,368,000
	Health Care Supplies (0.98%)		
7,000,000	Figs, Inc., Cl A[1]	80,455,037	47,110,000
	Life Sciences Tools & Services (0.25%)		
60,000	Illumina, Inc.[1]	14,318,645	12,132,000
Total Health Care		129,821,729	385,610,000

Shares		Cost	Value
Common Stocks (continued)			
Industrials (12.67%)			
	Aerospace & Defense (0.69%)		
125,625	HEICO Corp.	$ 9,632,520	$ 19,301,025
116,875	HEICO Corp., Cl A	7,586,429	14,007,469
		17,218,949	33,308,494
	Industrial Machinery (0.21%)		
5,750,000	Velo3D, Inc.[1]	17,969,464	10,292,500
	Research & Consulting Services (11.77%)		
7,350,000	CoStar Group, Inc.[1]	98,974,400	568,008,000
Total Industrials		134,162,813	611,608,994
Information Technology (8.26%)			
	Application Software (1.04%)		
800,000	Guidewire Software, Inc.[1]	65,756,542	50,048,000
	Data Processing & Outsourced Services (1.70%)		
59,246	Adyen N.V., 144A (Netherlands)[1,2]	53,544,383	82,248,197
	Internet Services & Infrastructure (0.65%)		
900,000	Shopify, Inc., Cl A[1,2]	97,842,954	31,239,000
	IT Consulting & Other Services (4.87%)		
700,000	Gartner, Inc.[1]	83,980,674	235,298,000
Total Information Technology		301,124,553	398,833,197
Real Estate (2.18%)			
	Office REITs (0.22%)		
663,000	Douglas Emmett, Inc.	18,845,556	10,395,840
	Specialized REITs (1.96%)		
1,819,296	Gaming and Leisure Properties, Inc.	57,529,251	94,767,128
Total Real Estate		76,374,807	105,162,968
TOTAL COMMON STOCKS		**1,658,263,636**	**5,137,453,609**
Private Common Stocks (5.17%)			
Communication Services (0.87%)			
	Interactive Media & Services (0.87%)		
60,000	X Holdings I, Inc.[1,3,4]	60,000,000	42,121,800
Consumer Discretionary (0.46%)			
	Internet & Direct Marketing Retail (0.46%)		
197,613	StubHub Holdings, Inc., Cl A[1,3,4]	50,000,041	22,138,585
Industrials (3.84%)			
	Aerospace & Defense (3.84%)		
2,216,310	Space Exploration Technologies Corp., Cl A[1,3,4]	29,920,185	163,038,302
302,210	Space Exploration Technologies Corp., Cl C[1,3,4]	4,079,835	22,231,459
Total Industrials		34,000,020	185,269,761
TOTAL PRIVATE COMMON STOCKS		**144,000,061**	**249,530,146**

Baron Partners Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Private Convertible Preferred Stocks (0.16%)			
Industrials (0.16%)			
	Electrical Components & Equipment (0.16%)		
21,213,656	Northvolt AB, Series E2 (Sweden)[2,3,4]	$ 7,843,621	$ 7,651,108
Private Preferred Stocks (8.44%)			
Industrials (8.44%)			
	Aerospace & Defense (8.44%)		
311,111	Space Exploration Technologies Corp., Cl H[1,3,4]	41,999,985	228,862,420
131,657	Space Exploration Technologies Corp., Cl I[1,3,4]	22,250,032	96,850,769
111,111	Space Exploration Technologies Corp., Cl N[1,3,4]	29,999,970	81,736,526
TOTAL PRIVATE PREFERRED STOCKS		**94,249,987**	**407,449,715**

Principal Amount			
Short Term Investments (0.01%)			
$305,352	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $305,483; (Fully Collateralized by $324,500 U.S. Treasury Note, 3.25% due 6/30/2029 Market value - $311,495)	**305,352**	**305,352**
TOTAL INVESTMENTS (120.23%)		**$1,904,662,657**	**5,802,389,930**
LIABILITIES LESS CASH AND OTHER ASSETS (-20.23%)			**(976,486,129)**
NET ASSETS			**$4,825,903,801**
RETAIL SHARES (Equivalent to $111.55 per share based on 19,151,070 shares outstanding)			**$2,136,389,274**
INSTITUTIONAL SHARES (Equivalent to $115.85 per share based on 20,109,198 shares outstanding)			**$2,329,663,028**
R6 SHARES (Equivalent to $115.84 per share based on 3,106,363 shares outstanding)			**$ 359,851,499**

% Represents percentage of net assets.

1 Non-income producing securities.

2 Foreign corporation.

3 At December 31, 2022, the market value of restricted and fair valued securities amounted to $664,630,969 or 13.77% of net assets. These securities are not deemed liquid.

4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).

5 Investors in the Fund may view Tesla, Inc.'s financial statements on the EDGAR website of the U.S. Securities and Exchange Commission by going to https://www.sec.gov/cgi-bin/browse-edgar?CIK=1318605&owner=exclude. Please note that the Fund is not responsible for Tesla's financial statements and can provide no assurances as to their accuracy or completeness.

144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $82,248,197 or 1.70% of net assets.

Baron Fifth Avenue Growth Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (98.26%)			
Communication Services (7.24%)			
	Advertising (1.53%)		
111,955	The Trade Desk, Inc., Cl A[1]	$ 6,240,703	$ 5,018,943
	Interactive Media & Services (5.71%)		
68,957	Meta Platforms Inc., Cl A[1]	3,249,172	8,298,285
348,023	ZoomInfo Technologies, Inc.[1]	12,177,461	10,478,973
		15,426,633	18,777,258
Total Communication Services		21,667,336	23,796,201
Consumer Discretionary (16.50%)			
	Auto Parts & Equipment (1.52%)		
142,119	Mobileye Global, Inc.[1]	2,984,499	4,982,692
	Automobile Manufacturers (4.56%)		
269,547	Rivian Automotive, Inc., Cl A[1]	9,293,105	4,967,751
81,316	Tesla, Inc.[1]	22,320,493	10,016,505
		31,613,598	14,984,256
	Internet & Direct Marketing Retail (10.42%)		
287,686	Amazon.com, Inc.[1]	2,726,880	24,165,624
11,905	MercadoLibre, Inc.[1]	6,864,818	10,074,487
		9,591,698	34,240,111
Total Consumer Discretionary		44,189,795	54,207,059
Health Care (17.06%)			
	Biotechnology (4.43%)		
38,426	argenx SE, ADR[1,2]	11,477,725	14,556,921
	Health Care Equipment (5.91%)		
73,176	Intuitive Surgical, Inc.[1]	8,405,327	19,417,252
	Health Care Technology (3.81%)		
77,581	Veeva Systems, Inc., Cl A[1]	5,455,270	12,520,022
	Life Sciences Tools & Services (2.91%)		
47,327	Illumina, Inc.[1]	5,397,461	9,569,519
Total Health Care		30,735,783	56,063,714
Information Technology (57.46%)			
	Application Software (9.24%)		
37,124	Atlassian Corp. Ltd., Cl A[1,2]	9,645,002	4,777,116
95,457	Gitlab, Inc., Cl A[1,3]	6,546,377	4,337,566
54,748	ServiceNow, Inc.[1,3]	20,976,883	21,257,006
		37,168,262	30,371,688
	Data Processing & Outsourced Services (12.49%)		
6,222	Adyen N.V., 144A (Netherlands)[1,2]	4,719,451	8,637,685
132,183	Block, Inc., Cl A[1]	7,792,845	8,306,380
69,304	MasterCard Incorporated, Cl A	4,567,695	24,099,080
		17,079,991	41,043,145
	Internet Services & Infrastructure (3.69%)		
349,300	Shopify, Inc., Cl A[1,2]	11,987,349	12,124,203
	IT Consulting & Other Services (6.89%)		
138,513	Endava plc, ADR[1,2]	15,076,498	10,596,244
36,739	EPAM Systems, Inc.[1]	2,823,520	12,040,840
		17,900,018	22,637,084
	Semiconductor Equipment (3.74%)		
22,515	ASML Holding N.V.[2]	2,188,377	12,302,196
	Semiconductors (5.55%)		
124,671	NVIDIA Corp.	19,445,139	18,219,420

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Systems Software (15.86%)		
163,585	Cloudflare, Inc., Cl A[1,3]	$ 13,724,477	$ 7,395,678
114,467	Crowdstrike Holdings, Inc., Cl A[1]	9,838,034	12,052,230
189,945	Datadog, Inc., Cl A[1,3]	14,428,723	13,960,958
130,242	Snowflake, Inc., Cl A[1,3]	23,344,928	18,694,937
		61,336,162	52,103,803
Total Information Technology		167,105,298	188,801,539
TOTAL COMMON STOCKS		**263,698,212**	**322,868,513**
Private Common Stocks (1.20%)			
Industrials (1.20%)			
	Aerospace & Defense (1.20%)		
41,330	Space Exploration Technologies Corp., Cl A[1,3,4]	1,932,253	3,040,357
12,240	Space Exploration Technologies Corp., Cl C[1,3,4]	567,691	900,410
TOTAL PRIVATE COMMON STOCKS		**2,499,944**	**3,940,767**
Private Preferred Stocks (0.98%)			
Industrials (0.98%)			
	Trucking (0.98%)		
133,288	GM Cruise Holdings, Cl G[1,3,4]	**3,512,139**	**3,205,577**
TOTAL INVESTMENTS (100.44%)		**$269,710,295**	**330,014,857**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.44%)			**(1,430,524)**
NET ASSETS			**$328,584,333**
RETAIL SHARES (Equivalent to $26.68 per share based on 2,801,784 shares outstanding)			**$ 74,743,869**
INSTITUTIONAL SHARES (Equivalent to $27.51 per share based on 8,519,011 shares outstanding)			**$234,342,249**
R6 SHARES (Equivalent to $27.50 per share based on 708,969 shares outstanding)			**$ 19,498,215**

% Represents percentage of net assets.

[1] Non-income producing securities.

[2] Foreign corporation.

[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).

[4] At December 31, 2022, the market value of restricted and fair valued securities amounted to $7,146,344 or 2.17% of net assets. These securities are not deemed liquid.

ADR American Depositary Receipt.

144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $8,637,685 or 2.63% of net assets.

Baron Focused Growth Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (80.43%)			
Communication Services (6.87%)			
	Alternative Carriers (4.50%)		
637,064	Iridium Communications, Inc.	$ 12,123,685	$ 32,745,089
	Movies & Entertainment (2.37%)		
400,000	Manchester United PLC, Cl A[2]	8,839,194	9,332,000
100,000	Spotify Technology SA[1,2]	11,540,706	7,895,000
		20,379,900	17,227,000
Total Communication Services		32,503,585	49,972,089
Consumer Discretionary (33.21%)			
	Automobile Manufacturers (10.41%)		
615,000	Tesla, Inc.[1,5]	8,168,271	75,755,700
	Casinos & Gaming (5.22%)		
470,000	Penn Entertainment, Inc.[1]	8,830,397	13,959,000
600,000	Red Rock Resorts, Inc., Cl A	16,360,388	24,006,000
		25,190,785	37,965,000
	Hotels, Resorts & Cruise Lines (10.90%)		
155,000	Choice Hotels International, Inc.	5,375,923	17,459,200
500,000	Hyatt Hotels Corp., Cl A[1]	24,424,809	45,225,000
123,200	Marriott Vacations Worldwide Corp.	16,153,143	16,581,488
		45,953,875	79,265,688
	Leisure Facilities (5.24%)		
160,000	Vail Resorts, Inc.	20,444,411	38,136,000
	Restaurants (1.44%)		
1,016,815	Krispy Kreme, Inc.	14,167,372	10,493,531
Total Consumer Discretionary		113,924,714	241,615,919
Financials (17.52%)			
	Financial Exchanges & Data (9.76%)		
90,000	FactSet Research Systems, Inc.	12,084,401	36,108,900
75,000	MSCI, Inc.	36,079,367	34,887,750
		48,163,768	70,996,650
	Property & Casualty Insurance (7.76%)		
900,000	Arch Capital Group Ltd.[1,2]	25,104,585	56,502,000
Total Financials		73,268,353	127,498,650
Health Care (5.04%)			
	Health Care Equipment (1.57%)		
28,000	IDEXX Laboratories, Inc.[1]	12,242,434	11,422,880
	Health Care Supplies (3.47%)		
3,750,000	Figs, Inc., Cl A[1]	36,911,667	25,237,500
Total Health Care		49,154,101	36,660,380
Industrials (9.43%)			
	Research & Consulting Services (9.43%)		
580,000	CoStar Group, Inc.[1]	10,184,660	44,822,400
135,000	Verisk Analytics, Inc.	23,796,439	23,816,700
Total Industrials		33,981,099	68,639,100

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (6.03%)			
	Application Software (5.03%)		
60,700	ANSYS, Inc.[1]	$ 14,656,795	$ 14,664,513
350,000	Guidewire Software, Inc.[1]	34,820,617	21,896,000
		49,477,412	36,560,513
	Internet Services & Infrastructure (1.00%)		
210,000	Shopify, Inc., Cl A[1,2]	7,036,432	7,289,100
Total Information Technology		56,513,844	43,849,613
Real Estate (2.33%)			
	Office REITs (0.65%)		
302,313	Douglas Emmett, Inc.	4,781,894	4,740,268
	Residential REITs (0.98%)		
235,000	American Homes 4 Rent, Cl A	5,062,679	7,082,900
	Specialized REITs (0.70%)		
35,000	Alexandria Real Estate Equities, Inc.[4]	5,050,094	5,098,450
Total Real Estate		14,894,667	16,921,618
TOTAL COMMON STOCKS		**374,240,363**	**585,157,369**
Private Common Stocks (7.81%)			
Industrials (7.81%)			
	Aerospace & Defense (7.81%)		
629,570	Space Exploration Technologies Corp., Cl A[1,3,4]	26,390,845	46,313,026
143,170	Space Exploration Technologies Corp., Cl C[1,3,4]	6,808,820	10,532,008
TOTAL PRIVATE COMMON STOCKS		**33,199,665**	**56,845,034**
Private Preferred Stocks (4.08%)			
Industrials (4.08%)			
	Aerospace & Defense (4.08%)		
29,630	Space Exploration Technologies Corp., Cl H[1,3,4]	4,000,050	21,796,701
1,479	Space Exploration Technologies Corp., Cl I[1,3,4]	249,951	1,087,996
9,259	Space Exploration Technologies Corp., Cl N[1,3,4]	2,499,930	6,811,194
TOTAL PRIVATE PREFERRED STOCKS		**6,749,931**	**29,695,891**

Baron Focused Growth Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (10.09%)			
$73,387,599	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $73,418,993; (Fully Collateralized by $11,346,600 U.S.Treasury Note, 2.375% due 5/15/2029 Market value - $10,381,950 and $67,165,300 U.S. Treasury Note, 3.25% due 6/30/2029 Market value - $64,473,449)	$ 73,387,599	$ 73,387,599
TOTAL INVESTMENTS (102.41%)		$487,577,558	745,085,893
LIABILITIES LESS CASH AND OTHER ASSETS (-2.41%)			(17,569,438)
NET ASSETS			$727,516,455
RETAIL SHARES (Equivalent to $28.61 per share based on 6,093,503 shares outstanding)			$174,316,730
INSTITUTIONAL SHARES (Equivalent to $29.82 per share based on 10,072,596 shares outstanding)			$300,322,300
R6 SHARES (Equivalent to $29.84 per share based on 8,474,301 shares outstanding)			$252,877,425

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At December 31, 2022, the market value of restricted and fair valued securities amounted to $86,540,925 or 11.90% of net assets. These securities are not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
[5] Investors in the Fund may view Tesla, Inc.’s financial statements on the EDGAR website of the U.S. Securities and Exchange Commission by going to https://www.sec.gov/cgi-bin/browse-edgar?CIK=1318605&owner=exclude. Please note that the Fund is not responsible for Tesla’s financial statements and can provide no assurances as to their accuracy or completeness.

Baron International Growth Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (97.15%)			
Australia (0.60%)			
205,746	Newcrest Mining Limited	$ 4,038,145	$ 2,885,034
Brazil (3.15%)			
225,742	Afya Ltd., Cl A[1]	3,607,509	3,526,090
706,310	B3 S.A. - Brasil, Bolsa, Balcao	1,820,358	1,764,802
1,084,717	Hapvida Participacoes e Investimentos SA, 144A[1]	1,638,927	1,045,269
203,588	StoneCo Ltd., Cl A[1]	2,003,706	1,921,871
752,643	Suzano SA	7,359,682	6,949,219
Total Brazil		16,430,182	15,207,251
Canada (2.86%)			
104,413	Agnico Eagle Mines Ltd.	5,061,400	5,428,432
5,360	Constellation Software, Inc.	753,415	8,368,409
Total Canada		5,814,815	13,796,841
China (10.38%)			
54,651	Alibaba Group Holding Limited, ADR[1]	5,535,110	4,814,207
32,406	Baidu, Inc., ADR[1]	3,785,290	3,706,598
106,742	China Tourism Group Duty Free Corporation Ltd., Cl A	3,015,980	3,304,056
911,536	Estun Automation Co. Ltd., Cl A	3,509,056	2,838,158
556,395	Full Truck Alliance Co. Ltd., ADR[1]	4,096,358	4,451,160
369,613	Galaxy Entertainment Group Ltd.[1]	2,307,895	2,430,076
54,307	GDS Holdings Limited, ADR[1]	1,525,275	1,119,810
45,737	JD.com, Inc., ADR[1]	2,701,208	2,567,218
18,506	JD.com, Inc., Cl A[1]	603,389	516,625
327,899	Jiangsu Hengli Hydraulic Co. Ltd., Cl A	2,822,380	2,973,321
1,445,015	Kingdee International Software Group Co. Ltd.[1]	1,129,407	3,066,460
940,208	Kingsoft Corp. Ltd.	3,687,158	3,115,903
546,516	Midea Group Co., Ltd., Cl A	4,213,874	4,055,853
74,570	Shenzhen Mindray Bio-Medical Electronics Co. Ltd., Cl A	2,504,563	3,381,581
41,773	Tencent Holdings Limited	633,697	1,771,190
29,893	Tencent Holdings Limited, ADR	1,870,476	1,266,268
48,221	Yum China Holdings, Inc.	2,343,942	2,635,278
68,216	Zai Lab Limited, ADR[1]	1,631,707	2,094,231
Total China		47,916,765	50,107,993
Denmark (1.48%)			
168,945	Genmab A/S, ADR[1]	6,673,504	7,159,889
France (8.64%)			
147,879	BNP Paribas S.A.	5,529,943	8,420,102
97,330	Eurofins Scientific SE	2,721,696	6,988,112
8,907	LVMH Moët Hennessy Louis Vuitton SE	2,802,671	6,481,556
42,700	Pernod Ricard SA	8,253,649	8,400,048
418,139	Vivendi SE	3,847,828	3,994,453
242,654	Waga Energy SA[1]	6,991,692	7,402,842
Total France		30,147,479	41,687,113
Germany (2.86%)			
118,236	Befesa SA, 144A	5,206,699	5,703,596
235,944	Mister Spex SE[1]	6,633,159	1,016,579
65,317	Symrise AG	5,758,112	7,093,753
Total Germany		17,597,970	13,813,928
Hong Kong (1.51%)			
292,510	AIA Group Ltd.	2,439,137	3,230,299
33,852	Hong Kong Exchanges & Clearing Ltd.	1,389,468	1,454,629
233,058	Techtronic Industries Co. Ltd.	1,968,623	2,588,537
Total Hong Kong		5,797,228	7,273,465

Shares		Cost	Value
Common Stocks (continued)			
India (6.85%)			
89,220	Bajaj Finance Limited	$ 4,565,293	$ 7,067,540
670,497	Bharti Airtel Ltd. PP	3,462,101	3,506,828
2,775,632	Edelweiss Financial Services Ltd.	2,338,220	2,145,578
192,887	Godrej Properties Ltd.[1]	2,367,567	2,851,023
188,193	HDFC Bank Ltd.	2,954,887	3,691,133
2,458,395	JM Financial Limited	2,893,665	2,119,268
231,007	Max Financial Services Limited[1]	1,504,024	1,886,278
688,913	Nippon Life India Asset Management Ltd., 144A	2,429,190	2,071,565
251,616	Reliance Industries Limited	5,490,484	7,724,765
Total India		28,005,431	33,063,978
Ireland (0.96%)			
486,773	Bank of Ireland Group PLC	3,582,772	4,638,613
Israel (1.07%)			
257,657	Innovid Corp.[1]	2,549,125	440,593
76,364	SimilarWeb Ltd.[1]	1,513,124	491,021
398,398	Taboola.com Ltd.[1]	3,771,018	1,227,066
38,998	Wix.com Ltd.[1]	2,392,492	2,996,216
Total Israel		10,225,759	5,154,896
Italy (2.46%)			
304,151	Stevanato Group SpA	6,373,893	5,465,594
180,573	Tenaris SA	2,273,565	3,166,835
92,452	Tenaris SA, ADR	2,463,819	3,250,612
Total Italy		11,111,277	11,883,041
Japan (9.35%)			
137,747	Japan Airport Terminal Co. Ltd.[1]	5,802,383	6,793,300
22,724	Keyence Corporation	8,191,936	8,822,468
246,200	MonotaRO Co, Ltd.	2,446,063	3,467,943
105,520	Okamoto Industries, Inc.	4,831,807	2,958,250
153,600	Recruit Holdings Co, Ltd.	3,788,290	4,807,983
565,360	Renesas Electronics Corp.[1]	6,943,128	4,996,798
285,300	SMS Co. Ltd.	8,001,168	7,216,604
11,352	Tokyo Electron Limited	2,701,964	3,335,543
1,101,744	Z Holdings Corporation	5,279,772	2,751,623
Total Japan		47,986,511	45,150,512
Korea, Republic of (2.72%)			
94,120	Coupang, Inc., Cl A[1]	1,131,544	1,384,505
56,167	Hyundai Heavy Industries Co. Ltd.[1]	5,192,629	5,176,529
117,157	Korea Shipbuilding & Offshore Engineering Co. Ltd.[1]	10,876,327	6,587,975
Total Korea, Republic of		17,200,500	13,149,009
Mexico (0.72%)			
982,287	Grupo Mexico S.A.B. de C.V., Series B	2,636,647	3,463,070
Netherlands (6.48%)			
190,455	AMG Advanced Metallurgical Group NV	5,037,611	7,039,582
31,524	argenx SE, ADR[1]	1,346,356	11,942,237
56,691	Koninklijke DSM NV	8,276,192	6,961,346
221,130	Universal Music Group NV	4,625,676	5,347,512
Total Netherlands		19,285,835	31,290,677
Norway (0.91%)			
1,985,524	Aker Carbon Capture ASA[1]	3,910,513	2,330,298
277,292	Norsk Hydro ASA	1,730,892	2,072,027
Total Norway		5,641,405	4,402,325

Baron International Growth Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Peru (0.93%)			
33,255	Credicorp, Ltd.	$ 4,742,171	$ 4,511,373
Poland (2.28%)			
55,785	Dino Polska SA, 144A[1]	4,025,150	4,791,052
732,637	InPost SA[1]	10,196,922	6,189,870
Total Poland		14,222,072	10,980,922
Russia (0.00%)			
487,800	Sberbank of Russia PJSC[1,2]	1,644,868	383
Spain (3.45%)			
85,854	Cellnex Telecom S.A., 144A	4,589,734	2,847,881
1,317,072	eDreams ODIGEO SA[1]	10,498,902	5,559,922
310,534	Industria de Diseno Textil, S.A.	9,881,964	8,248,104
Total Spain		24,970,600	16,655,907
Sweden (1.25%)			
331,088	Epiroc AB, Cl A	4,910,056	6,028,816
Switzerland (5.83%)			
360,168	Clariant AG	7,368,151	5,719,983
29,849	Compagnie Financiere Richemont SA	3,494,052	3,870,219
18,212,446	Meyer Burger Technology AG[1]	7,465,722	10,582,659
68,981	Nestle S.A.	7,389,937	7,967,951
Total Switzerland		25,717,862	28,140,812
Taiwan (1.60%)			
103,537	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	10,279,679	7,712,471
United Kingdom (14.20%)			
202,571	AstraZeneca PLC, ADR	8,867,929	13,734,314
855,972	B&M European Value Retail S.A.	3,563,157	4,248,873
472,416	Ceres Power Holdings PLC[1]	4,390,275	1,997,117
85,286	Dechra Pharmaceuticals PLC	2,771,384	2,688,199
36,289	Endava plc, ADR[1]	725,780	2,776,108
170,217	Experian plc	3,928,940	5,764,966
274,336	Future PLC	3,934,771	4,181,532
901,912	Glencore PLC	3,799,703	6,014,530
165,379	J D Wetherspoon PLC[1]	1,830,729	883,514
34,980	Linde Public Limited Company	6,288,750	11,402,119
4,462,095	Lloyds Banking Group	1,537,604	2,435,022
1,606,733	S4 Capital PLC[1]	4,110,670	3,673,796
443,392	WANdisco plc[1]	3,824,622	4,931,557
389,494	Watches of Switzerland Group PLC, 144A[1]	3,446,481	3,805,534
Total United Kingdom		53,020,795	68,537,181
United States (4.48%)			
50,934	Agilent Technologies, Inc.	2,577,583	7,622,273
222,670	Arch Capital Group Ltd.[1]	5,203,272	13,979,223
Total United States		7,780,855	21,601,496
Uruguay (0.13%)			
41,140	Dlocal Ltd.[1]	932,421	640,550
TOTAL COMMON STOCKS		**428,313,604**	**468,937,546**

Shares		Cost	Value
Warrants (0.01%)			
Israel (0.01%)			
16,052	Innovid Corp. Exp 12/31/2027[1]	$ 27,444	$ 6,420
56,745	Taboola.com Ltd. Exp 6/29/2026[1]	104,540	27,805
TOTAL WARRANTS		**131,984**	**34,225**

Principal Amount		Cost	Value
Short Term Investments (2.98%)			
$14,380,099	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $14,386,250; (Fully Collateralized by $16,817,400 U.S. Treasury Note, 1.5% due 11/30/2028 Market value - $14,667,703)	**14,380,099**	**14,380,099**
TOTAL INVESTMENTS (100.14%)		**$442,825,687**	**483,351,870**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.14%)			**(694,787)**
NET ASSETS			**$482,657,083**
RETAIL SHARES (Equivalent to $23.80 per share based on 2,807,621 shares outstanding)			**$ 66,811,459**
INSTITUTIONAL SHARES (Equivalent to $24.29 per share based on 12,501,077 shares outstanding)			**$303,651,896**
R6 SHARES (Equivalent to $24.28 per share based on 4,621,517 shares outstanding)			**$112,193,728**

% Represents percentage of net assets.
1 Non-income producing securities.
2 At December 31, 2022, the market value of restricted and fair valued securities amounted to $383 or 0.00% of net assets. This security is not deemed liquid.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $20,264,897 or 4.20% of net assets.

Summary of Investments by Sector as of December 31, 2022	Percentage of Net Assets
Industrials	15.5%
Materials	14.1%
Health Care	12.9%
Information Technology	12.8%
Financials	12.3%
Consumer Discretionary	12.3%
Communication Services	7.8%
Energy	4.5%
Consumer Staples	4.4%
Real Estate	0.6%
Cash and Cash Equivalents*	2.8%
	100.0%**

* Includes short term investments.
** Individual weights may not sum to displayed total due to rounding.

Baron Real Estate Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (89.01%)			
Consumer Discretionary (29.28%)			
	Casinos & Gaming (5.91%)		
324,350	Boyd Gaming Corporation	$ 4,835,157	$ 17,686,806
277,455	Las Vegas Sands Corp.[1]	9,132,873	13,337,262
730,106	MGM Resorts International	25,381,716	24,480,454
496,840	Red Rock Resorts, Inc., Cl A	3,556,669	19,878,568
		42,906,415	75,383,090
	Distributors (2.55%)		
107,400	Pool Corp.	39,791,393	32,470,242
	Home Improvement Retail (4.77%)		
540,550	Floor & Decor Holdings, Inc., Cl A[1]	40,522,814	37,638,497
11,250	The Home Depot, Inc.	1,033,809	3,553,425
99,000	Lowe's Companies, Inc.	11,176,831	19,724,760
		52,733,454	60,916,682
	Homebuilding (11.72%)		
450,547	D.R. Horton, Inc.	30,870,860	40,161,760
525,149	Lennar Corp., Cl A	39,097,942	47,525,984
1,240,150	Toll Brothers, Inc.	58,498,507	61,908,288
		128,467,309	149,596,032
	Hotels, Resorts & Cruise Lines (2.58%)		
56,050	Hilton Worldwide Holdings, Inc.	7,070,760	7,082,478
68,900	Hyatt Hotels Corp., Cl A[1]	5,133,050	6,232,005
145,736	Marriott Vacations Worldwide Corp.	8,801,307	19,614,608
		21,005,117	32,929,091
	Leisure Facilities (1.75%)		
93,900	Vail Resorts, Inc.	24,987,918	22,381,065
Total Consumer Discretionary		309,891,606	373,676,202
Financials (7.34%)			
	Asset Management & Custody Banks (7.34%)		
266,800	Blackstone, Inc.	25,876,807	19,793,892
539,906	Brookfield Asset Management Ltd., Cl A[1,2]	14,447,415	15,479,105
1,855,025	Brookfield Corp.[2]	51,416,272	58,359,087
Total Financials		91,740,494	93,632,084
Industrials (12.38%)			
	Building Products (4.01%)		
371,350	Fortune Brands Innovations, Inc. (formerly, Fortune Brands Home & Security, Inc.)	20,182,502	21,207,799
707,550	Trex Co., Inc.[1]	38,423,252	29,950,591
		58,605,754	51,158,390
	Research & Consulting Services (5.32%)		
878,800	CoStar Group, Inc.[1]	47,961,154	67,913,664
	Trading Companies & Distributors (3.05%)		
332,185	SiteOne Landscape Supply, Inc.[1]	39,742,334	38,971,944
Total Industrials		146,309,242	158,043,998
Materials (3.73%)			
	Construction Materials (2.28%)		
166,300	Vulcan Materials Co.	22,796,570	29,120,793
	Specialty Chemicals (1.45%)		
77,650	The Sherwin-Williams Co.	16,570,029	18,428,674
Total Materials		39,366,599	47,549,467
Real Estate (35.30%)			
	Industrial REITs (8.21%)		
593,200	Prologis, Inc.	60,877,935	66,871,436
693,459	Rexford Industrial Realty, Inc.	35,755,743	37,890,600
		96,633,678	104,762,036

Shares		Cost	Value
Common Stocks (continued)			
Real Estate (continued)			
	Real Estate Services (6.80%)		
630,350	CBRE Group, Inc., Cl A[1]	$ 33,666,130	$ 48,511,736
240,157	Jones Lang LaSalle, Inc.[1]	30,891,454	38,273,821
		64,557,584	86,785,557
	Residential REITs (2.86%)		
347,950	American Homes 4 Rent, Cl A	11,205,115	10,487,213
248,500	Equity LifeStyle Properties, Inc.	13,501,308	16,053,100
337,700	Invitation Homes, Inc.	7,823,352	10,009,428
		32,529,775	36,549,741
	Specialized REITs (17.43%)		
123,450	Alexandria Real Estate Equities, Inc.[3]	12,660,306	17,982,962
259,000	American Tower Corp.	47,233,210	54,871,740
75,840	Equinix, Inc.	34,919,562	49,677,475
93,150	Extra Space Storage, Inc.	14,792,700	13,709,817
382,848	Gaming and Leisure Properties, Inc.	12,713,275	19,942,552
115,254	Public Storage	40,399,114	32,293,018
121,450	SBA Communications Corp.	35,623,548	34,043,650
		198,341,715	222,521,214
Total Real Estate		392,062,752	450,618,548
Special Purpose Acquisition Company (0.98%)			
1,250,000	Fifth Wall Acquisition Corp. III, Cl A[1,2]	12,500,000	12,562,500
TOTAL COMMON STOCKS		**991,870,693**	**1,136,082,799**

Principal Amount			
Short Term Investments (11.02%)			
$140,644,217	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $140,704,381; (Fully Collateralized by $11,805,700 U.S.Treasury Note, 2.375% due 5/15/2029 Market value - $10,802,019 and $152,097,000 U.S. Treasury Note, 1.5% due 11/30/2028 Market value - $132,655,088)	**140,644,217**	**140,644,217**
TOTAL INVESTMENTS (100.03%)		**$1,132,514,910**	**1,276,727,016**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.03%)			**(369,213)**
NET ASSETS			**$1,276,357,803**
RETAIL SHARES (Equivalent to $27.86 per share based on 11,560,580 shares outstanding)			**$ 322,028,606**
INSTITUTIONAL SHARES (Equivalent to $28.73 per share based on 32,328,373 shares outstanding)			**$ 928,677,650**
R6 SHARES (Equivalent to $28.73 per share based on 892,990 shares outstanding)			**$ 25,651,547**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (93.22%)			
Brazil (5.69%)			
19,523,896	Aeris Indústria E Comércio De Equipamentos Para Geracão De Energia SA	$ 20,530,702	$ 4,194,508
1,932,753	Afya Ltd., Cl A[1]	45,636,673	30,189,602
1,598,080	Azul SA[1]	5,204,673	3,286,759
362,459	Azul SA, ADR[1]	3,224,365	2,214,624
12,105,223	B3 S.A. - Brasil, Bolsa, Balcao	29,506,117	30,246,378
21,194,813	Hapvida Participacoes e Investimentos SA, 144A[1]	27,226,432	20,424,020
2,199,111	Inter & Co., Inc. BDR	8,819,846	4,632,454
3,785,041	Localiza Rent a Car SA	22,600,450	37,584,497
3,010,743	StoneCo Ltd., Cl A[1]	33,226,861	28,421,414
10,255,945	Suzano SA	96,268,121	94,694,052
992,821	XP, Inc., Cl A[1]	27,516,252	15,229,874
Total Brazil		319,760,492	271,118,182
China (31.71%)			
1,655,301	Alibaba Group Holding Limited, ADR[1]	143,760,816	145,815,465
596,493	Baidu, Inc., ADR[1]	74,087,335	68,226,869
7,837,568	Beijing Oriental Yuhong Waterproof Technology Co. Ltd., Cl A	33,981,583	37,655,733
26,680,767	China Conch Environment Protection Holdings Ltd.[1]	10,883,176	10,743,997
7,344,029	China Conch Venture Holdings Ltd.	23,973,274	15,931,602
14,701,725	China Mengniu Dairy Co. Ltd.	31,619,318	66,291,700
1,520,232	China Tourism Group Duty Free Corporation Ltd., Cl A	30,787,869	47,056,747
19,172,780	Estun Automation Co. Ltd., Cl A	72,215,865	59,696,368
9,550,569	Full Truck Alliance Co. Ltd., ADR[1]	76,664,311	76,404,552
7,665,878	Galaxy Entertainment Group Ltd.[1]	52,765,699	50,400,472
2,631,830	GDS Holdings Limited, Cl A[1]	26,325,865	6,814,815
799,930	GDS Holdings Limited, ADR[1]	24,117,091	16,494,557
4,618,632	Glodon Co. Ltd., Cl A	25,321,297	39,748,579
4,088,050	Han's Laser Technology Industry Group Co., Ltd., Cl A	22,020,024	15,026,754
1,938,892	Hangzhou Tigermed Consulting Co. Ltd., Cl A	23,205,875	29,132,944
3,029,378	Hua Hong Semiconductor Limited, 144A[1]	5,675,914	10,497,413
1,021,828	JD.com, Inc., ADR[1]	59,923,356	57,355,206
209,580	JD.com, Inc., Cl A[1]	7,645,515	5,850,765
7,213,046	Jiangsu Hengli Hydraulic Co. Ltd., Cl A	60,971,462	65,406,414
22,207,666	Kingdee International Software Group Co. Ltd.[1]	9,948,397	47,126,790
17,463,369	Kingsoft Corp. Ltd.	64,815,436	57,874,609
6,777,483	Lufax Holding Ltd., ADR	31,203,360	13,148,317
9,336,810	Midea Group Co., Ltd., Cl A	54,136,283	69,291,398
9,730,536	NARI Technology Co. Ltd., Cl A	37,252,489	34,006,155
2,503,214	Shanghai Henlius Biotech, Inc., Cl H, 144A[1]	15,214,653	4,083,784
1,063,029	Shenzhen Mindray Bio-Medical Electronics Co. Ltd., Cl A	30,631,747	48,205,961
3,633,168	Shenzhou International Group Holdings Ltd.	15,562,046	40,516,533
2,765,622	Tencent Holdings Limited	54,927,698	117,263,379
309,929	Tencent Holdings Limited, ADR	15,746,484	13,128,592
10,444,864	Venustech Group, Inc., Cl A	52,448,782	39,121,345

Shares		Cost	Value
Common Stocks (continued)			
China (continued)			
4,255,454	Wuxi Biologics Cayman, Inc., 144A[1]	$ 31,398,616	$ 32,230,403
847,322	Yum China Holdings, Inc.	42,937,446	46,306,147
550,529	Yum China Holdings, Inc., (Hong Kong)	29,260,696	30,741,477
5,446,371	Yunnan Baiyao Group Co. Ltd., Cl A	54,381,334	42,527,254
1,086,768	Zai Lab Limited, ADR[1]	23,028,700	33,363,778
2,657,482	Zhejiang Dingli Machinery Co. Ltd., Cl A	22,089,249	18,235,828
Total China		1,390,929,061	1,511,722,702
Hong Kong (3.77%)			
4,458,215	AIA Group Ltd.	41,369,520	49,233,769
19,106,298	Budweiser Brewing Co. APAC Ltd., 144A	59,315,525	59,726,205
666,824	Hong Kong Exchanges & Clearing Ltd.	27,709,878	28,653,587
3,803,097	Techtronic Industries Co. Ltd.	14,941,977	42,240,374
Total Hong Kong		143,336,900	179,853,935
India (21.74%)			
3,853,312	AARTI Industries Ltd.	38,758,101	28,361,675
1,023,320	Aarti Pharmalabs Ltd.[1,2]	5,978,189	4,695,422
468,916	Asian Paints Ltd.	10,355,106	17,432,489
1,547,732	Bajaj Finance Limited	55,713,607	122,603,200
8,191,366	Bharti Airtel Ltd.	60,805,600	79,661,974
877,087	Bharti Airtel Ltd. PP	1,566,815	4,587,333
770,186	Divi's Laboratories Ltd.	7,391,068	31,722,990
36,262,120	Edelweiss Financial Services Ltd.	51,031,635	28,030,808
3,968,110	Godrej Consumer Products Ltd.[1]	49,520,943	41,866,428
2,023,308	Godrej Properties Ltd.[1]	39,225,854	29,906,101
3,904,231	HDFC Bank Ltd.	61,833,249	76,575,828
6,154,358	ICICI Bank Ltd.	61,621,173	66,194,843
963,399	ICICI Lombard General Insurance Co. Ltd., 144A	15,909,550	14,384,280
43,464,202	JM Financial Limited	61,649,851	37,468,462
4,037,947	Jubilant FoodWorks Ltd.	33,254,240	24,895,116
5,053,057	Max Financial Services Ltd.[1]	36,649,139	41,260,533
3,019,116	Muthoot Finance Ltd.	45,355,213	38,749,603
10,371,017	Nippon Life India Asset Management Ltd., 144A	35,610,795	31,185,703
4,152,706	Reliance Industries Limited	78,425,683	127,490,610
4,128,052	SBI Life Insurance Company Limited, 144A	43,123,777	61,268,771
4,089,369	Tata Communications Ltd.	24,719,031	62,903,908
3,259,524	Tata Consumer Products Ltd.	11,391,576	30,166,742
1,124,284	Titan Co. Ltd.	16,713,845	35,275,850
Total India		846,604,040	1,036,688,669
Indonesia (2.62%)			
245,542,971	Bank Rakyat Indonesia (Persero) Tbk PT	71,971,521	77,849,425
99,307,116	Merdeka Copper Gold Tbk PT[1]	29,748,547	26,236,235
34,866,071	PT Bank Negara Indonesia (Persero) Tbk	20,986,769	20,657,014
Total Indonesia		122,706,837	124,742,674
Italy (1.31%)			
1,789,767	Tenaris SA	22,511,065	31,388,396
890,117	Tenaris SA, ADR	22,981,905	31,296,514
Total Italy		45,492,970	62,684,910

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2020 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Japan (1.07%)			
131,465	Keyence Corporation	$ 48,760,020	$ 51,040,564
Korea, Republic of (7.77%)			
1,727,877	Coupang, Inc., Cl A[1]	20,543,215	25,417,071
606,209	Hyundai Heavy Industries Co. Ltd.	31,766,411	55,870,143
923,409	Korea Aerospace Industries Ltd.	30,289,331	37,319,614
1,412,030	Korea Shipbuilding & Offshore Engineering Co. Ltd.[1]	140,960,990	79,401,304
3,931,949	Samsung Electronics Co., Ltd.	129,645,519	172,585,995
Total Korea, Republic of		353,205,466	370,594,127
Mexico (2.32%)			
10,646,148	Grupo Mexico S.A.B. de C.V., Series B	26,802,868	37,533,183
20,604,393	Wal-Mart de Mexico, S.A.B de C.V.	48,395,872	72,831,478
Total Mexico		75,198,740	110,364,661
Norway (0.46%)			
2,950,296	Norsk Hydro ASA	18,510,069	22,045,685
Peru (1.30%)			
458,041	Credicorp, Ltd.	57,988,607	62,137,842
Philippines (1.85%)			
63,726,965	Ayala Land, Inc.	46,875,405	35,375,382
27,652,201	BDO Unibank, Inc.	48,718,104	52,585,588
Total Philippines		95,593,509	87,960,970
Poland (1.19%)			
6,732,703	InPost SA[1]	109,620,766	56,882,950
Russia (0.02%)			
2,384,838	Fix Price Group Ltd., GDR[1,2]	20,761,023	95,393
4,746,202	Fix Price Group Ltd., GDR, 144A[1,2]	46,272,864	189,848
1,873,612	Ozon Holdings PLC, ADR[1,2]	76,824,628	374,722
17,949,100	Sberbank of Russia PJSC[1,2]	64,206,206	14,092
809,897	Yandex N.V., Cl A[1,2]	16,974,482	299,662
Total Russia		225,039,203	973,717
South Africa (1.53%)			
1,447,153	Gold Fields Ltd.	15,245,377	15,028,451
3,482,547	Gold Fields Ltd., ADR	35,515,975	36,044,361
132,126	Naspers Limited, Cl N	18,983,447	22,079,005
Total South Africa		69,744,799	73,151,817
Spain (0.12%)			
1,791,760	Codere Online Luxembourg, S.A. Forward Shares[1]	17,917,600	4,622,741
358,352	Codere Online Luxembourg, S.A. Founders Share[1,2]	3,116	895,880
26,518	Codere Online Luxembourg, S.A. Private Shares[1]	265,181	68,416
Total Spain		18,185,897	5,587,037

Shares		Cost	Value
Common Stocks (continued)			
Taiwan (6.98%)			
8,380,054	Delta Electronics, Inc.	$ 36,125,676	$ 77,682,985
982,155	MediaTek, Inc.	17,633,522	19,858,118
3,157,911	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	125,606,031	235,232,790
Total Taiwan		179,365,229	332,773,893
United Arab Emirates (0.29%)			
3,772,092	Network International Holdings plc, 144A[1]	22,252,784	13,589,608
United Kingdom (1.40%)			
9,987,322	Glencore PLC	29,527,947	66,601,892
United States (0.08%)			
483,442	ACM Research, Inc., Cl A[1]	13,732,437	3,727,338
TOTAL COMMON STOCKS		**4,185,555,773**	**4,444,243,173**
Private Common Stocks (1.32%)			
India (1.32%)			
27,027	Pine Labs PTE. Ltd., Series 1[1,2]	10,077,362	15,843,768
6,833	Pine Labs PTE. Ltd., Series A[1,2]	2,547,771	4,005,641
7,600	Pine Labs PTE. Ltd., Series B[1,2]	2,833,757	4,455,272
6,174	Pine Labs PTE. Ltd., Series B2[1,2]	2,302,055	3,619,322
9,573	Pine Labs PTE. Ltd., Series C[1,2]	3,569,416	5,611,884
1,932	Pine Labs PTE. Ltd., Series C1[1,2]	720,371	1,132,577
2,459	Pine Labs PTE. Ltd., Series D[1,2]	916,870	1,441,515
45,680	Pine Labs PTE. Ltd., Series J[1,2]	17,032,398	26,778,530
TOTAL PRIVATE COMMON STOCKS		**40,000,000**	**62,888,509**
Rights (0.00%)			
Brazil (0.00%)			
16,543	Localiza Rent a Car SA, Rights Exp. 1/31/2023[1]	**0**	**33,714**
Private Convertible Preferred Stocks (2.61%)			
India (2.61%)			
11,578	Bundl Technologies Private Ltd., Series K[1,2]	76,776,872	50,924,652
15,334	Think & Learn Private Limited, Series F[1,2]	49,776,072	73,568,842
TOTAL PRIVATE CONVERTIBLE PREFERRED STOCKS		**126,552,944**	**124,493,494**
Warrants (0.00%)			
Spain (0.00%)			
	Casinos & Gaming (0.00%)		
13,259	Codere Online Luxembourg S.A. Private Shares, Exp. 11/30/2026[1]	**0**	**1,762**

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (3.10%)			
$147,792,706	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $147,855,929; (Fully Collateralized by $172,842,300 U.S. Treasury Note, 1.5% due 11/30/2028 Market value - $150,748,605)	$ 147,792,706	$ 147,792,706
TOTAL INVESTMENTS (100.25%)		$4,499,901,423	4,779,453,358
LIABILITIES LESS CASH AND OTHER ASSETS (-0.25%)			(11,740,783)
NET ASSETS			$4,767,712,575
RETAIL SHARES (Equivalent to $12.96 per share based on 21,895,316 shares outstanding)			$ 283,655,403
INSTITUTIONAL SHARES (Equivalent to $13.04 per share based on 342,959,339 shares outstanding)			$4,473,580,812
R6 SHARES (Equivalent to $13.05 per share based on 802,782 shares outstanding)			$ 10,476,360

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] At December 31, 2022, the market value of restricted and fair valued securities amounted to $193,947,022 or 4.07% of net assets. These securities are not deemed liquid.
[ADR] American Depositary Receipt.
[GDR] Global Depositary Receipt.
[144A] Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $247,580,035 or 5.19% of net assets.

Summary of Investments by Sector as of December 31, 2022	Percentage of Net Assets
Financials	18.3%
Information Technology	17.3%
Consumer Discretionary	16.0%
Industrials	12.9%
Communication Services	8.5%
Materials	8.0%
Consumer Staples	5.7%
Health Care	5.2%
Energy	4.0%
Real Estate	1.4%
Cash and Cash Equivalents*	2.9%
	100.0%**

* Includes short term investments.
** Individual weights may not sum to displayed total due to rounding.

Baron Global Advantage Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (88.19%)			
Argentina (7.21%)			
73,496	Globant S.A.[1]	$ 5,218,035	$ 12,359,088
51,109	MercadoLibre, Inc.[1]	37,263,021	43,250,480
Total Argentina		42,481,056	55,609,568
Brazil (2.35%)			
1,159,220	Afya Ltd., Cl A[1]	24,415,674	18,107,016
Canada (3.28%)			
727,369	Shopify, Inc., Cl A[1]	27,502,905	25,246,978
China (2.76%)			
959,865	Meituan Inc., Cl B, 144A[1]	12,096,383	21,266,606
India (5.57%)			
475,005	Bajaj Finance Limited	29,538,367	37,627,402
7,379,067	Zomato Ltd.[1]	12,454,606	5,289,899
Total India		41,992,973	42,917,301
Israel (3.89%)			
296,267	Fiverr International Ltd.[1]	6,675,896	8,633,220
3,375,264	Innovid Corp.[1]	32,939,278	5,771,702
2,753,705	Taboola.com Ltd.[1]	26,501,176	8,481,411
92,553	Wix.com Ltd.[1]	7,477,921	7,110,847
Total Israel		73,594,271	29,997,180
Korea, Republic of (3.39%)			
1,778,267	Coupang, Inc., Cl A[1]	36,953,125	26,158,308
Netherlands (10.21%)			
16,186	Adyen N.V., 144A[1]	16,437,273	22,470,198
93,395	argenx SE, ADR[1]	8,921,603	35,380,828
38,227	ASML Holding N.V.	8,394,703	20,843,334
Total Netherlands		33,753,579	78,694,360
Poland (1.95%)			
1,782,866	InPost SA[1]	28,082,950	15,062,996
Spain (0.57%)			
996,069	Codere Online Luxembourg S.A.[1]	9,115,057	2,569,858
584,567	Codere Online Luxembourg, S.A. Forward Shares[1]	5,845,670	1,508,183
116,913	Codere Online Luxembourg, S.A. Founders Share[1,2,4]	1,017	292,283
8,652	Codere Online Luxembourg, S.A. Private Shares[1]	86,516	22,322
Total Spain		15,048,260	4,392,646
United Kingdom (6.67%)			
671,911	Endava plc, ADR[1]	27,929,394	51,401,191
Common Stocks (continued)			
United States (38.85%)			
141,583	Bill.Com Holdings, Inc.[1]	$ 6,149,064	$ 15,426,884
204,952	Block, Inc., Cl A[1]	16,736,676	12,879,184
371,841	Cloudflare, Inc., Cl A[1]	9,123,087	16,810,932
280,005	Crowdstrike Holdings, Inc., Cl A[1]	30,341,565	29,481,726
358,515	Datadog, Inc., Cl A[1]	28,000,451	26,350,852
57,437	EPAM Systems, Inc.[1]	8,184,400	18,824,402
195,308	Guardant Health, Inc.[1]	13,633,862	5,312,378
93,454	Illumina, Inc.[1]	28,662,832	18,896,399
1,732,760	MaxCyte, Inc.[1]	21,231,690	9,460,869
146,664	NVIDIA Corp.	31,174,400	21,433,477
660,574	Rivian Automotive, Inc., Cl A[1]	14,000,003	12,174,379
420,456	Schrödinger, Inc.[1]	13,998,791	7,858,323
241,005	Snowflake, Inc., Cl A[1]	38,654,482	34,593,858
120,215	Tesla, Inc.[1]	34,613,214	14,808,084
132,883	Veeva Systems, Inc., Cl A[1]	18,929,211	21,444,658
727,495	ZoomInfo Technologies, Inc.[1]	21,829,647	21,904,874
105,009	Zscaler, Inc.[1]	5,825,395	11,750,507
Total United States		341,088,770	299,411,786
Uruguay (1.49%)			
735,783	Dlocal Ltd.[1]	15,669,063	11,456,141
TOTAL COMMON STOCKS		**720,608,403**	**679,722,077**
Private Common Stocks (3.12%)			
United States (3.12%)			
252,130	Space Exploration Technologies Corp., Cl A[1,2]	11,571,518	18,547,426
75,250	Space Exploration Technologies Corp., Cl C[1,2]	3,428,124	5,535,612
TOTAL PRIVATE COMMON STOCKS		**14,999,642**	**24,083,038**
Private Convertible Preferred Stocks (7.59%)			
India (5.73%)			
9,201	Think & Learn Private Limited, Series F[1,2]	29,867,591	44,144,184
United States (1.86%)			
219,321	Farmers Business Network, Inc., Series F[1,2]	7,250,006	7,875,817
80,440	Farmers Business Network, Inc., Series G[1,2]	5,000,000	5,297,778
69,926	Resident Home, Inc., Series B1[1,2]	4,999,968	1,165,667
Total United States		17,249,974	14,339,262
TOTAL PRIVATE CONVERTIBLE PREFERRED STOCKS		**47,117,565**	**58,483,446**

Baron Global Advantage Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Private Preferred Stocks (1.44%)			
United States (1.44%)			
461,004	GM Cruise Holdings, Cl G[1,2]	**$ 12,147,455**	**$ 11,087,146**
Warrants (0.03%)			
Israel (0.02%)			
68,986	Innovid Corp.[1]	117,942	27,594
228,748	Taboola.com Ltd., Exp. 6/29/2026[1]	417,100	112,087
Total Israel		535,042	139,681
Spain (0.01%)			
502,360	Codere Online Luxembourg S.A., Exp. 11/30/2026[1]	845,632	66,764
TOTAL WARRANTS		**1,380,674**	**206,445**
TOTAL INVESTMENTS (100.37%)		**$796,253,739**	**773,582,152**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.37%)			**(2,852,046)**
NET ASSETS			**$770,730,106**
RETAIL SHARES (Equivalent to $24.51 per share based on 9,110,593 shares outstanding)			**$223,265,268**
INSTITUTIONAL SHARES (Equivalent to $25.08 per share based on 21,459,389 shares outstanding)			**$538,167,010**
R6 SHARES (Equivalent to $25.09 per share based on 370,533 shares outstanding)			**$ 9,297,828**

% Represents percentage of net assets.

[1] Non-income producing securities.

[2] At December 31, 2022, the market value of restricted and fair valued securities amounted to $93,945,913 or 12.19% of net assets. These securities are not deemed liquid.

[ADR] American Depositary Receipt.

[144A] Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $43,736,804 or 5.67% of net assets.

Summary of Investments by Sector as of December 31, 2022	Percentage of Total Investments
Information Technology	43.7%
Consumer Discretionary	25.8%
Health Care	12.7%
Industrials	6.5%
Financials	4.9%
Communication Services	4.7%
Materials	1.7%
	100.00%*

* Individual weights may not sum to displayed total due to rounding.

Baron Discovery Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (95.67%)			
Communication Services (1.71%)			
	Advertising (0.85%)		
4,250,000	S4 Capital PLC (United Kingdom)[1,2]	$ 15,642,612	$ 9,717,628
	Movies & Entertainment (0.86%)		
185,000	Liberty Media Corporation-Liberty Formula One, Cl A[1]	5,634,811	9,884,550
Total Communication Services		21,277,423	19,602,178
Consumer Discretionary (11.01%)			
	Casinos & Gaming (4.19%)		
735,000	Boyd Gaming Corporation	46,928,841	40,079,550
200,000	Red Rock Resorts, Inc., Cl A	5,295,927	8,002,000
		52,224,768	48,081,550
	Home Improvement Retail (2.40%)		
395,000	Floor & Decor Holdings, Inc., Cl A[1]	14,885,596	27,503,850
	Homefurnishing Retail (0.58%)		
25,000	RH[1]	6,360,989	6,679,750
	Restaurants (2.85%)		
500,000	The Cheesecake Factory, Inc.	16,378,050	15,855,000
185,000	Texas Roadhouse, Inc.	15,924,197	16,825,750
		32,302,247	32,680,750
	Specialty Stores (0.99%)		
1,200,000	Petco Health & Wellness Co., Inc.[1]	22,335,645	11,376,000
Total Consumer Discretionary		128,109,245	126,321,900
Consumer Staples (0.95%)			
	Personal Products (0.95%)		
1,200,000	The Beauty Health Co.[1]	12,467,467	10,920,000
Financials (5.87%)			
	Insurance Brokers (1.31%)		
600,007	BRP Group, Inc., Cl A[1]	10,721,831	15,084,176
	Property & Casualty Insurance (4.56%)		
200,000	Kinsale Capital Group, Inc.	11,768,138	52,304,000
Total Financials		22,489,969	67,388,176
Health Care (19.52%)			
	Health Care Equipment (10.06%)		
637,982	Axonics, Inc.[1]	28,878,670	39,893,014
114,823	Inari Medical, Inc.[1]	4,216,755	7,298,150
822,985	Inogen, Inc.[1]	35,599,745	16,221,034
640,208	Silk Road Medical, Inc.[1,3]	27,145,351	33,834,993
4,060,000	ViewRay, Inc.[1]	20,943,587	18,188,800
		116,784,108	115,435,991
	Health Care Supplies (1.47%)		
2,029,967	Cerus Corp.[1]	10,468,349	7,409,379
144,000	Establishment Labs Holdings, Inc.[1,2]	10,473,972	9,453,600
		20,942,321	16,862,979
	Health Care Technology (1.53%)		
1,598,543	Definitive Healthcare Corp.[1]	37,150,023	17,567,988
	Life Sciences Tools & Services (3.33%)		
1,639,029	CareDx, Inc.[1,3]	38,961,132	18,701,321
415,000	Maravai LifeSciences Holdings, Inc., Cl A[1]	6,158,580	5,938,650
573,790	Veracyte, Inc.[1,3]	14,716,344	13,616,037
		59,836,056	38,256,008
Common Stocks (continued)			
Health Care (continued)			
	Managed Health Care (1.07%)		
393,279	Progyny, Inc.[1]	$ 6,029,753	$ 12,250,641
	Pharmaceuticals (1.63%)		
1,011,732	Revance Therapeutics, Inc.[1]	19,945,596	18,676,573
	Semiconductor Equipment (0.43%)		
85,000	Azenta, Inc.[1]	8,744,859	4,948,700
Total Health Care		269,432,716	223,998,880
Industrials (19.49%)			
	Aerospace & Defense (8.05%)		
251,095	Axon Enterprise, Inc.[1]	30,643,264	41,664,193
1,902,370	Kratos Defense & Security Solutions, Inc.[1]	30,828,261	19,632,459
696,300	Mercury Systems, Inc.[1]	33,548,862	31,152,462
		95,020,387	92,449,114
	Building Products (0.74%)		
200,000	Trex Co., Inc.[1]	6,713,309	8,466,000
	Diversified Support Services (0.86%)		
1,200,000	ACV Auctions, Inc., Cl A[1]	31,541,757	9,852,000
	Environmental & Facilities Services (2.32%)		
599,642	Montrose Environmental Group, Inc.[1]	10,554,326	26,618,108
	Human Resource & Employment Services (1.44%)		
202,400	ASGN, Inc.[1]	21,593,741	16,491,552
	Industrial Machinery (3.53%)		
200,000	Chart Industries, Inc.[1]	27,220,567	23,046,000
93,105	Kornit Digital Ltd.[1,2]	1,149,033	2,138,622
1,705,185	Markforged Holding Corp.[1]	14,565,524	1,978,015
50,000	RBC Bearings, Inc.[1]	10,475,838	10,467,500
1,591,680	Velo3D, Inc.[1]	13,139,523	2,849,107
		66,550,485	40,479,244
	Trading Companies & Distributors (2.55%)		
250,000	SiteOne Landscape Supply, Inc.[1]	19,438,947	29,330,000
Total Industrials		251,412,952	223,686,018
Information Technology (34.02%)			
	Application Software (11.85%)		
1,300,000	Alkami Technology, Inc.[1]	35,756,836	18,967,000
375,000	Ceridian HCM Holding, Inc.[1]	20,590,143	24,056,250
1,300,000	Clearwater Analytics Holdings, Inc., Cl A[1]	24,681,147	24,375,000
442,889	Gitlab, Inc., Cl A[1,3]	22,195,409	20,124,876
250,357	Guidewire Software, Inc.[1]	19,464,650	15,662,334
4,000,000	SmartRent, Inc.[1,3]	29,959,369	9,720,000
585,000	Smartsheet, Inc., Cl A[1]	20,479,845	23,025,600
		173,127,399	135,931,060
	Electronic Equipment & Instruments (5.52%)		
425,321	Advanced Energy Industries, Inc.	30,735,779	36,484,035
54,131	Novanta, Inc.[1,2]	5,885,852	7,354,779
750,000	PAR Technology Corp.[1]	22,434,021	19,552,500
		59,055,652	63,391,314
	IT Consulting & Other Services (2.00%)		
300,000	Endava plc, ADR[1,2]	7,125,604	22,950,000
	Semiconductor Equipment (2.39%)		
490,800	Ichor Holdings Ltd.[1,2]	11,435,027	13,163,256
175,000	Nova Ltd.[1,2]	4,080,928	14,294,000
		15,515,955	27,457,256

Baron Discovery Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Semiconductors (4.22%)		
725,000	Allegro MicroSystems, Inc.[1]	$ 10,150,000	$ 21,764,500
2,910,000	indie Semiconductor, Inc., Cl A[1]	27,712,225	16,965,300
2,750,000	Navitas Semiconductor Corp.[1]	24,385,564	9,652,500
		62,247,789	48,382,300
	Systems Software (8.04%)		
1,894,900	Couchbase, Inc.[1,3]	44,495,903	25,126,374
68,200	CyberArk Software Ltd.[1,2]	8,529,182	8,842,130
430,775	Dynatrace, Inc.[1,3]	10,425,483	16,498,683
250,459	ForgeRock, Inc., Cl A[1,3]	6,261,475	5,702,951
189,000	Qualys, Inc.[1]	15,185,542	21,211,470
621,000	Varonis Systems, Inc.[1]	19,427,813	14,866,740
		104,325,398	92,248,348
Total Information Technology		421,397,797	390,360,278
Real Estate (3.10%)			
	Industrial REITs (3.10%)		
650,000	Rexford Industrial Realty, Inc.	31,657,136	35,516,000
TOTAL COMMON STOCKS		**1,158,244,705**	**1,097,793,430**

Principal Amount			
Short Term Investments (4.01%)			
$46,009,562	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $46,029,244; (Fully Collateralized by $48,889,200 U.S. Treasury Note, 3.25% due 6/30/2029 Market value - $46,929,819)	**46,009,562**	**46,009,562**
TOTAL INVESTMENTS (99.68%)		**$1,204,254,267**	**1,143,802,992**
CASH AND OTHER ASSETS LESS LIABILITIES (0.32%)			**3,621,716**
NET ASSETS			**$1,147,424,708**
RETAIL SHARES (Equivalent to $22.31 per share based on 6,278,557 shares outstanding)			**$ 140,073,920**
INSTITUTIONAL SHARES (Equivalent to $22.85 per share based on 42,238,810 shares outstanding)			**$ 965,158,380**
R6 SHARES (Equivalent to $22.85 per share based on 1,846,320 shares outstanding)			**$ 42,192,408**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
ADR American Depositary Receipt.

Baron Durable Advantage Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (96.44%)			
Communication Services (8.33%)			
	Interactive Media & Services (8.33%)		
19,160	Alphabet, Inc., Cl C[1]	$ 1,610,666	$ 1,700,067
20,888	Meta Platforms, Inc., Cl A[1]	2,973,236	2,513,662
Total Communication Services		4,583,902	4,213,729
Consumer Discretionary (4.82%)			
	Internet & Direct Marketing Retail (4.82%)		
29,070	Amazon.com, Inc.[1]	3,336,164	2,441,880
Consumer Staples (3.94%)			
	Hypermarkets & Super Centers (2.82%)		
3,129	Costco Wholesale Corp.	1,265,830	1,428,388
	Personal Products (1.12%)		
2,280	The Estée Lauder Companies, Inc., Cl A	570,117	565,691
Total Consumer Staples		1,835,947	1,994,079
Financials (21.25%)			
	Asset Management & Custody Banks (4.71%)		
7,650	Blackstone, Inc.	774,720	567,554
10,871	Brookfield Asset Management Ltd., Cl A[1,2]	394,017	311,672
47,777	Brookfield Corp.[2]	1,907,537	1,503,064
		3,076,274	2,382,290
	Financial Exchanges & Data (11.63%)		
8,969	CME Group, Inc.	1,707,478	1,508,227
3,581	Moody's Corp.	848,130	997,738
3,256	MSCI, Inc.	1,487,540	1,514,594
5,566	S&P Global, Inc.	1,557,487	1,864,276
		5,600,635	5,884,835
	Property & Casualty Insurance (4.91%)		
39,612	Arch Capital Group Ltd.[1,2]	1,613,307	2,486,841
Total Financials		10,290,216	10,753,966
Health Care (15.82%)			
	Life Sciences Tools & Services (10.98%)		
4,745	Agilent Technologies, Inc.	568,932	710,089
8,096	Danaher Corp.	1,765,474	2,148,840
472	Mettler-Toledo International, Inc.[1]	513,317	682,253
3,664	Thermo Fisher Scientific, Inc.	1,731,228	2,017,728
		4,578,951	5,558,910
	Managed Health Care (4.84%)		
4,616	UnitedHealth Group, Incorporated	1,783,929	2,447,311
Total Health Care		6,362,880	8,006,221
Industrials (3.17%)			
	Aerospace & Defense (3.17%)		
13,404	HEICO Corp., Cl A	1,540,134	1,606,470

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (39.11%)			
	Application Software (6.05%)		
2,966	Adobe, Inc.[1]	$ 958,234	$ 998,148
5,307	Intuit, Inc.	2,260,412	2,065,590
		3,218,646	3,063,738
	Data Processing & Outsourced Services (9.02%)		
6,027	MasterCard Incorporated, Cl A	1,910,723	2,095,769
11,892	Visa, Inc., Cl A	2,578,101	2,470,682
		4,488,824	4,566,451
	Electronic Manufacturing Services (1.53%)		
6,761	TE Connectivity Ltd.[2]	853,614	776,163
	IT Consulting & Other Services (4.66%)		
8,828	Accenture plc, Cl A[2]	2,435,590	2,355,664
	Semiconductors (9.53%)		
4,662	Monolithic Power Systems, Inc.	1,786,178	1,648,530
12,169	NVIDIA Corp.	1,764,347	1,778,377
8,432	Texas Instruments, Inc.	1,446,702	1,393,135
		4,997,227	4,820,042
	Systems Software (8.32%)		
17,559	Microsoft Corporation	3,961,519	4,210,999
Total Information Technology		19,955,420	19,793,057
TOTAL COMMON STOCKS		**47,904,663**	**48,809,402**

Principal Amount		Cost	Value
Short Term Investments (6.57%)			
$3,322,309	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $3,323,731; (Fully Collateralized by $3,530,300 U.S. Treasury Note, 3.25% due 6/30/2029 Market value - $3,388,813)	**3,322,309**	**3,322,309**
TOTAL INVESTMENTS (103.01%)		**$51,226,972**	**52,131,711**
LIABILITIES LESS CASH AND OTHER ASSETS (-3.01%)			**(1,522,705)**
NET ASSETS			**$50,609,006**
RETAIL SHARES (Equivalent to $15.35 per share based on 540,915 shares outstanding)			**$ 8,300,483**
INSTITUTIONAL SHARES (Equivalent to $15.53 per share based on 2,489,422 shares outstanding)			**$38,650,938**
R6 SHARES (Equivalent to $15.53 per share based on 235,557 shares outstanding)			**$ 3,657,585**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.

Baron Real Estate Income Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (98.31%)			
Consumer Discretionary (0.48%)			
	Leisure Facilities (0.48%)		
1,541	Vail Resorts, Inc.	$ 338,707	$ 367,297
Financials (4.47%)			
	Asset Management & Custody Banks (4.47%)		
65,706	Brookfield Corp.[2]	2,161,942	2,067,111
48,481	Brookfield Asset Management Ltd., Cl A[1,2]	1,508,220	1,389,950
Total Financials		3,670,162	3,457,061
Real Estate (90.48%)			
	Health Care REITs (4.30%)		
45,665	Ventas, Inc.	2,079,343	2,057,208
19,312	Welltower, Inc.	1,300,738	1,265,902
		3,380,081	3,323,110
	Industrial REITs (22.98%)		
21,339	EastGroup Properties, Inc.	3,171,778	3,159,452
94,945	Prologis, Inc.	10,626,425	10,703,150
46,439	Rexford Industrial Realty, Inc.	2,478,580	2,537,427
24,050	Terreno Realty Corp.	1,353,437	1,367,724
		17,630,220	17,767,753
	Residential REITs (12.65%)		
48,300	American Homes 4 Rent, Cl A	1,467,463	1,455,762
3,134	AvalonBay Communities, Inc.	662,090	506,203
33,018	Equity LifeStyle Properties, Inc.	2,097,055	2,132,963
15,096	Equity Residential	888,911	890,664
34,559	Invitation Homes, Inc.	952,607	1,024,329
26,355	Sun Communities, Inc.	3,562,825	3,768,765
		9,630,951	9,778,686
	Retail REITs (4.94%)		
32,551	Simon Property Group, Inc.	3,168,005	3,824,091
	Specialized REITs (45.61%)		
13,625	Alexandria Real Estate Equities, Inc.[3]	1,876,685	1,984,754
37,776	American Tower Corp.	8,387,431	8,003,223
10,867	Crown Castle, Inc.	1,504,668	1,474,000
50,025	CubeSmart	2,057,791	2,013,506
12,565	Digital Realty Trust, Inc.	1,413,223	1,259,892
8,572	Equinix, Inc.	5,413,874	5,614,917
17,589	Extra Space Storage, Inc.	2,878,967	2,588,749
36,896	Gaming and Leisure Properties, Inc.	1,609,756	1,921,913
16,667	Public Storage	4,709,032	4,669,927
14,741	SBA Communications Corp.	4,268,882	4,132,050
49,534	VICI Properties, Inc.	1,628,757	1,604,902
		35,749,066	35,267,833
Total Real Estate		69,558,323	69,961,473
Utilities (2.88%)			
	Multi-Utilities (2.88%)		
57,245	Brookfield Infrastructure Corp., Cl A[2,3]	2,216,449	2,226,831
TOTAL COMMON STOCKS		**75,783,641**	**76,012,662**

Principal Amount		Cost	Value
Short Term Investments (1.82%)			
$1,406,814	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $1,407,416; (Fully Collateralized by $1,645,300 U.S. Treasury Note, 1.5% due 11/30/2028 Market value - $1,434,988)	**1,406,814**	**1,406,814**
TOTAL INVESTMENTS (100.13%)		**$77,190,455**	**77,419,476**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.13%)			**(99,088)**
NET ASSETS			**$77,320,388**
RETAIL SHARES (Equivalent to $12.71 per share based on 1,050,536 shares outstanding)			**$13,357,459**
INSTITUTIONAL SHARES (Equivalent to $12.85 per share based on 4,929,406 shares outstanding)			**$63,363,186**
R6 SHARES (Equivalent to $12.84 per share based on 46,700 shares outstanding)			**$ 599,743**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).

Baron WealthBuilder Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Affiliated Mutual Funds (100.01%)			
Small Cap Funds (33.54%)			
895,723	Baron Discovery Fund - Institutional Shares	$ 23,066,652	$ 20,467,271
753,962	Baron Growth Fund - Institutional Shares	72,456,076	67,472,097
2,079,605	Baron Small Cap Fund - Institutional Shares	70,633,824	55,067,948
Total Small Cap Funds		166,156,552	143,007,316
Small to Mid Cap Funds (6.18%)			
884,450	Baron Focused Growth Fund - Institutional Shares	29,575,033	26,365,450
Mid Cap Funds (13.78%)			
641,042	Baron Asset Fund - Institutional Shares	62,647,967	58,777,134
Large Cap Funds (6.14%)			
691,114	Baron Durable Advantage Fund - Institutional Shares	10,886,550	10,726,089
562,376	Baron Fifth Avenue Growth Fund - Institutional Shares	20,447,904	15,470,963
Total Large Cap Funds		31,334,454	26,197,052
All Cap Funds (16.02%)			
632,696	Baron Opportunity Fund - Institutional Shares	16,105,789	15,849,030
452,999	Baron Partners Fund - Institutional Shares	41,326,583	52,479,980
Total All Cap Funds		57,432,372	68,329,010
International Funds (10.08%)			
1,021,061	Baron Emerging Markets Fund - Institutional Shares	14,935,289	13,314,631
598,997	Baron Global Advantage Fund - Institutional Shares	16,274,125	15,022,835
603,224	Baron International Growth Fund - Institutional Shares	16,649,618	14,652,318
Total International Funds		47,859,032	42,989,784
Sector Funds (14.27%)			
982,376	Baron FinTech Fund - Institutional Shares	13,830,279	10,973,144
776,069	Baron Health Care Fund - Institutional Shares	13,833,916	13,891,635
903,928	Baron Real Estate Fund - Institutional Shares	30,965,563	25,969,840
778,419	Baron Real Estate Income Fund - Institutional Shares	12,599,490	10,002,678
Total Sector Funds		71,229,248	60,837,297
TOTAL AFFILIATED INVESTMENTS (100.01%)		$466,234,658	426,503,043
LIABILITIES LESS CASH AND OTHER ASSETS (-0.01%)			(62,614)
NET ASSETS			$426,440,429
RETAIL SHARES (Equivalent to $14.04 per share based on 5,415,049 shares outstanding)			$ 76,025,828
TA SHARES (Equivalent to $14.21 per share based on 2,670,322 shares outstanding)			$ 37,941,605
INSTITUTIONAL SHARES (Equivalent to $14.21 per share based on 21,983,496 shares outstanding)			$312,472,996

% Represents percentage of net assets.

Baron Health Care Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (92.94%)			
Health Care (92.94%)			
	Biotechnology (22.55%)		
40,400	AbbVie, Inc.	$ 5,683,668	$ 6,529,044
11,650	Alnylam Pharmaceuticals, Inc.[1]	2,450,205	2,768,622
20,178	argenx SE, ADR[1,2]	5,104,756	7,644,032
28,000	Arrowhead Pharmaceuticals, Inc.[1]	949,775	1,135,680
35,306	Ascendis Pharma A/S, ADR[1,2]	3,868,666	4,311,922
44,100	Cytokinetics, Incorporated[1]	1,709,310	2,020,662
45,814	Genmab A/S, ADR[1,2]	1,598,230	1,941,597
70,000	Inhibrx, Inc.[1]	2,123,831	1,724,800
36,000	Legend Biotech Corp., ADR[1]	1,737,806	1,797,120
30,000	Moderna, Inc.[1]	4,644,663	5,388,600
11,800	Prometheus Biosciences, Inc.[1]	1,293,245	1,298,000
117,000	Rocket Pharmaceuticals, Inc.[1]	1,967,381	2,289,690
23,000	Vertex Pharmaceuticals Incorporated[1]	5,946,486	6,641,940
47,400	Xenon Pharmaceuticals, Inc.[1,2]	1,560,413	1,868,982
		40,638,435	47,360,691
	Health Care Distributors (3.50%)		
19,600	McKesson Corp.	4,478,355	7,352,352
	Health Care Equipment (14.16%)		
33,862	Abbott Laboratories	3,366,066	3,717,709
27,888	DexCom, Inc.[1]	2,545,144	3,158,037
31,551	Edwards Lifesciences Corp.[1]	2,320,236	2,354,020
5,195	IDEXX Laboratories, Inc.[1]	2,089,355	2,119,352
17,000	Inari Medical, Inc.[1]	1,050,955	1,080,520
18,336	Inspire Medical Systems, Inc.[1]	2,937,644	4,618,472
4,215	Insulet Corp.[1]	746,377	1,240,854
26,933	Intuitive Surgical, Inc.[1]	6,469,925	7,146,672
1,387,480	Opsens, Inc. (Canada)[1,2]	2,019,084	1,926,486
11,600	Shockwave Medical, Inc.[1]	1,298,694	2,385,076
		24,843,480	29,747,198
	Health Care Facilities (2.00%)		
17,500	HCA Healthcare, Inc.	3,935,976	4,199,300
	Health Care Services (3.53%)		
16,000	Cigna Corp.	4,900,566	5,301,440
70,000	Option Care Health, Inc.[1]	2,161,376	2,106,300
		7,061,942	7,407,740
	Health Care Supplies (0.71%)		
4,500	The Cooper Companies, Inc.	1,497,332	1,488,015
	Health Care Technology (0.22%)		
25,000	Schrödinger, Inc.[1]	624,227	467,250
	Life Sciences Tools & Services (13.72%)		
79,500	Bio-Techne Corporation	7,043,085	6,588,960
8,000	Danaher Corp.	2,183,927	2,123,360
8,600	ICON plc[1,2]	1,479,567	1,670,550
11,337	Illumina, Inc.[1]	2,339,775	2,292,341
100,000	MaxCyte, Inc.[1]	1,101,625	546,000
3,210	Mettler-Toledo International, Inc.[1]	3,497,758	4,639,895
8,600	Repligen Corp.[1]	1,696,290	1,456,066
15,949	Thermo Fisher Scientific, Inc.	7,550,888	8,782,955
3,000	West Pharmaceutical Services, Inc.	805,864	706,050
		27,698,779	28,806,177

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Managed Health Care (16.35%)		
11,600	Elevance Health, Inc.	$ 5,256,969	$ 5,950,452
16,550	Humana, Inc.	7,619,479	8,476,744
37,572	UnitedHealth Group, Incorporated	13,933,454	19,919,923
		26,809,902	34,347,119
	Pharmaceuticals (16.20%)		
122,300	AstraZeneca PLC, ADR[2]	7,346,153	8,291,940
50,000	Dechra Pharmaceuticals PLC (United Kingdom)[2]	2,211,947	1,575,991
34,592	Eli Lilly & Co.	8,224,141	12,655,137
70,300	Merck & Co., Inc.	6,233,909	7,799,785
25,185	Zoetis, Inc.	3,871,384	3,690,862
		27,887,534	34,013,715
TOTAL COMMON STOCKS		**165,475,962**	**195,189,557**

Principal Amount		Cost	Value
Short Term Investments (7.87%)			
$16,518,028	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $16,525,094; (Fully Collateralized by $19,317,700 U.S. Treasury Note, 1.5% due 11/30/2028 Market value - $16,848,401)	**16,518,028**	**16,518,028**
TOTAL INVESTMENTS (100.81%)		**$181,993,990**	**211,707,585**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.81%)			**(1,693,561)**
NET ASSETS			**$210,014,024**
RETAIL SHARES (Equivalent to $17.69 per share based on 3,109,564 shares outstanding)			**$ 55,016,541**
INSTITUTIONAL SHARES (Equivalent to $17.91 per share based on 8,340,371 shares outstanding)			**$149,336,854**
R6 SHARES (Equivalent to $17.90 per share based on 316,254 shares outstanding)			**$ 5,660,629**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
ADR American Depositary Receipt.

Baron FinTech Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (96.11%)			
Consumer Discretionary (2.38%)			
	Internet & Direct Marketing Retail (2.38%)		
1,200	MercadoLibre, Inc.[1]	$ 1,841,556	$ 1,015,488
Financials (36.86%)			
	Asset Management & Custody Banks (2.33%)		
1,400	BlackRock, Inc.	1,234,393	992,082
	Financial Exchanges & Data (18.65%)		
4,600	CME Group, Inc.	983,175	773,536
2,700	FactSet Research Systems, Inc.	1,135,175	1,083,267
1,600	MarketAxess Holdings, Inc.	690,718	446,224
3,800	Moody's Corp.	1,351,262	1,058,756
3,300	MSCI, Inc.	1,495,793	1,535,061
6,000	S&P Global, Inc.	2,367,167	2,009,640
16,000	Tradeweb Markets, Inc., Cl A	1,359,703	1,038,880
		9,382,993	7,945,364
	Insurance Brokers (1.09%)		
18,500	BRP Group, Inc., Cl A[1]	552,407	465,090
	Investment Banking & Brokerage (10.21%)		
10,000	Houlihan Lokey, Inc.	751,325	871,600
8,000	LPL Financial Holdings, Inc.	1,337,774	1,729,360
21,000	The Charles Schwab Corp.	1,524,736	1,748,460
		3,613,835	4,349,420
	Property & Casualty Insurance (4.58%)		
2,600	Kinsale Capital Group, Inc.	458,703	679,952
9,800	The Progressive Corp.	1,170,302	1,271,158
		1,629,005	1,951,110
Total Financials		16,412,633	15,703,066
Industrials (6.36%)			
	Research & Consulting Services (6.36%)		
10,000	CoStar Group, Inc.[1]	863,804	772,800
3,700	Equifax, Inc.	799,376	719,132
9,000	TransUnion	936,138	510,750
4,000	Verisk Analytics, Inc.	754,922	705,680
Total Industrials		3,354,240	2,708,362
Information Technology (50.51%)			
	Application Software (13.32%)		
10,000	Alkami Technology, Inc.[1]	273,107	145,900
4,000	Bill.Com Holdings, Inc.[1]	482,722	435,840
2,000	Ceridian HCM Holding, Inc.[1]	226,093	128,300
27,000	Clearwater Analytics Holdings, Inc., Cl A[1]	635,932	506,250
16,000	Expensify, Inc., Cl A[1]	455,818	141,280
2,200	Fair Isaac Corp.[1]	1,008,137	1,316,876
12,000	Guidewire Software, Inc.[1]	1,367,684	750,720
5,100	Intuit, Inc.	1,893,149	1,985,022
10,000	nCino, Inc.[1]	719,726	264,400
		7,062,368	5,674,588

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Data Processing & Outsourced Services (25.66%)		
600	Adyen N.V., 144A (Netherlands)[1,2]	$ 1,306,284	$ 832,949
12,000	Block, Inc., Cl A[1]	2,404,198	754,080
14,000	Dlocal Ltd.[1,2]	402,023	217,980
6,000	Fidelity National Information Services, Inc.	744,799	407,100
7,200	Fiserv, Inc.[1]	733,653	727,704
6,200	Global Payments, Inc.	850,018	615,784
4,100	Jack Henry & Associates, Inc.	690,451	719,796
6,800	MasterCard Incorporated, Cl A	2,359,749	2,364,564
175,000	Network International Holdings plc, 144A (United Kingdom)[1,2]	662,160	630,467
5,000	Nuvei Corp., 144A (Canada)[1,2]	220,015	127,050
15,000	Paymentus Holdings, Inc., Cl A[1]	346,901	120,150
15,000	Repay Holdings Corporation[1]	290,606	120,750
12,100	Visa, Inc., Cl A	2,604,565	2,513,896
115,000	Wise PLC, Cl A (United Kingdom)[1,2]	1,400,080	779,100
		15,015,502	10,931,370
	Internet Services & Infrastructure (0.98%)		
12,000	Shopify, Inc., Cl A[1,2]	1,697,734	416,520
	IT Consulting & Other Services (10.55%)		
6,200	Accenture plc, Cl A[2]	1,784,552	1,654,408
35,000	CI&T, Inc., Cl A[1,2]	517,710	227,500
19,200	Endava plc, ADR[1,2]	1,372,105	1,468,800
6,800	Globant S.A.[1,2]	1,704,456	1,143,488
		5,378,823	4,494,196
Total Information Technology		29,154,427	21,516,674
TOTAL COMMON STOCKS		**50,762,856**	**40,943,590**

Principal Amount		Cost	Value
Short Term Investments (4.34%)			
$1,848,412	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $1,849,202; (Fully Collateralized by $2,161,800 U.S. Treasury Note, 1.5% due 11/30/2028 Market value - $1,885,466)	**1,848,412**	**1,848,412**
TOTAL INVESTMENTS (100.45%)		**$52,611,268**	**42,792,002**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.45%)			**(190,493)**
NET ASSETS			**$42,601,509**
RETAIL SHARES (Equivalent to $11.09 per share based on 636,282 shares outstanding)			**$ 7,054,667**
INSTITUTIONAL SHARES (Equivalent to $11.17 per share based on 2,782,425 shares outstanding)			**$31,070,144**
R6 SHARES (Equivalent to $11.17 per share based on 400,843 shares outstanding)			**$ 4,476,698**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $1,590,466 or 3.73% of net assets.

Baron New Asia Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (93.81%)			
China (33.52%)			
1,294	Alibaba Group Holding Limited, ADR[1]	$ 165,533	$ 113,988
394	Baidu, Inc., ADR[1]	60,091	45,066
1,100	Baidu, Inc., Cl A[1]	18,059	15,687
5,952	Beijing Oriental Yuhong Waterproof Technology Co. Ltd., Cl A	37,740	28,597
5,186	China Conch Venture Holdings Ltd.	22,811	11,250
12,894	China Mengniu Dairy Co. Ltd.	48,934	58,140
1,399	China Tourism Group Duty Free Corporation Ltd., Cl A	45,920	43,304
15,658	Estun Automation Co. Ltd., Cl A	62,514	48,753
7,747	Full Truck Alliance Co. Ltd., ADR[1]	53,782	61,976
6,712	Galaxy Entertainment Group Ltd.[1]	43,452	44,129
4,223	Glodon Co. Ltd., Cl A	30,570	36,344
3,093	Han's Laser Technology Industry Group Co., Ltd., Cl A	24,436	11,369
1,580	Hangzhou Tigermed Consulting Co. Ltd., Cl A	31,739	23,741
2,322	Hua Hong Semiconductor Limited, 144A[1]	15,333	8,046
906	JD.com, Inc., ADR[1]	60,311	50,854
6,376	Jiangsu Hengli Hydraulic Co. Ltd., Cl A	54,774	57,816
20,101	Kingdee International Software Group Co. Ltd.[1]	45,652	42,656
14,454	Kingsoft Corp. Ltd.	65,253	47,901
5,191	Lufax Holding Ltd., ADR	29,816	10,071
7,824	Midea Group Co., Ltd., Cl A	72,352	58,064
8,970	NARI Technology Co. Ltd., Cl A	39,985	31,348
963	Shenzhen Mindray Bio-Medical Electronics Co. Ltd., Cl A	49,338	43,670
3,002	Tencent Holdings Limited, ADR	172,400	127,165
8,536	Venustech Group, Inc., Cl A	35,643	31,972
1,915	WuXi AppTec Co. Ltd., Cl H, 144A	37,894	20,093
3,445	Wuxi Biologics Cayman, Inc., 144A[1]	45,672	26,092
1,421	Yum China Holdings, Inc., (Hong Kong)	82,816	79,348
4,594	Yunnan Baiyao Group Co. Ltd., Cl A	45,695	35,872
861	Zai Lab Limited, ADR[1]	66,495	26,433
2,011	Zhejiang Dingli Machinery Co. Ltd., Cl A	22,670	13,800
Total China		1,587,680	1,253,545
Hong Kong (5.63%)			
6,127	AIA Group Ltd.	66,775	67,663
17,702	Budweiser Brewing Co. APAC Ltd., 144A	48,609	55,336
1,065	Hong Kong Exchanges & Clearing Ltd.	55,650	45,763
3,748	Techtronic Industries Co. Ltd.	58,665	41,629
Total Hong Kong		229,699	210,391
India (30.55%)			
3,293	AARTI Industries Ltd.	38,012	24,238
1,105	Aarti Pharmalabs Ltd.[1,2]	7,364	5,070
702	Amber Enterprises India Ltd.[1]	29,431	16,007
662	Apollo Hospitals Enterprise Ltd.	41,603	35,773
556	Asian Paints Ltd.	24,656	20,670
1,332	Bajaj Finance Limited	116,451	105,514
8,265	Bharti Airtel Ltd.	74,023	80,378
582	Bharti Airtel Ltd. PP	1,202	3,044
633	Divi's Laboratories Ltd.	42,833	26,072
527	Dixon Technologies India Ltd.	31,911	24,822
5,035	Godrej Consumer Products Ltd.[1]	63,177	53,123
2,069	Godrej Properties Ltd.[1]	46,827	30,581

Shares		Cost	Value
Common Stocks (continued)			
India (continued)			
4,483	HDFC Bank Ltd.	$ 89,805	$ 87,928
9,475	ICICI Bank Ltd.	91,331	101,911
758	IIFL Wealth Management Ltd.	16,513	16,235
20,005	JM Financial Limited	19,176	17,245
5,189	Jubilant FoodWorks Ltd.	52,157	31,992
2,998	Max Financial Services Ltd.[1]	45,414	24,480
1,853	Neogen Chemicals Ltd.	28,765	27,916
767	PI Industries Ltd.	32,464	31,676
3,642	Reliance Industries Limited	111,352	111,812
5,278	SBI Life Insurance Company Limited, 144A	83,975	78,336
2,208	Tata Communications Ltd.	41,543	33,964
5,532	Tata Consumer Products Ltd.	57,802	51,198
1,972	Titan Co. Ltd.	55,002	61,874
363	Tube Investments of India Ltd.	12,675	12,175
39,712	Zomato Ltd.[1]	50,714	28,469
Total India		1,306,178	1,142,503
Indonesia (3.31%)			
216,700	Bank Rakyat Indonesia (Persero) Tbk PT	63,788	68,705
93,362	Merdeka Copper Gold Tbk PT[1]	24,948	24,666
51,300	PT Bank Negara Indonesia (Persero) Tbk	30,681	30,393
Total Indonesia		119,417	123,764
Japan (3.37%)			
421	Hoya Corp.	59,401	40,323
160	Keyence Corporation	91,935	62,119
80	Tokyo Electron Limited	35,204	23,506
Total Japan		186,540	125,948
Korea, Republic of (7.74%)			
1,291	Coupang, Inc., Cl A[1]	17,089	18,991
624	Hyundai Heavy Industries Co. Ltd.	49,174	57,510
832	Korea Aerospace Industries Ltd.	28,168	33,625
707	Korea Shipbuilding & Offshore Engineering Co. Ltd.[1]	63,046	39,756
3,182	Samsung Electronics Co., Ltd.	180,250	139,668
Total Korea, Republic of		337,727	289,550
Taiwan (8.19%)			
603	Airtac International Group	21,407	18,205
5,077	Delta Electronics, Inc.	42,228	47,064
1,003	MediaTek, Inc.	30,196	20,280
1,691	Silergy Corp.	43,975	23,885
2,642	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	287,845	196,803
Total Taiwan		425,651	306,237
Thailand (1.43%)			
19,300	Energy Absolute PCL Foreign	47,325	53,609
United States (0.07%)			
359	ACM Research, Inc., Cl A[1]	6,060	2,768
TOTAL COMMON STOCKS		**4,246,277**	**3,508,315**

Baron New Asia Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2022 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (6.17%)			
$230,950	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/30/2022, 3.85% due 1/3/2023; Proceeds at maturity $231,049; (Fully Collateralized by $270,100 U.S. Treasury Note, 1.5% due 11/30/2028 Market value - $235,574)	$ 230,950	$ 230,950
TOTAL INVESTMENTS (99.98%)		$4,477,227	3,739,265
CASH AND OTHER ASSETS LESS LIABILITIES (0.02%)			885
NET ASSETS			$3,740,150
RETAIL SHARES (Equivalent to $7.40 per share based on 119,310 shares outstanding)			$ 883,379
INSTITUTIONAL SHARES (Equivalent to $7.43 per share based on 360,701 shares outstanding)			$2,680,807
R6 SHARES (Equivalent to $7.44 per share based on 23,659 shares outstanding)			$ 175,964

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] At December 31, 2022, the market value of restricted and fair valued securities amounted to $5,070 or 0.14% of net assets. This security is not deemed liquid.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2022, the market value of Rule 144A securities amounted to $187,903 or 5.02% of net assets.

Summary of Investments by Sector as of December 31, 2022	Percentage of Net Assets
Financials	17.5%
Information Technology	17.0%
Consumer Discretionary	15.6%
Industrials	11.4%
Communication Services	9.4%
Health Care	7.6%
Consumer Staples	5.8%
Materials	4.2%
Energy	3.0%
Utilities	1.4%
Real Estate	0.8%
Cash and Cash Equivalents*	6.2%
	100.0%**

* Includes short term investments.
** Individual weights may not sum to displayed total due to rounding.

Baron Technology Fund — PORTFOLIO HOLDINGS

December 31, 2022 (Unaudited)

Shares		Cost	Value
Common Stocks (99.32%)			
Communication Services (8.94%)			
	Advertising (1.97%)		
13,440	S4 Capital PLC (United Kingdom)[1,2]	$ 90,929	$ 30,730
766	The Trade Desk, Inc., Cl A[1]	60,062	34,340
		150,991	65,070
	Interactive Media & Services (6.97%)		
784	Alphabet, Inc., Cl C[1]	113,531	69,564
540	Meta Platforms, Inc., Cl A[1]	65,431	64,984
3,200	ZoomInfo Technologies, Inc.[1]	172,234	96,352
		351,196	230,900
Total Communication Services		502,187	295,970
Consumer Discretionary (13.03%)			
	Automobile Manufacturers (4.07%)		
1,098	Rivian Automotive, Inc., Cl A[1]	74,012	20,236
930	Tesla, Inc.[1]	252,034	114,558
		326,046	134,794
	Hotels, Resorts & Cruise Lines (0.74%)		
5,839	eDreams ODIGEO SA (Spain)[1,2]	55,378	24,649
	Internet & Direct Marketing Retail (8.22%)		
3,239	Amazon.com, Inc.[1]	491,196	272,076
Total Consumer Discretionary		872,620	431,519
Industrials (3.59%)			
	Research & Consulting Services (3.59%)		
1,537	CoStar Group, Inc.[1]	114,765	118,779
Information Technology (73.76%)			
	Application Software (15.48%)		
207	Atlassian Corp. Ltd., Cl A[1,2]	62,227	26,637
1,360	Braze, Inc., Cl A[1]	51,995	37,101
1,720	Ceridian HCM Holding, Inc.[1]	148,433	110,338
783	Gitlab, Inc., Cl A[1,3]	34,429	35,580
177	HubSpot, Inc.[1]	97,654	51,176
209	Intuit, Inc.	118,879	81,347
324	ServiceNow, Inc.[1,3]	178,279	125,799
267	Workday, Inc., Cl A[1]	66,344	44,677
		758,240	512,655
	Data Processing & Outsourced Services (6.68%)		
884	Dlocal Ltd.[1,2]	28,627	13,764
300	MasterCard Incorporated, Cl A	111,363	104,319
497	Visa, Inc., Cl A	109,997	103,257
		249,987	221,340
	Electronic Equipment & Instruments (1.63%)		
2,075	PAR Technology Corp.[1]	93,818	54,095
	Internet Services & Infrastructure (1.15%)		
1,095	Shopify, Inc., Cl A[1,2]	112,363	38,007

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	IT Consulting & Other Services (7.45%)		
1,623	Endava plc, ADR[1,2]	$ 197,648	$ 124,159
364	Gartner, Inc.[1]	115,031	122,355
		312,679	246,514
	Semiconductor Equipment (5.00%)		
196	ASML Holding N.V.[2]	128,731	107,094
139	Lam Research Corp.	91,249	58,422
		219,980	165,516
	Semiconductors (14.32%)		
1,339	Advanced Micro Devices, Inc.[1]	153,676	86,727
128	Broadcom, Inc.	83,031	71,569
8,238	indie Semiconductor, Inc., Cl A[1]	61,136	48,028
503	Marvell Technology, Inc.	41,144	18,631
149	Monolithic Power Systems, Inc.	63,825	52,688
858	NVIDIA Corp.	211,004	125,388
4,285	Taiwan Semiconductor Manufacturing Co. Ltd. (Taiwan)[2]	93,710	62,233
117	Taiwan Semiconductor Manufacturing Co., Ltd., ADR[2]	10,090	8,715
		717,616	473,979
	Systems Software (19.15%)		
1,022	Cloudflare, Inc., Cl A[1,3]	55,801	46,205
475	Crowdstrike Holdings, Inc., Cl A[1]	86,183	50,013
1,748	Datadog, Inc., Cl A[1,3]	154,582	128,478
1,477	Microsoft Corporation	473,904	354,214
384	Snowflake, Inc., Cl A[1,3]	96,574	55,119
		867,044	634,029
	Technology Hardware, Storage & Peripherals (2.90%)		
740	Apple, Inc.	107,630	96,148
Total Information Technology		3,439,357	2,442,283
TOTAL COMMON STOCKS		**4,928,929**	**3,288,551**
TOTAL INVESTMENTS (99.32%)		**$ 4,928,929**	**3,288,551**
CASH AND OTHER ASSETS LESS LIABILITIES (0.68%)			**22,491**
NET ASSETS			**$ 3,311,042**
RETAIL SHARES (Equivalent to $5.56 per share based on 241,939 shares outstanding)			**$ 1,344,383**
INSTITUTIONAL SHARES (Equivalent to $5.57 per share based on 280,040 shares outstanding)			**$ 1,560,263**
R6 SHARES (Equivalent to $5.57 per share based on 72,943 shares outstanding)			**$ 406,396**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI (unaudited).
ADR American Depositary Receipt.

Go Paperless !
It’s fast, simple and a smart way to help the environment.
Enjoy the speed and convenience of receiving Fund documents electronically.
For more information and to enroll today go to www.baronfunds.com/edelivery

BARON
FUNDS®
1987

767 Fifth Avenue, 49th Fl.
New York, NY 10153
1.800.99.BARON
212-583-2000
www.BaronFunds.com

BARON
FUNDS®
1987

December 31