BARON CAPITAL

INSIDE THE BARON FUNDS

INVESTOR

Baron Opportunity Fund®

Investing in Durable Secular Trends in Innovation

Baron Opportunity Fund invests in businesses benefiting from secular innovation trends and sustainable growth. We target our investments toward how the world is changing: the generational, disruptive, and tectonic shifts that impact how we live and work.

We believe innovation is about the intelligent transformation of ideas or inventions into goods or services, and can be found across a range of industries, not just in technology, as is often assumed.

In fact, fully half of our holdings are not in the Information Technology sector. We own, for example, biotechnology company **argenx SE**, DNA sequencing platform **Illumina, Inc.**, and robotics surgical system manufacturer **Intuitive Surgical, Inc.** in Health Care. In Financials, we are invested in credit card companies **Visa Inc.** and **Mastercard Incorporated**. We own data center REIT **Equinix, Inc.** in Real Estate and rocket, satellite, and space craft manufacturer **Space Exploration Technologies Corp.** (SpaceX) in Industrials.

We also believe innovation can drive profitable growth in any company, regardless of size. For instance, the Fund holds **Microsoft Corporation, NVIDIA Corporation, Amazon.com, Inc., Meta Platforms, Inc.,** and **Tesla, Inc.** All of these are massive, well known companies, but we believe they are still in the process of building competitive strengths that will continue to translate into increasing market share and profitable growth.

As seen in the table below, our approach has consistently produced solid long-term results over the 23 years since the Fund's launch. The Fund, which is managed by Head of Technology Research Mike Lippert, has achieved these results without excessive risk. For the five-year period ended September 30, 2023, the Fund has annualized alpha of 1.26% with beta of 1.07, upside capture of 106.12%, and downside capture of 103.19%.

Michael Lippert
Head of Technology Research & Portfolio Manager

Baron Opportunity Fund Performance
As of 9/30/2023 (annualized)*

	1-Year	3-Year	5-Year	10-Year	Since Inception**
Baron Opportunity Fund	24.39%	0.96%	13.21%	13.40%	8.59%
Russell 3000 Growth Index	26.63%	7.54%	11.70%	13.94%	6.23%
S&P 500 Index	21.62%	10.15%	9.92%	11.91%	6.98%
Morningstar Large Growth Category Average	23.46%	4.26%	9.04%	11.63%	4.92%

* Institutional Shares. For Retail and R6 Shares, visit baronfunds.com

**February 29, 2000

Performance listed in the above table is net of annual operating expenses. The annual expense ratio as of September 30, 2022 was 1.05%. 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, 2034, 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 baronfunds.com or call 1-800-99-BARON.

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.

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.

Emphasis on Durable Secular Trends

We believe durable secular trends will be the predominant underpinning of market leadership over the long term for both individual businesses and industries. As long-term investors, we focus on these trends and not on short-term events and business/market cycles. We believe our emphasis on secular trends, backed by extensive due diligence, is a key differentiator and has driven our long-term outperformance. We also believe many of these trends are still in their early stages. We are seeing an increasing divide in growth and market share between the structural/secular winners and the legacy/cyclical businesses.

The leaders of the secular trends we are focused on are finding better, more efficient, less costly ways to deliver goods and services. They are leveraging advances in technology – or developing technologies themselves – to disrupt their industries. They are creating platforms to build competitive advantages and take market share.

These trends include:

- cloud computing
- software as a service (SaaS)
- artificial intelligence (AI)
- mobile
- digital media
- targeted, people-based digital advertising
- e-commerce
- genetics
- minimally invasive surgical procedures
- cybersecurity
- electric vehicles/autonomous driving
- electronic payments

Within each theme, we take a fundamental, bottom-up approach based on extensive, company-specific research to select stocks. Following are some examples.

Artificial Intelligence

The release of ChatGPT in November 2022 was a breakthrough moment in the adoption of AI. ChatGPT is an example of generative AI, which can create new content in the form of images, text, audio, and more. For at least a decade, AI has played a part in many aspects of our lives, from Google Search results to recommendations of videos, songs, and products to targeted advertising. Generative AI, however, is not just the next step but a truly transformative technology, lowering the barriers to creation, expression, worker productivity, software development, and access to information. We view it as the next major secular tectonic shift, like mobile and cloud, and the most compelling force to power technology innovation and impact human life over the next decade. It will disrupt many industries, strengthening some businesses and weakening others.

We are in the very early innings of generative AI. While some observers may liken it to the advent of the internet or the smartphone, where a slew of new entrants sought to take advantage of the technology, it is not precisely analogous, as there are quite a few established and successful businesses that are well positioned to benefit from growth in generative AI. While we continue to research the most promising investment opportunities in the space, we have already identified a number of these companies – many of which we have invested in and/or followed for years.

Some of these names include:

- Semiconductor companies: **NVIDIA Corporation, Advanced Micro Devices, Inc., indie Semiconductor, Inc.**
- Investors in generative AI/cloud computing: **Microsoft Corporation, Meta Platforms, Inc., Amazon.com, Inc.**
- Autonomous driving: **Tesla, Inc., GM Cruise Holdings, LLC, Mobileye Global Inc.**
- Systems software: **Snowflake Inc., CrowdStrike Holdings, Inc., Cloudflare, Inc., Datadog, Inc.**
- Business applications software: **ServiceNow, Inc., Workday, Inc.**

Multi-Thematic Platform Companies

Several of the Fund's largest investments are in companies that have built a platform that others can use to connect their businesses, sell products and services, market, and co-create value. Many of these companies are operating across several connected themes, leveraging economies of scale, network effect, and barriers to entry to build formidable competitive advantages and dominate their market(s). While many platform companies are classified as IT or internet stocks, we have investments in platform companies in other sectors as well.

Amazon.com, Inc. has built an online/digital service platform enabled by massively scalable IT and an unparalleled logistics infrastructure. This infrastructure has allowed Amazon to dominate online retail and public cloud service, and compete as a leading streaming service provider and digital content seller as well as a major provider of fulfillment services to third-party retailers.

The company continues to grow. Its "flywheel effect" (a term coined by founder Jeff Bezos) of increasing participation from Prime members driving further activity on Amazon.com is showing no signs of letting up. It continues to invest in new business opportunities, such as e-finance, apparel, and international expansion.

While e-commerce penetration is rising and Amazon continues to grow its addressable market by entering new verticals, we view Amazon Web Services (AWS), the company's cloud services provider, as the more material driver of growth given AWS's leadership in the vast and growing cloud infrastructure market and potential to compete in application software. We think Amazon's relentless focus on innovation will lay the groundwork for years of future growth.

Microsoft Corporation is a software mega-cap company that has crossed the chasm from the client-server and PC era to today's world of digital transformation and cloud. Microsoft, which is currently the Fund's largest holding, has successfully pivoted its business to the cloud with its leading Azure infrastructure and Platform-as-a-Service offerings and by porting its dominant Office suite of desktop solutions to the cloud, with its Software-as-a-Service products Microsoft 365, Office 365, and Teams. Microsoft's ability to accelerate revenue growth to double-digit levels at its scale is a case study in successful business transformation. The company now supports open source and inter-operates with competing systems, positioning it as a leader in cloud computing alongside Amazon.

Equinix, Inc., a specialized REIT that is the leading provider of Internet Business Exchanges, is a platform company that operates in the business-to-business space. Early on, Equinix employed its scale and "network neutral" policy, which allows customers to connect with one

Baron Opportunity Fund
Top 10 Holdings as of September 30, 2023

Holding	Sector	% of Net Assets
Microsoft Corporation	Information Technology	13.5%
NVIDIA Corporation	Information Technology	8.6%
Tesla, Inc.	Consumer Discretionary	6.5%
Amazon.com, Inc.	Consumer Discretionary	6.2%
Meta Platforms, Inc.	Communications Services	3.3%
argenx SE ADR	Health Care	3.2%
Visa Inc.	Financials	2.9%
ServiceNow, Inc.	Information Technology	2.9%
Gartner, Inc.	Information Technology	2.9%
CoStar Group, Inc.	Real Estate	2.9%
Total		**52.8%**

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

another, to attract large telecom networks. Once Equinix established its leading market position, other telecoms, major enterprises, and e-commerce and cloud computing companies felt compelled to join the Equinix "ecosystem" to easily and efficiently access these networks. Equinix has made strategic acquisitions to expand its global footprint and improve its technical expertise in migrating customers from legacy data center infrastructure to a hybrid one in which Equinix acts as the intermediary between the enterprise IT shop and the cloud. We believe Equinix will continue to benefit from growth in internet traffic, IT outsourcing, cloud computing, and mobile, as well as the globalization of financial markets.

Electric Vehicles/Autonomous Driving

Electric vehicles (EVs) are on the road to dominate the automotive industry. EV sales saw another record year in 2022, accounting for 14% of all new car sales globally. This figure – including battery EVs and plug-in hybrid EVs – is projected to grow to 35% of global sales by 2030, outpacing previous estimates by over 10%.

A number of secular trends are driving EV adoption, including increasing consumer awareness and demand, game-changing decarbonization policies, and improving cost efficiencies that enable competitive pricing with mass-market gas-powered vehicles.

While EV momentum is showing no signs of slowing down anytime soon, the industry-wide shift to electrification may take decades. Along the way, there will be many opportunities for long-term investors to get in at or near the starting gate.

We are long time – and well known – investors in **Tesla, Inc.,** the leading EV manufacturer. Tesla has a formidable competitive advantage built on its first mover status, household name brand, and exceptional cost efficiencies due to its vertically integrated manufacturing process. Its visionary CEO, Elon Musk, is laser focused on innovation and improvement, and we fully expect Tesla to maintain its leadership position in EV for many years.

Alongside EVs, we think autonomous driving will be the next seismic shift in the automotive industry. Tesla and other companies are working on perfecting and leveraging advanced driver assistance systems (ADAS) and other technology to develop software-enabled connected, driver-less fleets that can be leased or rented much like a taxi. ADAS, which improves the safety and reaction times of the driver through early warning and automated systems, is already a common feature in many vehicles. The next step in the evolution of ADAS, we believe, is fully autonomous vehicles. We are invested in leading ADAS solutions provider **Mobileye Global Inc.,** which effectively pioneered the ADAS market in 2007. We also own **GM Cruise Holdings LLC,** a private company with a fleet of about 300 all-electric, renewable energy-powered autonomous vehicles that use next-generation ADAS technology to prevent crashes and safely transport people and goods at a reduced cost.

Minimally Invasive Surgery

Minimally invasive surgical procedures are becoming an increasingly popular alternative to traditional surgery, as they are typically less traumatic for the patient, allowing for a faster recovery. We own **Intuitive Surgical, Inc.**, the leading provider of robotic-assisted surgery. The penetration rate of robotic surgery is still quite low relative to the total number of surgeries. Intuitive is developing a catheter-based robotic system for lung cancer diagnosis and treatment.

Conclusion

The pandemic proved to be an accelerant for many of the themes in which we invest – e-commerce; electronic payments; digital entertainment, media, and advertising; digital workflows; cloud computing; cybersecurity; and genomics – as they proved critical to allowing businesses and people to carry on with life and work. We think companies benefiting from this acceleration of digital trends should see strong long-term growth as these trends play out.

Post-pandemic, innovation – in this case, generative AI – has once again proven to be a powerful driver of growth, driving a surge in the share prices of companies the market views as beneficiaries of this technology, many of which we have owned for years. While the short-term response has been impressive and somewhat gratifying, as always, we remain focused on the long term.

This means identifying the durable secular growth trends that we believe will drive economic growth regardless of short-term economic cycles or stock market gyrations and the companies that are leading or riding those trends and possess durable competitive advantages, profitable business models, and long-term-oriented managers. We establish and monitor short- and long-term price targets for all of our holdings and target companies, utilizing our own internal projections of revenues, earnings, and free cash flow, and what we believe are appropriate multiples, and we buy or add to these companies at stock prices where we believe we can deliver substantial returns.

We believe wholeheartedly in our strategy: growth based on powerful, long-term, innovation-driven secular trends. In the highly uncertain world we live in, we believe non-cyclical, durable, and resilient growth should be part of investors' portfolios.

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 its distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting baronfunds.com. Please read them carefully before investing.

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

The discussion of market trends and companies 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.

Portfolio holdings as a percentage of total investments as of 9/30/2023 for securities mentioned are as follows: **argenx SE** – 1.8%**; Illumina, Inc.** – 0.9%; **Intuitive Surgical, Inc.** – 1.6; **Mastercard Incorporated** – 2.7%; **Equinix, Inc.** – 1.0%; **Space Exploration Technologies Corp.** – 2.4%; **Advanced Micro Devices, Inc.** – 2.0%; **indie Semiconductor, Inc.** – 1.5%; **GM Cruise Holdings, LLC** – 0.6%; **Mobileye Global Inc.** – 0.8%; **Snowflake Inc.** – 1.0%; **CrowdStrike Holdings, Inc.** – 1.8%; **Cloudflare, Inc.** – 1.0%; **Datadog, Inc.** – 1.0%; **Workday, Inc.** – 1.9%.

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

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.

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.

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 **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 Fund includes reinvestment of dividends net of withholding taxs, while the indexes include reinvestment of dividends before 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.

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