## Dear Baron Focused Growth Fund Shareholder:

### Performance

Baron Focused Growth Fund® (the Fund) increased 1.68% (Institutional Shares) in the first quarter. The Fund underperformed the Russell 2500 Growth Index (the Benchmark), which increased 8.51%. During the quarter, the U.S. economy generated strong growth with continued job gains and strong employment. This economic growth combined with a slower-than-expected reduction of inflation led investors to price a smaller number of Federal Reserve (the Fed) interest rate cuts this year. Yields also increased significantly in the period. That led to losses in our **Disruptive Growth** investments whose valuations were negatively impacted by higher interest rates. Included in this category of investments were **Tesla, Inc.**, **FIGS, Inc.**, and **Iridium Communications Inc.** In the near term, we believe that inflation will likely remain at historic 3% to 4% annualized levels and interest rates will start approximating the rate of inflation. This has generally been the case since World War II. We believe that is a favorable environment for businesses that are growing significantly faster than the rate of inflation and the 7% nominal annualized growth rate of our economy.

RONALD BARON
CEO AND
PORTFOLIO MANAGER

DAVID BARON
PORTFOLIO
MANAGER

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

**Table I.**
**Performance**
**Annualized for periods ended March 31, 2024**

| | 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] | 1.62% | 1.68% | 8.51% | 10.56% |
| One Year | 13.20% | 13.48% | 21.12% | 29.88% |
| Three Years | 3.32% | 3.58% | (0.81)% | 11.49% |
| Five Years | 23.23% | 23.56% | 9.39% | 15.05% |
| Ten Years | 15.49% | 15.79% | 9.56% | 12.96% |
| Fifteen Years | 17.24% | 17.53% | 14.73% | 15.63% |
| Since Conversion (June 30, 2008) | 12.90% | 13.17% | 10.31% | 11.58% |
| Since Inception (May 31, 1996) | 13.14% | 13.29% | 8.28% | 9.70% |

The above stock price declines were partially offset by gains in our **Financials** investments, **Interactive Brokers Group, Inc.** and **Arch Capital Group Ltd.**, that benefit from higher interest rates. Our **Real/Irreplaceable Asset** investments, which include **Hyatt Hotels Corporation**, **Red Rock Resorts, Inc.**, and **Choice Hotels International, Inc.**, also performed well in the quarter. Those businesses benefit from significant daily pricing power in an inflationary environment. They are also benefiting from consumers' continued preference for experiences over goods.

The Fund has continued to generate strong returns with less than market risk. Over the trailing 3, 5, and 10 years, the Fund has captured 102%,

*Performance listed in the above table is net of annual operating expenses. The annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2023 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 may waive or 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.*

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 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 2500™ 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; 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.

131%, and 111%, respectively, of the upside when the market increased. When markets declined, the Fund lost less with 88%, 95%, and 90% downside capture, respectively. The Fund's Sharpe ratio, a measure of risk-adjusted return, was also higher than the Benchmark's for each of these periods.

We believe these strong returns with downside protection are due to our research-based investment process. Our research enables us to identify and understand businesses' competitive advantages, differentiation, long-term growth prospects, and exceptional people; and it allows us to invest in these businesses for the long term. As a result, the Fund has outperformed its Benchmark for the 3-, 5-, 10-, and 15-year periods, as well as since its inception on May 31, 1996. Since its inception as a private partnership almost 28 years ago, the Fund has increased 13.29% annualized. This compares to an 8.28% annualized return for the Benchmark and a 9.70% annualized return for the S&P 500 Index.

The underperformance in the first quarter was due to our Disruptive Growth investments. These businesses represented 31.5% of the Fund's net assets, they declined 10.8%, and they penalized our returns over 400bps in the quarter.

Tesla declined 29.3% in the quarter, detracting 346 bps from performance. Tesla designs, manufactures, and sells electric vehicles, related software and components, and solar and energy storage products. The stock detracted as the core automotive segment remained under pressure due to a continued complex macroeconomic environment, higher interest rates, factory shutdowns, and Tesla's continued price reductions to invigorate demand, putting pressure on its near-term growth and margin profile. Nonetheless, Tesla continued to generate sufficient gross profit to support a robust product development plan that can propel the automotive segment higher over time. The refreshed Model 3 and Y also seem to be generating strong demand while improving unit-level economics. Lastly, Tesla should benefit from its eight-year $10 billion investment in data and computing that will allow AI to *train* cars to drive with autonomous technology. Dojo, an AI training computer; autobidder, an automated energy trading platform; humanoid, a human-like robot; and energy storage, we believe, also provide opportunity. We believe Tesla is well positioned for further growth given its strong balance sheet and substantial cash.

FIGS is the largest direct-to-consumer supplier of scrubs to the medical industry. Its shares underperformed in the first quarter; they declined 28.4% and hurt performance by 95 bps. This was due to customers reducing their frequency of purchases, as they are impacted by the inflationary environment and higher interest rates. However, the company continues to experience strong customer additions and reactivations. Continued growth in upselling customers into non-scrubs, greater international penetration, and increasing its customer base through new extended size offerings should contribute to growth. Non-scrubs continue to grow at a brisk pace and should be accretive to margins as this product line scales. FIGS is the largest native, direct-to-consumer supplier of high-quality, attractive, functional medical apparel. FIGS' products improve the lives of underappreciated health care professionals. We continue to believe the company could double its revenue over the next four to five years and double again in the following four to five years while increasing its EBITDA growth even more substantially. The CEO has personally bought stock at levels much higher than where the stock currently trades giving us further confidence in the attractiveness of the stock's current valuation.

Iridium is a mobile voice and data communications services vendor offering global coverage via satellite. Its shares fell during the first quarter by 36.2% and hurt the Fund's performance by 83 bps. In November 2023, Qualcomm unexpectedly terminated an agreement with Iridium to enable direct-to-device workloads on Iridium's network. The decision increased investors' concerns in Iridium's direct-to-device opportunity, a significant growth opportunity. In addition, **Space Exploration Technologies Corp.** (SpaceX) generated headwinds to Iridium's maritime segment, raising competitive risk. Regardless, we retain conviction. Iridium remains a unique satellite operator, with low-earth orbital spectrum, global coverage, years of operational experience, relatively new satellite hardware, and hundreds of partners across verticals and geographies. We believe the direct-to-device opportunity still exists, though it will be with a partner other than Qualcomm. We continue to believe the company will return capital to shareholders over the coming years through its over 2% dividend yield, which is well covered, and increased share buybacks. Management expects to return $3 billion to shareholders between 2023 and 2030. Iridium has a $3.2 billion market capitalization. Combine this capital return with earnings that continue to grow at a mid- to high single-digit rate as it continues to grow its service revenues through new additions and price increases, and we believe there remains significant value in the stock at current levels.

The above declines were partially offset by gains in our Financials investments. Financial businesses represented 18.2% of the Fund compared to 8.4% for the Benchmark. These companies continued to perform well and benefited in the first quarter from investor expectations for the Fed to continue to hold rates higher for longer and delay initial rate cuts. This positively impacted their stock price performance. However, we believe these businesses can continue to grow in a declining rate environment. This is due to the fact they have strong recurring revenue, fee-oriented businesses with significant pricing power and high client retention rates.

Interactive Brokers, a global automated electronic broker operator, increased 34.8% in the quarter and helped performance by 96 bps. The company continues to take market share due to its strong automation and ability to operate in international markets where others do not. This is allowing the company to grow its number of new accounts, which has accelerated recently to over 20% per year. The company has industry-leading margins of over 70% generating robust cash flow. The company has significant cash on its balance sheet and is looking to deploy it towards acquisitions and continued growth. We continue to believe the company's focus on the most sophisticated investors who trade a range of assets across different global markets and make use of tools such as leverage is a key differentiating factor. The vast array of markets it serves and strong growth from countries outside the U.S. where low-cost brokerage is not well penetrated are key competitive advantages for the company. This allows the company to offer its clients the lowest cost trading due to its high level of automation, while also offering highly competitive rates on margin loans and paying them attractive yields on their uninvested cash balances. More than 80% of Interactive Brokers' clients are non-U.S. citizens, and more than 80% of their investments are in U.S. stocks. The company has little direct competition serving this clientele. These are all features that we believe set Interactive Brokers apart from its competition. Interactive Brokers continues to hire software and computer engineers with a focus on automating many of the processes that competitors rely on employees to perform. With its low-priced offering and leading range of capabilities, we believe that Interactive Brokers is well positioned to continue its rapid pace of account growth from just over 2 million clients today. The company's focus on automation should enable it to continue to be a low-priced provider while earning best-in-class margins, which we believe should lead to double-digit revenue and earnings growth over the long run.

Our Real/Irreplaceable Assets increased 9.7% in the first quarter and contributed 230 bps to performance. These companies gained from inflation given the daily repricing of their services and consumers' desire to spend more on experiences over goods in the current post-COVID environment.

Red Rock, a casino operator in the Las Vegas Locals market, increased 14.7% in the first quarter and helped performance by 56 bps. Shares increased after the company's newly opened Durango casino generated results that were higher than Wall Street expectations, with minimal cannibalization at its other properties. The strong performance of the new casino helped boost EBITDA and free cash flow, which Red Rock is using to pay down debt. We believe the company is on track to reach its targeted three times leverage level by mid-2025, which should enable it to begin development of other casino projects. Red Rock currently has over 300 acres of gaming-entitled land to develop, and its margins remain above pre-pandemic levels, despite increasing wage costs, thanks to strong incremental margins on revenue generated from the new resort.

Hotel franchisor Choice increased 11.5% in the first quarter and helped performance by 38 bps. The stock rose after Choice decided to abandon its proposed acquisition of Wyndham Hotels. The company also indicated that it would increase its share repurchase program by 5 million shares, or about 10% of its outstanding shares. While we think the proposed deal to acquire Wyndham would have created value, we think Choice can still achieve strong growth independently through its revenue-intensive brand strategy and sustained gains in revenue per available room and development pipelines. Choice continues to generate strong cash flow and maintains gross leverage below its targeted range of between three and four times. Currently trading at a mid-single-digit free-cash-flow yield, Choice should still be able to achieve high single-digit growth in EBITDA, with most of this growth being returned to shareholders through dividends and buybacks.

**Table II.**
**Total returns by category for the quarter ended March 31, 2024**

| | % of Net Assets (as of 3/31/2024) | Total Return (%) | Contribution to Return (%) |
|---|---|---|---|
| **Financials** | **18.2** | **12.08** | **2.06** |
| Interactive Brokers Group, Inc. | 3.7 | 34.82 | 0.96 |
| Arch Capital Group Ltd. | 6.0 | 24.46 | 1.25 |
| Jefferies Financial Group Inc. | 0.8 | 9.94 | 0.07 |
| MSCI Inc. | 3.6 | –0.64 | –0.03 |
| FactSet Research Systems Inc. | 4.1 | –4.55 | –0.20 |
| **Real/Irreplaceable Assets** | **24.2** | **9.71** | **2.30** |
| Hyatt Hotels Corporation | 5.7 | 22.52 | 1.08 |
| Red Rock Resorts, Inc. | 4.2 | 14.66 | 0.56 |
| Choice Hotels International, Inc. | 3.4 | 11.54 | 0.38 |
| MGM Resorts International | 1.8 | 5.87 | 0.10 |
| Las Vegas Sands Corporation | 1.0 | 5.48 | 0.06 |
| Vail Resorts, Inc. | 4.4 | 5.46 | 0.26 |
| American Homes 4 Rent | 0.6 | 3.01 | 0.02 |
| Alexandria Real Estate Equities, Inc. | 1.5 | 2.74 | 0.03 |
| Douglas Emmett, Inc. | 1.4 | –2.94 | –0.06 |
| Manchester United plc | – | –8.33 | –0.12 |
| **Russell 2500 Growth Index** | | **8.51** | |
| **Core Growth** | **24.2** | **6.95** | **1.64** |
| On Holding AG | 3.8 | 31.31 | 0.94 |
| CoStar Group, Inc. | 4.7 | 10.62 | 0.47 |
| Guidewire Software, Inc. | 4.4 | 7.03 | 0.31 |
| Krispy Kreme, Inc. | 3.4 | 1.23 | 0.06 |
| Verisk Analytics, Inc. | 2.7 | –1.15 | –0.03 |
| Illumina, Inc. | 2.1 | –1.26 | –0.03 |
| Birkenstock Holding plc | 1.8 | –2.51 | –0.05 |
| IDEXX Laboratories, Inc. | 1.3 | –2.72 | –0.04 |
| **Disruptive Growth** | **31.5** | **–10.84** | **–4.06** |
| Spotify Technology S.A. | 5.0 | 40.44 | 1.52 |
| Space Exploration Technologies Corp. | 9.1 | – | – |
| Shopify Inc. | 1.9 | –0.94 | –0.01 |
| ANSYS, Inc. | 2.4 | –4.33 | –0.12 |
| BioNTech SE | 1.4 | –12.47 | –0.21 |
| FIGS, Inc. | 2.5 | –28.39 | –0.95 |
| Tesla, Inc. | 7.8 | –29.25 | –3.46 |
| Iridium Communications Inc. | 1.4 | –36.15 | –0.83 |
| **Cash** | **1.9** | **–** | **0.02** |
| **Fees** | **–** | **–0.27** | **–0.27** |
| **Total** | **100.0*** | **1.67**** | **1.67**** |

*Sources: FactSet PA, FTSE Russell, and Baron Capital.*

* *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 March 31, 2024**

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap (billions) | Total Return | Percent Impact |
|---|---|---|---|---|---|
| Spotify Technology S.A. | 2020 | $45.4 | $52.3 | 40.44% | 1.52% |
| Arch Capital Group Ltd. | 2003 | 0.9 | 34.6 | 24.46 | 1.25 |
| Hyatt Hotels Corporation | 2009 | 4.2 | 16.4 | 22.52 | 1.08 |
| Interactive Brokers Group, Inc. | 2023 | 33.8 | 47.3 | 34.82 | 0.96 |
| On Holding AG | 2023 | 10.1 | 11.3 | 31.31 | 0.94 |

**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 up on operating margins and subscriber adds that exceeded consensus expectations. Spotify is currently prioritizing profitability, with its largest round of layoffs to date and enhanced attention to operating efficiency. We think gross margins should improve meaningfully, driven by contributions from the artist promotions marketplace, the expanding advertising segment, and the increasing profitability of podcasts. The company remains focused on its product roadmap and user value proposition by, for example, providing U.S. premium subscribers free access to 15 hours of audiobook listening time in a bid to increase its audience. We view Spotify as a long-term winner in music streaming with potential to reach more than 1 billion monthly active users.

Specialty insurer **Arch Capital Group Ltd.** contributed to performance after reporting strong financial results that exceeded Street expectations. In the most recent reported quarter, operating ROE was 24% and book value per share rose 44% as underwriting profitability remained excellent. Pricing trends in the P&C insurance market are favorable, and elevated interest rates are driving higher investment income. Insurance stocks broadly rebounded from weakness in the prior quarter as rates stabilized. We continue to own the stock due to Arch's strong management team and our expectation of significant growth in earnings and book value.

Shares of global hotelier **Hyatt Hotels Corporation** increased in the quarter on continued progress towards its shift to a more asset-light business, with 85% of its revenue now from management and franchise fees. This progress, along with the sale of the Unlimited Vacation Club business within Apple Leisure Group, which had complicated the reporting of results, helped improve visibility. Strong growth in revenue per available room and a steady expansion of its share of developer pipelines should enable Hyatt to generate robust free cash flow and achieve low double-digit EBITDA growth. Hyatt's strong, underleveraged balance sheet keeps it well positioned to increase dividends and share repurchases.

**Table IV.**
**Top detractors from performance for the quarter ended March 31, 2024**

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap (billions) | Total Return | Percent Impact |
|---|---|---|---|---|---|
| Tesla, Inc. | 2014 | $31.2 | $559.9 | –29.25% | –3.46% |
| FIGS, Inc. | 2022 | 1.5 | 0.8 | –28.39 | –0.95 |
| Iridium Communications Inc. | 2014 | 0.6 | 3.2 | –36.15 | –0.83 |
| BioNTech SE | 2023 | 24.7 | 21.9 | –12.47 | –0.21 |
| FactSet Research Systems Inc. | 2008 | 2.5 | 17.3 | –4.55 | –0.20 |

**Tesla, Inc.** designs, manufactures, and sells electric vehicles, related software and components, and solar and energy storage products. Shares fell as the core automotive segment remained under pressure due to a complex macroeconomic environment, factory shutdowns, growing competitive risks in China, and Tesla's price reductions throughout 2023. During the first quarter of 2024, production was negatively impacted by Red Sea maritime supply-chain interferences, sabotage at a Tesla factory power supply in Berlin, and the launch of the refreshed Model 3. We remain shareholders. Tesla has started delivery of its highly anticipated Cybertruck pickup, which features new technologies within the car and its manufacturing lines. Tesla also launched version 12 of its Full Self Driving product, which features material improvements and should enhance investor confidence in Tesla's unique software and hardware capabilities. Lastly, we expect energy storage sales to continue to grow over the coming years.

**FIGS, Inc.** is a direct-to-consumer health care apparel company. Shares detracted during the quarter due to disappointing guidance for 2024. FIGS expects revenue to be pressured due to macroeconomic weakness impacting its core customer base as well as industry-specific issues impacting the health care space. We retain our long-term conviction. We believe that FIGS' direct-to-consumer, higher-quality, and more innovative product offerings vs. those of competitors provide a durable competitive advantage that will allow it to gain market share. We also believe that FIGS has a long growth runway internationally and are encouraged by the possibility of brick-and-mortar retail stores to complement its e-commerce business.

**Iridium Communications Inc.** is a mobile voice and data communications services vendor offering global coverage via satellite. Shares fell during the quarter. In November 2023, Qualcomm unexpectedly terminated an agreement with Iridium to enable direct-to-device (D2D) workloads on Iridium's network. The decision shook investors' confidence in Iridium's D2D opportunity. In addition, SpaceX generated limited headwinds to Iridium's maritime segment, enhancing competitive risk. We retain conviction. Iridium remains a unique satellite asset and operator, with L-band spectrum, global coverage, years of operational experience, relatively new satellite hardware, and hundreds of partners across verticals and geographies. In addition, management announced a commitment of $3 billion in returns to shareholders between 2023 and 2030, representing a material portion of the current enterprise value.

## Investment Strategy & Portfolio Structure

We remain steadfast in our commitment to long-term investing in competitively advantaged growth businesses. We believe these investments are an effective way to protect and increase the purchasing power of your savings. Wars, pandemics, financial panics, higher-than-normal inflation, and interest rate increases can cause significant market declines, but when these negative influences abate, interest rates stabilize and decline, stock prices can increase substantially. We believe this will happen again, although the timing remains uncertain.

As of March 31, 2024, we owned 30 investments. The Fund's average portfolio turnover for the past three years was 22.8%. This means the Fund has an average holding period for its investments of over four years. This compares to the average mid-cap growth mutual fund that typically turns over its entire portfolio every 17 months. From a quality standpoint, the Fund's investments have stronger sales growth; higher EBITDA, operating, and free-cash-flow margins; and stronger returns on invested capital than the Benchmark. We believe these metrics help limit risk in this focused portfolio and are why the portfolio has generated strong risk-adjusted returns.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Benchmark. For example, we are heavily weighted to Consumer Discretionary businesses with 39.9% of net assets in this sector versus 13.5% for the Benchmark. We have no exposure to Energy, Materials, or Utilities. We believe companies in these sectors can be cyclical, linked to commodity prices, and/or have very little if any competitive advantage. This compares to the Benchmark that had 8.8% exposure to these sectors. We also have lower exposure to Health Care stocks at 4.8% for the Fund versus 19.9% for the Benchmark. The performance of many stocks in the Health Care sector can change quickly due to exogenous events or binary outcomes (e.g., biotechnology and pharmaceuticals). As a result, we do not invest a large amount in these stocks in this focused portfolio. In Health Care, we invest in competitively advantaged companies that are leaders in their industries such as our positions in **IDEXX Laboratories, Inc.**, the leading provider of diagnostics to the veterinary industry, **BioNTech SE**, the leader in mRNA drugs, and **Illumina, Inc.**, the leader in DNA sequencing instruments and consumables. The Fund is further diversified by investments in businesses at different stages of growth and development.

**Table V.**
**Disruptive Growth Companies as of March 31, 2024**

| | Percent of Net Assets | Year Acquired | Cumulative Return Since Initial Purchase |
|---|---|---|---|
| Space Exploration Technologies Corp. | 9.1% | 2017 | 601.4% |
| Tesla, Inc. | 7.8 | 2014 | 953.0 |
| Spotify Technology S.A. | 5.0 | 2020 | 10.3 |
| FIGS, Inc. | 2.5 | 2022 | –45.6 |
| ANSYS, Inc. | 2.4 | 2022 | 42.5 |
| Shopify Inc. | 1.9 | 2022 | 121.7 |
| BioNTech SE | 1.4 | 2023 | –11.3 |
| Iridium Communications Inc. | 1.4 | 2014 | 289.9 |

**Disruptive Growth** firms accounted for 31.5% 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 electric vehicle leader **Tesla, Inc.**, commercial satellite and launch company **Space Exploration Technologies Corp.**, and audio streaming service provider **Spotify Technology S.A.** These companies all have large underpenetrated addressable markets, are well financed with significant equity stakes by these founder-led companies, giving us further conviction in our investment.

**Table VI.**
**Core Growth Investments as of March 31, 2024**

| | Percent of Net Assets | Year Acquired | Cumulative Return Since Initial Purchase |
|---|---|---|---|
| CoStar Group, Inc. | 4.7% | 2014 | 351.4% |
| Guidewire Software, Inc. | 4.4 | 2013 | 152.5 |
| On Holding AG | 3.8 | 2023 | 10.9 |
| Krispy Kreme, Inc. | 3.4 | 2021 | 10.1 |
| Verisk Analytics, Inc. | 2.7 | 2022 | 37.5 |
| Illumina, Inc. | 2.1 | 2023 | 17.4 |
| Birkenstock Holding plc | 1.8 | 2023 | 17.5 |
| IDEXX Laboratories, Inc. | 1.3 | 2022 | 22.4 |

**Core Growth** investments, steady growers that continually invest in their businesses for growth and return excess free-cash-flow to shareholders, represented 24.2% of net assets. An example would be **CoStar Group, Inc.**, a marketing and data analytics provider to the real estate industry. The company continues to add new services in commercial and residential 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.

**Table VII.**
**Investments with Real/Irreplaceable Assets as of March 31, 2024**

| | Percent of Net Assets | Year Acquired | Cumulative Return Since Initial Purchase |
|---|---|---|---|
| Hyatt Hotels Corporation | 5.7% | 2009 | 484.8% |
| Vail Resorts, Inc. | 4.4 | 2013 | 351.0 |
| Red Rock Resorts, Inc. | 4.2 | 2017 | 230.5 |
| Choice Hotels International, Inc. | 3.4 | 2010 | 529.9 |
| MGM Resorts International | 1.8 | 2023 | 7.0 |
| Alexandria Real Estate Equities, Inc. | 1.5 | 2022 | –6.7 |
| Douglas Emmett, Inc. | 1.4 | 2022 | –5.8 |
| Las Vegas Sands Corporation | 1.0 | 2023 | 14.5 |
| American Homes 4 Rent | 0.6 | 2018 | 91.9 |

Companies that own what we believe are **Real/Irreplaceable Assets** represented 24.2% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, **Hyatt Hotels Corporation**, upscale lodging brand, and **Red Rock Resorts, Inc.**, the largest player in the Las Vegas locals casino gaming market, are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power.

**Table VIII.**
**Financials Investments as of March 31, 2024**

| | Percent of Net Assets | Year Acquired | Cumulative Return Since Initial Purchase |
|---|---|---|---|
| Arch Capital Group Ltd. | 6.0% | 2003 | 2,438.8% |
| FactSet Research Systems Inc. | 4.1 | 2008 | 949.3 |
| Interactive Brokers Group, Inc. | 3.7 | 2023 | 40.3 |
| MSCI Inc. | 3.6 | 2021 | –12.2 |
| Jefferies Financial Group Inc. | 0.8 | 2023 | 48.5 |

**Financials** investments accounted for 18.2% of the Fund's net assets. These businesses generate strong recurring earnings through subscriptions and premiums that generate highly predictable earnings and cash flow. These 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.**

## PORTFOLIO HOLDINGS

As of March 31, 2024, the Fund's top 10 holdings represented 55.3% of net assets. Most of these investments have been successful and were purchased when they were much smaller businesses. We believe they continue to offer significant 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 Corporation**, and **Spotify Technology S.A.**, 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 and have large market opportunities to penetrate further, which enhances their potential for superior earnings growth and returns over time.

**Table IX.**
**Top 10 holdings as of March 31, 2024**

| | 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 | $21.6 | $180.3 | $126.1 | 9.1% |
| Tesla, Inc. | 2014 | 31.2 | 559.9 | 108.1 | 7.8 |
| Arch Capital Group Ltd. | 2003 | 0.9 | 34.6 | 83.2 | 6.0 |
| Hyatt Hotels Corporation | 2009 | 4.2 | 16.4 | 79.8 | 5.7 |
| Spotify Technology S.A. | 2020 | 45.4 | 52.3 | 69.1 | 5.0 |
| CoStar Group, Inc. | 2014 | 6.2 | 39.5 | 64.7 | 4.7 |
| Guidewire Software, Inc. | 2013 | 2.7 | 9.7 | 61.4 | 4.4 |
| Vail Resorts, Inc. | 2013 | 2.3 | 8.5 | 61.3 | 4.4 |
| Red Rock Resorts, Inc. | 2017 | 2.6 | 6.3 | 58.2 | 4.2 |
| FactSet Research Systems Inc. | 2008 | 2.5 | 17.3 | 56.8 | 4.1 |

## Recent Activity

In the first quarter, we increased our position in **Birkenstock Holding plc**, a leading manufacturer and seller of footwear products, through its direct-to-consumer website and wholesale stores. The company continues to see strong global demand for its brand with revenues accelerating across all channels, regions, and products. The company is seeing more demand for its premium products, which is allowing it to take price and leading to higher margins and cash flow. As a result, the company is expanding its capacity, which has hurt its current margins. However, we believe this investment should lead to accelerated growth over time and be a strong return on capital investment. We believe the stock remains attractively valued, and, as a result, we have been adding to our position.

## Outlook

We believe the shares of many of our portfolio investments already reflect overly pessimistic earnings estimates for 2024. Investors obviously remember operating declines during the 2008/2009 Global Financial Crisis and are pricing in similar declines today. If we do not go into a deep recession this year, or if the slowdown and expected decline in earnings are not as bad as feared, we believe investors will see significant near-term upside in the portfolio. We continue to believe our stocks are cyclically depressed, not secularly challenged, and see further upside over the next 12 to 18 months. So far, most of our portfolio holdings have not 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 portfolio companies would still be operating above pre-pandemic levels. These businesses' balance sheets have been strengthened since COVID-19, and we believe they remain well positioned to weather a downturn should one occur.

**Thank you for investing with us 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 Portfolio Manager

David Baron
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:** 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. 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.

**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 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. **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 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. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. **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. **Return on invested capital (ROIC)** is a calculation used to determine how well a company allocates its capital to profitable projects or investments.