DEAR BARON ASSET FUND SHAREHOLDER:

PERFORMANCE

This year's technology-driven market rally stalled in the third quarter. Investor sentiment worsened for reasons that include a resurgence in interest rates to their highest levels in more than a decade; ongoing concerns about the Federal Reserve's ability to temper inflation without causing a recession; strikes by labor unions across several industries; the possibility of a U.S. government shutdown; and the decision by credit rating agency Fitch to strip the U.S. of its triple-A credit rating.

Most sectors closed lower for the quarter, led by Utilities and Real Estate, as rising bond yields made dividend paying securities less appealing. Other laggards included Consumer Staples, Information Technology (IT), Industrials, Materials, and Consumer Discretionary. Energy was the only standout sector, rising alongside the price of oil. Growth trailed value across most size segments, with the largest dispersion happening in small cap.

Against this backdrop, Baron Asset Fund® (the Fund) declined 4.42% (Institutional Shares) in the third quarter, modestly outperforming the Russell Midcap Growth Index by 80 basis points. The Fund's outperformance was driven by positive stock selection and tailwinds from its style biases. The most notable was the Fund's underexposure to higher beta stocks, which performed poorly during the market reversal.

ANDREW PECK

PORTFOLIO MANAGER

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

Table I.
Performance†
Annualized for periods ended September 30, 2023

	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]	(4.48)%	(4.42)%	(5.22)%	(3.27)%
Nine Months[5]	4.15%	4.35%	9.88%	13.07%
One Year	16.80%	17.10%	17.47%	21.62%
Three Years	0.34%	0.60%	2.61%	10.15%
Five Years	6.06%	6.33%	6.97%	9.92%
Ten Years	10.02%	10.32%	9.94%	11.91%
Fifteen Years	10.09%	10.37%	11.25%	11.28%
Since Inception (June 12, 1987)	10.98%	11.09%	9.86%[4]	9.94%

After being the leading cause of underperformance last quarter, the Fund's IT holdings held up well in the third quarter, contributing the vast majority of relative gains. Solid stock selection in the sector was mostly attributable to the outperformance of property & casualty insurance software vendor **Guidewire Software, Inc.** and syndicated research provider **Gartner, Inc.** Guidewire was the largest contributor after reporting robust quarterly results that were driven by increased sales of the company's cloud-based software implementations to large insurance customers. Gartner's shares outperformed after the company's core subscription research and conferences businesses posted good results, as customers use Gartner's services to navigate increasingly complex technology end markets. Several other holdings also performed well in the IT sector, led by analytics software company **Fair Isaac Corporation** and industrial automation software leader **Aspen Technology, Inc.**

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 baronfunds.com or call 1-800-99-BARON.

† 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 Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. 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 taxes, while the Russell Midcap® Growth Index and S&P 500 Index include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in 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 September 30, 2023.

5 Not annualized.

BARON FUNDS 1987

Investments in Financials, Communication Services, and Industrials were also responsible for a portion of the outperformance in the period. Within Financials, higher exposure to this better performing sector coupled with gains from specialty insurer **Arch Capital Group Ltd.** and investment management tools provider **FactSet Research Systems Inc.** added the most value. Arch's shares gained after the company's financial results surpassed Wall Street expectations amid favorable industry conditions. Net premiums written grew 28%, underwriting margins remained strong, net investment income more than doubled, operating ROE exceeded 20%, and book value per share grew 18%. FactSet's quarterly earnings exceeded expectations, and management provided a solid outlook for 2024 despite ongoing macroeconomic-related volatility causing elongated sales cycles and constrained client budgets.

Favorable stock selection in Communication Services and Industrials was driven by gains from, respectively, **StubHub Holdings, Inc.**, a private company that operates a marketplace for secondary ticket sales, and **Verisk Analytics, Inc.**, a data and analytics vendor for the insurance industry. StubHub was revalued higher during the quarter using a proprietary valuation model. The company increased its market share in the domestic market for secondary ticket sales and made further progress toward its IPO. Verisk's shares appreciated after the company raised guidance for fiscal year 2023 and reported strong quarterly earnings, with solid results across its business segments.

Partially offsetting the factors discussed above was the Fund's lack of exposure to the top performing Energy sector along with adverse stock selection in Real Estate and Consumer Discretionary. Oil prices rose during the quarter, and the absence of Energy exposure detracted 75 basis points from relative results. Weakness in Real Estate and Consumer Discretionary was attributable to double-digit declines from real estate data and marketing platform **CoStar Group, Inc.** and global ski resort owner **Vail Resorts, Inc.**, respectively. CoStar detracted after its financial results were negatively impacted by lower non-subscription revenues resulting from a significant drop in commercial real estate sales volumes. We remain shareholders and offer more details on the company below. Vail's stock declined after reporting disappointing quarterly results because of poor weather conditions in Australia and lower summer visitation at its U.S. destination mountain resorts as borders reopened and more people traveled abroad. On the positive side, Vail continued to experience strong demand for its seasonal ski passes, with sales up 11% over last year's figures.

Table II.
Top contributors to performance for the quarter ended September 30, 2023

	Year Acquired	Percent Impact
Guidewire Software, Inc.	2013	0.40%
FactSet Research Systems Inc.	2006	0.28
StubHub Holdings, Inc.	2021	0.24
Arch Capital Group Ltd.	2003	0.21
Verisk Analytics, Inc.	2009	0.19

Shares of P&C insurance software vendor **Guidewire Software, Inc.** rose after the company announced robust quarterly results. Sales results included 17 deals for cloud-based software implementations; 11 of these were with Tier 1 insurance carriers, including AllState Canada, Progressive, and Insurance Australia Group, the largest insurer in Australia. We expect to see the company's consistent annual recurring revenue growth accelerate next year as sales momentum continues and existing deals ramp to higher levels. We are also encouraged by Guidewire's gross margin expansion, which improved by almost 10% during the past quarter. We believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%.

Shares of **FactSet Research Systems Inc.**, a leading provider of investment management tools, contributed to quarterly performance. Despite facing macroeconomic-related volatility, including challenges in the banking sector, lengthening sales cycles, and constrained client budgets, the company reported quarterly earnings that beat consensus estimates and provided a solid outlook for fiscal year 2024. While there is some near-term uncertainty, we retain long-term conviction in FactSet's opportunity. This is due to the company's large addressable market, its consistent execution on both new product development and financial results, and its robust free-cash-flow generation.

StubHub Holdings, Inc. is a private company formed by the merger of Viagogo, a European company; and StubHub, a U.S. company divested from eBay. The merged company assumed the StubHub name. It is a leading participant in the global market for secondary ticket sales. We marked up the value of our investment in StubHub based on company updates that it had increased its market share in the domestic market for secondary ticket sales and made further progress toward an expected IPO within the next 12 months. We believe the company is well positioned to increase its share within the fast-growing, profitable market for the resale of event tickets.

Table III.
Top detractors from performance for the quarter ended September 30, 2023

	Year Acquired	Percent Impact
IDEXX Laboratories, Inc.	2006	–0.86%
Mettler-Toledo International Inc.	2008	–0.77
CoStar Group, Inc.	2016	–0.60
DexCom, Inc.	2019	–0.51
Bio-Techne Corporation	2015	–0.44

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** detracted from performance during the quarter. Investors remain nervous about the month-to-month fluctuations in visits to veterinary clinics. Competitor Zoetis recently indicated that foot traffic to domestic clinics remained tepid, putting downward pressure on its near-term financial results. We retain conviction in IDEXX's long-term opportunity. The company's competitive position remains outstanding. We expect new proprietary product innovations and field sales force expansion to be meaningful contributors to growth in 2024. We see increasing evidence that secular trends around pet ownership and pet care spending have been structurally accelerated, which should help support IDEXX's growth rate over the long term.

Mettler-Toledo International Inc. is a leading provider of precision instruments and services to customers in the life sciences, food, and chemicals industries, among others. Shares fell due to quarterly financial results that missed analysts' forecasts and reduced 2023 guidance. Management also noted that market conditions in China have deteriorated sharply, particularly among biopharmaceutical customers who are delaying investment decisions as they wait for government stimulus. Global purchasing manager indexes also have continued to trend lower. Management lowered 2023 revenue growth guidance from 5% to less than 1% and EPS guidance by 7%. Of the 450 basis point reduction in revenue guidance, 250 basis points were attributable to the sharp drop in demand in China, which was down mid-teens in July, while the remainder of the cut was driven by broad-based weakness in pharmaceuticals/biotechnology, food manufacturing, and chemicals. We believe these headwinds will prove temporary, and we continue to believe that Mettler has a solid long-term outlook.

CoStar Group, Inc. provides marketing and data analytics to the commercial and residential real estate industries. Shares detracted from performance after the company's financial results were negatively impacted by lower non-subscription revenues, which resulted from a significant drop in commercial real estate sales volumes. We are optimistic that volumes will recover. More importantly, we believe trends in the company's core subscription offerings remain excellent, and we are encouraged by growing traction in CoStar's nascent residential offerings. We estimate CoStar invested around $230 million in this initiative in 2022 and is targeting a total investment approaching $500 million in 2023. While this is a significant upfront commitment, we believe residential represents a transformative opportunity for CoStar. We believe the company's proprietary data, its compelling value for residential home brokers, and best-in-class management position it to succeed in this endeavor.

PORTFOLIO STRUCTURE

At September 30, 2023, Baron Asset Fund held 50 positions. The Fund's 10 largest holdings represented 47.2% of net assets, and the 20 largest represented 71.8%. The Fund's largest weighting was in IT at 28.6% of net assets. This sector includes software companies, IT consulting firms, and internet services companies. The Fund held 23.4% in Health Care, which includes investments in life sciences companies, and health care equipment, technology, and supplies companies. The Fund held 17.9% in Industrials, which includes investments in research and consulting companies, human resources firms, and aerospace and defense companies. The Fund also had significant weightings in Financials at 13.7% and Consumer Discretionary at 7.2%.

As the chart below shows, the Fund's largest investments all have been owned for significant periods – 8 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 September 30, 2023

	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	$27.1	$399.0	9.1%
IDEXX Laboratories, Inc.	2006	2.5	36.3	283.6	6.5
Verisk Analytics, Inc.	2009	4.0	34.3	224.7	5.1
Mettler-Toledo International Inc.	2008	2.4	24.2	198.5	4.5
CoStar Group, Inc.	2016	5.0	31.4	187.6	4.3
Arch Capital Group Ltd.	2003	0.9	29.7	175.6	4.0
ANSYS, Inc.	2009	2.3	25.8	166.0	3.8
FactSet Research Systems Inc.	2006	2.5	16.7	162.1	3.7
Vail Resorts, Inc.	1997	0.2	8.5	133.9	3.1
Fair Isaac Corporation	2020	12.1	21.6	130.3	3.0

RECENT ACTIVITY

Table V.
Top net purchases for the quarter ended September 30, 2023

	Quarter End Market Cap (billions)	Net Amount Purchased (millions)
On Holding AG	$ 8.8	$36.8
Morningstar, Inc.	10.0	18.4
Quanta Services, Inc.	27.2	15.0
Axon Enterprise, Inc.	14.9	10.9
Booz Allen Hamilton Holding Corporation	14.3	4.5

In the third quarter, we purchased shares of **On Holding AG**, a developer and distributor of athletic footwear, apparel, and accessories. On is one of the fastest-growing scaled athletic sports companies in the world. Management's vision is to build a premium global sportswear brand based on innovation, design, and sustainability. Its products are sold through approximately 10,000 premium retail stores, which account for 65% of revenue. The balance of sales occur through its direct-to-consumer channel, encompassing its own branded and operated stores, as well as its website.

On was founded in Switzerland, but it has expanded quickly across the globe. Its products have exhibited sales momentum in the U.S., Europe, and Asia. The company is rapidly growing its base of roughly 10 flagship retail stores, and it plans to end this year with 47 stores across 18 cities in China. Roughly half of its revenue is generated in North America, 45% in Europe, and 5% in Asia Pacific. On is addressing a large market opportunity: the $355 billion global sportswear industry. This market has seen its growth driven by continued trends toward athleisure. Consumers continue to pivot their spending towards more comfortable and casual attire as they lead healthier, more active lifestyles.

We believe On should be able to grow its revenues faster than 20% for many years, while also expanding its margins. We expect its growth to be driven by expanding brand awareness leading to market share gains in its core running shoe category, particularly as On expands its geographic footprint. We expect the company to continue to reinvest into its business at high rates of return. We believe On has a large opportunity to take market share in newer shoe categories, such as tennis (Roger Federer is an investor and advisor), training, and outdoor. The company also has a significant opportunity to grow its offerings in the apparel category.

Table VI.
Top net sales for the quarter ended September 30, 2023

	Net Amount Sold (millions)
SBA Communications Corp.	$29.0
Illumina, Inc.	23.4
ZoomInfo Technologies Inc.	20.4
MarketAxess Holdings Inc.	18.5
Gartner, Inc.	17.7

We reduced our stake in long-term holding **SBA Communications Corp.,** which owns and operates cellular towers, on concerns that higher interest rates will increase its debt servicing costs and indications that its primary customers will spend less on upgrading their cellular networks. We exited our stake in **Illumina, Inc.**, as the company's CEO is stepping down and competition is becoming more pronounced. We exited our position in

Zoominfo Technologies Inc. given concerns about the outsized representation of private software companies among its customer base. We reduced our position in **MarketAxess Holdings Inc.** over concerns about its declining market share trends. We took some profits and managed the position size of long-term holding **Gartner, Inc.**

Outlook

Although macroeconomic forecasts do not explicitly influence our stock selection process or portfolio management, we have observed encouraging signs that inflation continues to moderate, and we expect interest rate reductions eventually to follow. The management teams of our investments are generally reporting healthy business conditions, and they do not believe that a recession is imminent. Stock prices are likely to resume advancing before these become consensus views among investors.

During the first half of this year, as the market recovered from 2022's dramatic selloff, the types of stocks that performed best included more cyclical, higher beta, and lower quality companies. As the economy stabilizes and the stock market continues its recovery, we expect the types of companies that we favor to outperform – leading companies that benefit from secular growth drivers, secure competitive positions, and talented management teams.

It is also worth noting that the Russell Midcap Growth Index has dramatically underperformed the Russell Midcap Value Index during the past three years by 837 basis points annualized. This has reduced the relative premium that the market generally accords to faster growing stocks, and we believe it presents an attractive opportunity to invest in mid-cap growth stocks.

Sincerely,

Andrew Peck
Portfolio Manager

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

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

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