

Baron Partners Fund®

A High-Conviction, Differentiated Investment Approach

Baron Partners Fund is a concentrated portfolio of the highest conviction ideas of Baron Capital’s Founder and CEO Ron Baron. The Fund is designed to maximize the advantages we have gained from four decades of refining and applying our proprietary, research-intensive, fundamental investment process aimed at finding and investing in the most promising growth businesses for the long term.

This approach may seem old fashioned in a time seemingly dominated by algorithms and high-speed trading, but we make no excuses. In fact, now more than ever, we believe this investment approach is still the best way to create alpha. While other investors chase the latest unicorn or buy and sell based on short-term macro trends – which we contend are virtually impossible to predict – we remain true to our repeatable, time-tested process.

For Baron Partners Fund, portfolio managers Ron Baron and Michael Baron focus on businesses that we believe could double in value within five years. To accomplish this ambitious goal, we manage a focused portfolio of about 20 to 30, competitively advantaged, well-run growth businesses at attractive prices, with the top 10 positions representing a significant portion of net assets. The Fund’s all-cap mandate and ability to invest in private companies provide the flexibility to invest in what we think are the best ideas regardless of market cap or other constraints. While we tend to initiate positions in small- and mid-cap companies as these are the asset classes where we most frequently find the most promising growth opportunities, we will hold these positions as long as our investment premise remains intact.

The Fund uses leverage to enhance returns, but not in the typical way. We do not lever the entire portfolio pro-rata to enhance market exposure, since we do not make bets on short-term market moves, which we believe are almost impossible to predict. Rather, we draw on a credit line to add to or buy positions in specific companies in which we

have our highest conviction to increase our exposure to these names. This use of leverage reflects our stock-specific, bottom up, fundamental approach to investing.

We look at 2020 as a testament to our active, long-term approach to investing. If one had to guess how the market would react to a global

pandemic with segments of the economy shuttered for extended periods of time topped off by a highly polarized election, few would guess the market would reach record highs. Yet it did, and the patient investor was rewarded for staying calm during the storm. As set forth in the table below, our approach has resulted in significant outperformance of our primary benchmark across all standard time periods since inception.



Michael Baron
Portfolio Manager

Ron Baron
CEO and Portfolio Manager

Baron Partners Fund Performance as of 12/31/2023 (annualized)*

	1-year	3-year	5-year	10-year	Since Inception**
Baron Partners Fund	43.47%	2.86%	31.57%	19.11%	15.17%
Russell Midcap Growth Index	25.87%	1.31%	13.81%	10.57%	9.91%
S&P 500 Index	26.29%	10.00%	15.69%	12.03%	10.16%

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

**Inception was 1/31/1992. The portfolio was converted to a mutual fund on 4/30/2003.

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. Annual expense ratio for the Institutional Shares as of December 31, 2022 was 1.44% (1.04% operating expenses and 0.40% interest expense).

The indexes are unmanaged. Index performance is not fund performance; one cannot invest directly into an index.

A Time-Tested, Repeatable Investment Approach

We believe the Fund's strong performance is the result of our consistent, repeatable, and time-tested investment approach that is differentiated by the following characteristics:

- **High-conviction portfolio with a limited number of names**
- **Long-term perspective with low turnover**
- **Multi-faceted management of risk**

High-conviction portfolio with a limited number of names

We take a bottom-up investment approach to identify what we believe are competitively differentiated businesses that can grow independently of their sector economy and macroeconomy. To build and manage our portfolio, we use our extensive research capacity and industry expertise – currently comprised of 45 investment professionals – to source these investment opportunities. Because Baron Partners Fund invests only in our highest-conviction opportunities, it holds a limited number of names. As of December 31, 2023, the Fund held 22 stocks, compared with a category average of about 100 stocks. The top 10 holdings comprised 89.2% of long positions. We have always maintained high active share; our current active share is 94.3%.

This high-conviction, long-term approach, combined with our deep bench of research analysts, means we can do the necessary due diligence to acquire the in-depth knowledge, including regularly engaging company management teams and visiting key facilities, to gain the confidence we need to invest and stay invested. This is our competitive advantage.

Long-term perspective with low turnover

Warren Buffett, who has a talent for words almost as impressive as his talent for investing, once said, "Someone is sitting in the shade today because someone planted a tree a long time ago." We agree.

Consistent with our longstanding Baron Capital investment philosophy, Baron Partners Fund is managed with a long-term perspective. We believe this time-arbitrage approach gives us an edge. Most managers are focused on the short term, basing trading decisions on factors that may have little to do with business fundamentals, such as a quarterly earnings beat or miss or overall market volatility.

We believe our long-term perspective affords us less competition while allowing us to take advantage of the shortsightedness of the market. We leverage our extensive research capabilities to conduct a deep dive into the fundamentals of every company in which we are considering an investment. Our research allows us to develop an informed and thorough understanding of the longer-term secular advantages of these companies. Ultimately, we are more interested in the duration of a company's growth opportunity, rather than being overly focused on its timing. We like to invest early, before a company is on the market's radar, because we believe it's impossible to pinpoint exactly when the market will take notice and start trading the stock up to properly reflect its growth opportunity. We believe this is a key part of the engine that drives alpha for us.

The Fund's low three-year average turnover of 6.84% is an outgrowth of our investment process rather than a goal in and of itself. If we find and invest in the right companies, we believe that it makes little sense to replace these companies with new and relatively untested ones. We would rather remain invested throughout the duration of our highest conviction companies' growth trajectories. We also believe this is a

more tax efficient approach to managing a portfolio, and one that is often attractive to management teams that are aware of our reputation as long-term holders of stock.

Our primary goal is capital appreciation, and we strongly believe we should stay involved as our companies grow and flourish as long as our investment thesis holds true.

Multi-faceted management of risk

We seek to offset the volatility inherent in a concentrated, leveraged portfolio in two key ways:

- **Extensive due diligence on our holdings throughout the time we are invested**
- **Diversifying our holdings across non-correlated categories**

Extensive due diligence We believe the best risk management starts with knowing the companies in which we invest. The extensive research we conduct for months and sometimes years prior to initiating a position in a company is just the beginning. Throughout the life of all our investments, we continue to conduct due diligence and interact with management to keep apprised of the company's growth story as it develops. We visit with and speak to our companies' management teams multiple times per year. Our sustained level of interaction with management helps sharpen our model inputs and assumptions. As portfolio managers of the Fund, Ron and Michael are involved in research on each name and are supported by Baron Capital analysts who are industry experts.

As with all Baron Funds, we take a stock-specific approach. We focus on businesses with:

- **Long-term, secular growth opportunities**
 - **Strong, durable competitive advantages**
 - **Attractive business model**
 - **Exceptional management**
 - **Attractive valuation**
- **Long-term, secular growth opportunities** We seek companies that we believe are well positioned to benefit from secular growth opportunities with large, addressable markets. We find these opportunities across a range of sectors and sub-industries.
- **Strong, durable competitive advantages** A durable competitive advantage is another key attribute of the companies we own. We look for businesses that are establishing their competitive advantages, as a fully realized competitive advantage is more likely to be reflected in the stock price.
- **Attractive business model** We prefer companies with pricing power that is tied to the utility of their product or service rather than a monopolistic hold on the market. For example, with subscription-based business models, companies are able to leverage the continual improvement and expansion of the services they provide to raise prices on a regular basis. Long-term contracts with high retention rates – another characteristic of many of our subscription-based businesses – provide stability, durability, and transparency, as does recurring or reoccurring revenue.

We like companies with high or expanding margins that are reinvesting their profits in future growth. Many of our holdings are asset light, low

Baron Partners Fund
Top 10 Holdings as of December 31, 2023

Holding	Sector	% of Long Positions
Tesla, Inc.	Consumer Discretionary	38.1%
Space Exploration Technologies Corp.	Industrials	9.9%
CoStar Group, Inc.	Real Estate	8.1%
Arch Capital Group Ltd.	Financials	6.1%
IDEXX Laboratories, Inc.	Health Care	5.6%
Hyatt Hotels Corporation	Consumer Discretionary	5.5%
FactSet Research Systems Inc.	Financials	4.4%
The Charles Schwab Corp.	Financials	4.3%
Gartner, Inc.	Information Technology	4.0%
Vail Resorts, Inc.	Consumer Discretionary	3.2%
Total		89.2%
Long Equity Exposure		114.1%
Cash & Equivalents		-14.1%

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

capital-intensive businesses because once they have built their core assets – database, platform, etc. – as they scale, margins can expand significantly. We also like strong and visible free cash flow, because we consider it a more accurate measure of a company’s financial situation than earnings per share. Finally, we look for a capital structure appropriate to the industry in which the company operates. We are comfortable with leverage if it is an established business with recurring and predictable free cash flow and sensible debt levels. We believe such balance-sheet optimization is a way to maximize shareholder returns.

- **Exceptional management** Baron Capital’s long-held motto, “we invest in people,” reflects our belief that experienced, visionary management is at the heart of a company’s success. To find these talented people, Ron and Michael tap their decades of experience as investment professionals, over the course of which they have met with and interviewed thousands of executives about their companies. We look for a personal financial stake in the company’s success.
- **Attractive valuation** We project the long-term intrinsic value of every stock we own using both quantitative and qualitative analysis. Our projection is based on key revenue growth drivers, profitability, cost structure, and capital structure – as well as more qualitative factors, such as the total addressable market, durability of the competitive advantage, and strength of the management team. We will initiate a position only if we believe the stock can double in size in a five-year period. We will remain invested as long as the stock’s valuation is supported by our projection of intrinsic value.

Diversifying our holdings across categories The second way we seek to mitigate risk is by diversifying the portfolio across four categories, each of which tends to behave differently in different economic environments. These four categories are:

- Disruptive Growth (50% to 60% of weighted assets)
- Core Growth (about 20% of weighted assets)
- Real/Irreplaceable Assets (about 15% of weighted assets)
- Financials (about 20% of weighted assets)

* Percentages add up to greater than 100% due to leverage

We expect **Tesla, Inc.**, the electric car manufacturer and the Fund’s largest holding, to continue to grow its automotive business rapidly through international production capacity and product expansion, including pickup and semi-truck lineups. We believe that Tesla’s vertical integration, technology innovation, brand, profitability, and growing supplier support offer unique and durable growth opportunities that are hard to replicate. In addition, Tesla’s energy and software expertise is broadening the industrial opportunity to large and profitable revenue avenues that were locked in the legacy vehicle architecture such as autonomous, insurance, and other AI use cases.

Another disruptive growth company, **Space Exploration Technologies Corp.** (SpaceX), designs, manufactures, and launches rockets, satellites, and spacecrafts. SpaceX disrupted the space launch market with its reusable orbital launch systems and is now launching a broadband service leveraging its new satellite constellation, Starlink.

We believe SpaceX could leverage its unique capability of reusable rockets to continue and drive costs of space launches lower and capture a growing market share in a growing market. As launch costs decline, we expect that the demand to reach space would increase in the coming years. By leveraging its launch cost leadership, vertical integration, and innovative design approach, we expect SpaceX will have an advantage in building its new constellation of satellite-based broadband services, allowing the company access a materially larger TAM than the rocket launch market.

However, we believe investments in Disruptive Growth companies can only be successfully made if there are other more stable holdings in the portfolio to minimize volatility. Core Growth businesses like veterinary diagnostics company **IDEXX Laboratories, Inc.** and **CoStar Group, Inc.**, a data and marketing analytics provider to the commercial real estate industry, have steadier growth prospects and continually return excess free cash flow to shareholders. Real/Irreplaceable Assets businesses have tangible properties that are less subject to competition. Companies like global hotelier **Hyatt Hotels Corporation** and ski resort owner/operator **Vail Resorts, Inc.** invest in their properties to offer a superior service vs. their competitors, which also increases asset values. Financial businesses’ returns are generally more correlated with the economy and interest rates (factors that we feel are unpredictable in the short run). However, the Fund’s Financials holdings tend to be “capital-light” businesses that are gaining market share (brokerage **The Charles Schwab Corp.**), offering deeper product sets (data and analytics provider to the financial industry **FactSet Research Systems Inc.**) and are selectively increasing price (specialty insurer **Arch Capital Group Ltd.**).

Conclusion

Throughout its long history, the Fund has remained steadfast in its commitment to long-term investments in competitively advantaged businesses with large growth opportunities that are taking share and are managed by people we believe to be exceptional executives. Although there are no guarantees, we believe a time-tested reputable approach will generate alpha over the long term.

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 1-800-99-BARON or visiting baronfunds.com. Please read them carefully before investing.

Performance 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.

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: 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 issuers securities and therefore the net asset value of the Fund. As of the most recent quarter-end, about 38% of the Fund's long positions 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 Funds returns and exposure of the Fund to greater risk of loss in any given period.

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 Capital has no obligation to update them.

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 the S&P 500 Index include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts performance results. The indexes are unmanaged. Index performance is not fund performance; one cannot invest directly into an index.

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Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

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