Dear Baron Discovery Fund Shareholder:

Performance

During the first quarter, Baron Discovery Fund® (the Fund) was up 11.20% compared to the Russell 2000 Growth Index (the Benchmark), which was up 6.07%. This 5.13% relative outperformance was due to strong performance from our holdings in the Information Technology (IT), Industrials, and Consumer Discretionary sectors and the Fund's higher exposure to the top performing IT sector. Not surprisingly, many of our holdings in these sectors were underperformers during calendar year 2022, and we believe were severely oversold. We were not shocked to see *relief rallies* in many of these stocks, particularly as fourth quarter earnings reports have generally been better than feared.

Table I.
Performance†
Annualized for periods ended March 31, 2023

	Baron Discovery Fund Retail Shares[1,2]	Baron Discovery Fund Institutional Shares[1,2]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[3]	11.16%	11.20%	6.07%	7.50%
One Year	(13.98)%	(13.81)%	(10.60)%	(7.73)%
Three Years	15.94%	16.24%	13.36%	18.60%
Five Years	9.92%	10.20%	4.26%	11.19%
Since Inception (September 30, 2013) (Annualized)	12.03%	12.31%	7.17%	11.98%
Since Inception (September 30, 2013) (Cumulative)[3]	194.17%	201.20%	93.07%	193.02%

Given all the pessimism and negativity in the market today, I think most investors would be surprised to hear that both the Benchmark and the Fund have had flat-to-positive performance for three straight quarters now. This means that it is highly likely that the market's bottoming/recovery process has begun and that, with hindsight, we might realize the Benchmark hit its low back in June of 2022.

RANDY GWIRTZMAN AND LAIRD BIEGER
PORTFOLIO MANAGERS

Retail Shares: BDFFX
Institutional Shares: BDFIX
R6 Shares: BDFUX

In last year's third quarter letter we noted:

> *"In summary, we believe it is appropriate to get more constructive in environments where small-cap growth stocks are hated by the general public, are cheap on a historical basis, and where individual company fundamentals remain relatively healthy. We have seen comparable conditions to today in the past, and they have proven to be conducive to producing outsized returns for longer-term investors like us."*

With hindsight, the mid-October timing of that call turned out to be prescient, so we thought it would be appropriate to give an update on what has (and has not) changed since then. What hasn't changed? Investor pessimism (as measured by the AAII survey), while off the all-time highs we saw last September, still remains high by historical standards. Small-cap growth stocks remain inexpensive, in our opinion, especially relative to large-cap stocks.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2022 was 1.32% and 1.06%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser may reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

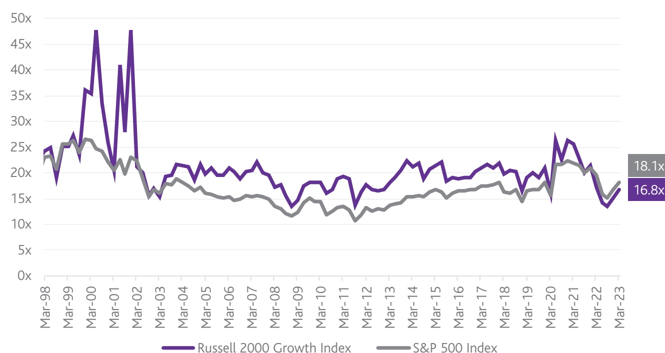
† The Fund's 3- and 5-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

1 The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

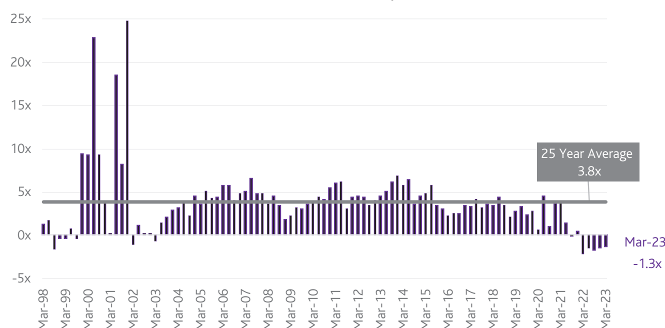
2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

Russell 2000 Growth Index vs. S&P 500 Index
Historical Valuation Comparison using Forward P/E Estimates



Difference in Forward P/E Estimates



Sources: The Bank of New York Mellon Corporation using I/B/E/S 1 Year Forward EPS and FactSet Market Aggregates.

We expected to see and did see some growth headwinds when our companies issued 2023 earnings guidance, but even with those headwinds, we would still describe earnings broadly as *healthy*.

What has changed? On the positive side, China lockdowns, supply-chain disruptions, input cost inflation, labor cost inflation, and labor availability have all improved to the point where we believe these challenges are, to use a car analogy, in the rearview mirror. Importantly, we believe the market is underestimating the potential upside from better margins as we lap two years of extremely challenging inflationary conditions. On the negative side, we believe the failures of Silicon Valley Bank and Signature Bank (and the related stress these failures have caused the regional banking sector) will ultimately lead to higher borrowing costs, stricter lending standards, and contractionary credit conditions. It is our expectation that as these tighter lending conditions work their way through the economy, they will negatively impact demand growth (and we have reflected this more conservative view in modeling our 2023 revenue estimates). We believe the net result of these cross currents is that top-line *beat and raises* (i.e., when a company reports revenue results ahead of Wall Street estimates and, in addition, raises its annual revenue guidance) will be tougher to come by in 2023 but we think that will be offset by better-than-expected bottom-line results given the margin tailwinds discussed above.

In summary, we acknowledge that 2023 may have some headwinds, but we are not in the camp that believes we are on the precipice of economic collapse. More importantly, as we have pointed out in the last couple of letters, we believe that as we move through 2023, investors will begin to change their mindset from, "How bad will this economic downturn be?" to "How strong of an economic recovery will we have emerging from this downturn?" Or, in other words, what could revenues and earnings look like in a 2024 recovery scenario? We believe this change in sentiment will be supportive of expanding valuation multiples and, therefore, stocks generally.

Table II.
Top contributors to performance for the quarter ended March 31, 2023

	Percent Impact
Revance Therapeutics, Inc.	1.22%
Axon Enterprise, Inc.	1.08
indie Semiconductor, Inc.	1.07
Floor & Decor Holdings, Inc.	0.98
Navitas Semiconductor Corporation	0.83

Revance Therapeutics, Inc., an aesthetics-oriented biotechnology company, contributed to performance in the quarter. Revance, which sells facial injectables, saw robust revenue growth in the fourth quarter of 2022 (announced during the first quarter of 2023) after the FDA approved Daxxify, the company's longer-acting competitor to Botox that lasts about six months versus Botox's three to four months. Daxxify's soft launch has been promising, with $11 million in sales in the first month of the early preview program. We believe Revance will benefit as it broadens the launch to additional injectors throughout the year. The company's RHA facial filler portfolio also beat Street expectations in 2022 and has yet to decline amid macro headwinds. Looking ahead, we think Daxxify's longer-lasting result is a key selling point for consumers, and we expect to see meaningful uptake of the product in late 2023 and beyond. In our view, Daxxify and the already launched RHA fillers should capture significant share in the fast-growing $4 billion facial injectables market, with the potential to support double Revance's current valuation. In addition, the company is working on gaining approval for therapeutics-based applications of the product, which has shown very promising clinical trial results.

Shares of **Axon Enterprise, Inc.**, a public safety-focused technology company, rose during the quarter following a robust earnings report and a favorable long-term outlook which raised revenue guidance, beating investor expectations. Notable growth in Axon's higher-margin cloud software business and Sensors segment reflects strong demand for the company's digital evidence management, productivity, and real-time operations platforms, as well as Axon Fleet in-car cameras. The company is also targeting reducing costs and share dilution, as well as enhancing free-cash-flow conversion in the coming years. All of this offers dramatic upside potential. With line of sight to more than 20% sustained revenue growth, an improving margin profile with the growth of software solutions, and a management team that has demonstrated an ability to innovate quickly, sell to customers, and manage costs effectively, Axon has solidified itself as a best-in-class company and a compelling investment in the public safety space.

Indie Semiconductor, Inc. is a fabless designer, developer, and marketer of automotive semiconductors for advanced driver assistance systems (ADAS) and connected car, user experience, and electrification applications. Shares rose during the quarter after the company announced the acquisition of GEO Semiconductor and met/exceeded revenue and gross margin guidance for the seventh straight quarter since coming public. After raising capital in late 2022 to fund M&A activity, in early 2023, indie announced the purchase of GEO Semiconductor for up to $270 million, including potential earnouts, to round out its ADAS sensor portfolio with a leader in camera processing technology. GEO is a highly synergistic acquisition that

accelerates indie's growth and margin trajectory. The automotive semiconductor vertical remains attractive, and indie has a highly visible $4.2 billion strategic backlog that is growing nicely. We believe the company will deliver on its targeted model of profitability in the second half of 2023 and will reach its goal of 60% gross margins and 30% operating margins by 2025, while continuing to rapidly increase revenue.

Floor & Decor Holdings, Inc. is a high-growth, differentiated specialty retailer of hard-surface flooring and accessories in the U.S. Shares rose during the quarter on strong 2023 guidance that beat consensus. Despite a weaker housing market, Floor & Decor expects revenue to grow roughly 10% this year as temporary softness in existing stores is more than offset by new unit openings. The company's direct sourcing model, low-cost leadership, and wide selection should enable it to take share from both big box retailers and independent specialty shops. We believe Floor & Decor will also benefit from lower freight rates as supply chains normalize. We remain positive about the company's long-term prospects and potential for double-digit unit growth in the years ahead.

Navitas Semiconductor Corporation is a leader in gallium nitride (GaN) power semiconductors and a smaller player in silicon carbide (SiC) power semiconductors. Shares rose during the quarter as management reiterated its outlook to double revenues in 2023 and investors appeared optimistic around the recovery in its key mobile charging end market concentrated in China. Navitas sells monolithically integrated GaN power integrated circuits, which provide greater reliability and performance compared to the discrete power devices (requiring multiple components) of its competitors. The company recently purchased a silicon control company to drive even further integration and performance, and its SiC products offer high performance and robustness across many different applications. The company's high-power GaN product launches remain on track for data center, solar, and electric vehicle (EV) applications, and its SiC product portfolio continues to grow in industrial, renewable energy, and EV charging infrastructure applications. We expect Navitas to gain share in the rapidly growing GaN and SiC power semiconductor markets over time, driven by its superior technology.

Table III.
Top detractors from performance for the quarter ended March 31, 2023

	Percent Impact
Silk Road Medical, Inc.	–0.68%
GitLab Inc.	–0.50
Axonics, Inc.	–0.40
ViewRay Incorporated	–0.37
Montrose Environmental Group, Inc.	–0.28

Silk Road Medical, Inc. sells medical devices used in minimally invasive transcarotid artery revascularization (TCAR) procedures. The company's TCAR device allows placement of a stent in the carotid artery to provide better blood flow to the brain, while reducing the risk of stroke during the procedure due to its innovative reverse blood flow system. The stock declined after a group of doctors petitioned Medicare to broaden reimbursement for a competitive minimally invasive procedure called transfemoral carotid stenting (TF-CAS). We retain conviction given TCAR is less invasive, easier to recover from, and causes less periprocedural stroke than other options, including TF-CAS and carotid endarterectomy surgery (CEA). CEA is a more invasive procedure which requires a broad incision into the wall of the artery. Following last summer's FDA approval of Silk Road devices in the treatment of standard surgical risk carotid stenosis patients (an expansion beyond high-risk only cases), the company saw rising numbers of eligible patients, accelerated use of its products, reduced reimbursement uncertainty, and further legitimization of TCAR in the eyes of more conservative surgeons. Although Medicare is reviewing the reimbursement policy for TF-CAS procedures, we think TCAR is fundamentally safer and more scalable than alternatives. TCAR currently accounts for nearly 13% of carotid stenosis interventions, and we believe it will become the standard of care for treating carotid artery disease over the longer term.

GitLab Inc. provides the only DevOps platform that addresses all stages of the software application lifecycle. Despite reporting decent results with revenue growth of 58% and operating losses that were less than Street forecasts, the company issued below-consensus 2023 revenue growth guidance. Technology industry layoffs and tighter IT/developer budgets resulted in lower net revenue retention rates in GitLab's Premium Tier, as some existing customers cut back on paid licenses to account for reduced hiring, while others anticipate a lower-than-expected rate of developer headcount growth in 2023. Management is assuming the trend will continue through the remainder of 2023. We see upside to guidance as: 1) customers continued to upgrade to GitLab's higher-priced Ultimate Tier to add security and compliance features; 2) new customer sign-up growth remained healthy; and 3) GitLab is implementing a 25% to 50% price increase on its Premium Tier that should drive growth toward the end of 2023 and into 2024. The price increases will also help GitLab achieve profitability sooner than initially projected.

Axonics, Inc. offers a novel implantable sacral neuromodulation device for the treatment of urinary and bowel dysfunction. Through an acquisition, it also offers Bulkamid, a unique injectable product to treat stress urinary incontinence (SUI) in women. Shares declined somewhat during the quarter. There wasn't any particular negative catalyst. We retain conviction as Axonics' product is unique and its current revenue run rate of $650 million to $700 million, represents less than 1% penetration of its addressable market (45,000 current procedures versus a market with close to 7 million addressable patients). Axonics thinks the implantable neuromodulation market can double in three to five years. Bulkamid has a current addressable market of $125 million, representing the 125,000 implantable sling procedures done every year in the U.S. However, with 29 million women affected by SUI, the market could be worth many multiples of that level, particularly as Bulkamid is a 15 minute in-office procedure with almost no side effects. We believe that this is realistic, given that the product's current run rate already represents about half of the currently addressable market.

ViewRay Incorporated sells equipment that enables MRI-guided radiation treatment of cancer. This equipment allows for real-time imaging of a patient's tumor location and therefore accurate radiation delivery, even if the tumor moves during treatment. Shares declined on investor concerns around the company's deposits at and loan commitments from Silicon Valley Bank. Our understanding is that the deposits are now secure and that ViewRay is in compliance with all debt covenants. Adoption of ViewRay's equipment and MRI-guided radiation therapy has been accelerating on impressive early clinical trial results in pancreatic and prostate cancer and as patients have started "voting with their feet" and seeking treatment at centers with the capability to administer MRI-guided treatment. The company's order book for new machines continues to accelerate. While supply-chain constraints may limit upside to 2023 installations, we still expect nearly 40% growth for the year and meaningfully higher sales in coming years.

Shares of **Montrose Environmental Group, Inc.**, a leading environmental services company, fell after the company gave 2023 guidance that missed Street estimates. Sources of the weak guidance included difficult year-over-year comps, increased research and development investment due to an abundance of new business opportunities, and slowed 2022 acquisitions flow. We view these issues as temporary and think the magnitude of the correction was due largely to poor management communication as opposed to company fundamentals. We took advantage of price weakness to add to our position. We remain confident in Montrose's competitive advantage and believe its growth drivers are poised to accelerate, driven by increased regulations for methane emissions monitoring and tightening standards for PFAS (also known as "forever plastics") contamination in water. We also think that acquisitions, a key growth driver for Montrose, are poised to accelerate into 2023 as the company resumes its normal deal cadence.

Portfolio Structure

Table IV.
Top 10 holdings as of March 31, 2023

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Kinsale Capital Group, Inc.	2016	$60.0	4.6%
Boyd Gaming Corporation	2021	47.1	3.6
Advanced Energy Industries, Inc.	2019	41.7	3.2
Floor & Decor Holdings, Inc.	2019	38.8	3.0
Rexford Industrial Realty, Inc.	2019	38.8	3.0
Axon Enterprise, Inc.	2022	37.3	2.9
Axonics, Inc.	2020	34.8	2.7
SiteOne Landscape Supply, Inc.	2016	31.5	2.4
Kratos Defense & Security Solutions, Inc.	2020	31.0	2.4
indie Semiconductor, Inc.	2021	30.7	2.4

The top 10 positions in the Fund constituted 30.2% of net assets, within our typical range.

Recent Activity

Table V.
Top net purchases for the quarter ended March 31, 2023

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
SiTime Corporation	2023	$3.1	$19.5
DraftKings Inc.	2023	8.7	18.8
Inari Medical, Inc.	2020	3.4	13.7
CyberArk Software Ltd.	2022	6.0	12.7
Certara, Inc.	2023	3.8	11.5

We initiated a position in **SiTime Corporation**, a fabless semiconductor company that designs and sells microelectromechanical systems (MEMS) timing solutions across various industries including consumer, communications, data center, automotive, and industrial. The company was founded in 2005 to commercialize its proprietary MEMS-based timing solutions and today remains the only company deploying MEMS-based solutions at scale and holds significant market share, beating out several competitors who were unable to get the technology to work. Timing devices are the heartbeat of electronic systems, delivering accurate, stable, and regular signals serving as a reference for all digital components within the system. Timing devices can cost as little as a few pennies, but without them electronic devices would not function. Historically these devices were made from quartz crystals, which today still make up the vast majority of the timing industry. But MEMS-based solutions offer several benefits in many applications, including a smaller form factor, programmability, robustness in harsh conditions, and a resilient supply chain, that is leading to adoption across a wide range of applications. SiTime sells its product at premium pricing and is generally sole sourced, specifically choosing to sell to customers who value MEMS differentiation and capabilities.

SiTime expects its served market to grow from $1 billion in 2022 to $4 billion in 2024 through new product introductions and underlying market growth, with key applications in 5G communications, data center computing and communications, automotive, and aerospace/defense driving a large majority of the growth. The company is targeting a 30% revenue growth rate from both existing and new customers and application penetration, with several industry leaders already adopting MEMS-based solutions and many more expected to follow suit. Given its fabless operating structure and premium product, the company delivers top-tier gross and operating margins. We believe MEMS-based timing adoption will continue to grow rapidly from new applications requiring the benefits of MEMS over quartz-based solutions and from SiTime continuing to develop new solutions addressing increasing parts of the underlying market, creating a pathway for high growth through at least the end of the decade.

We re-initiated a position in former Fund holding **DraftKings Inc.**, a leading online sportsbook, digital casino, and daily fantasy sports operator. DraftKings' mobile applications offer consumers the ability to wager on a wide variety of sporting events and play hundreds of real-money casino games. The company has spent the past three years building a proprietary technology stack that improves the customer experience and delivers best-in-class breadth of bet types (such as parlays, same-game parlays, and player props). State-level online sports betting (OSB) and iCasino legalization, along with a multi-year consumer adoption timeline in active states, has supported a 90% revenue growth rate for DraftKings since 2020. The opportunity for OSB legalization remains significant, with under 50% of the U.S. population currently having legal mobile sports betting. We expect 65% to 80% of the population will eventually have access to OSB. ICasino is currently legal in just seven states representing roughly 13% of the population. ICasino product adoption in legalized states has been robust, with the average user spending twice as much as a sports bettor. While the pace of legalization for iCasino has been slower, we believe additional states will pass regulation in the coming years.

As U.S. states began to legalize sports betting, the DraftKings management team moved quickly to build widespread brand awareness. DraftKings is the #2 operator in both OSB and iCasino by a wide margin, and has demonstrated improving market share trends across almost all states. When a new state legalizes sports betting, DraftKings has a first mover advantage as many of its customers are converted from the DraftKings daily fantasy sports offering. The quality of their sportsbook product along with increasingly targeted promotional spending results in strong customer retention and high lifetime values. In states where iCasino is legal,

DraftKings can cross-sell OSB customers. DraftKings' scale and product advantages are creating a flywheel that will enable the company to continue to out-invest the competition in acquisition marketing, retention, and research and development. The high barriers to entry are resulting in a consolidated industry that will eventually lead to a highly profitable business. This is evidenced by older-vintage state contribution margins that are already approaching 40%. Longer term, we believe DraftKings can generate EBITDA margins between 20% and 30% with strong free-cash-flow conversion.

We established a position in **Certara, Inc.**, a leading bio-simulation company that accelerates the development of new pharmaceuticals by using its proprietary software, technology, and services to model and predict how drugs will behave in individual humans. Certara's computer-aided mathematical modeling of biological processes and systems is used by drug developers to optimize the lengthy and expensive process of drug development, when the average time and cost to bring a new drug to market is a staggering 10 years and $2 billion, respectively. Certara helps its blue-chip customer base, spanning large biopharmaceutical to small biotechnology companies to make more timely go/no go decisions, inform appropriate clinical trial protocols, optimize dosing, and target statistically relevant patient populations, all of which are critical inputs to timely and cost-effective drug development.

The company, which generated $335 million in revenue in 2022, is a market leader, providing an integrated end-to-end platform used by over 2,300 biopharmaceutical companies and academic institutions across 70 countries. Since 2014, Certara customers have received over 90% of all of the new drug approvals by the FDA. Furthermore, 17 global regulatory authorities, including the FDA, Europe's EMA, Health Canada, Japan's PMDA, and China's NMPA use Certara's bio-simulation software to independently analyze, verify, and review regulatory submissions.

Certara employs over 1,200 individuals, including nearly 400 of the best and brightest Ph.D.s, PharmD.s, and M.D.-Ph.D.s in the industry. These deeply respected professionals help Certara's clients to optimize their use of the software and help to perform other outsourced bio-simulation services. As a global leader in its field, we believe Certara is well positioned to grow its business at a mid-teens rate over the next several years as more biopharmaceutical companies and regulators use its predictive modeling and analytics to help inform and streamline the drug development process. Growth will be driven by the growing acceptance of bio-simulation in a $13 billion addressable market, which itself is growing at a 9% to 17% rate, combined with the cross-selling of additional services to existing customers. Certara has also expanded its offering to include regulatory and post-approval consulting and modeling, particularly targeted at small- and mid-sized biotechnology companies that do not have internal infrastructure and must outsource development activities. The company is also a skilled acquirer, having successfully integrated 17 acquisitions since its inception. Certara operates a capital-light model with adjusted EBITDA (adjusted cash flow) margins in the mid-to high 30% range and about 90% conversion of adjusted cash flow to real free cash flow.

We also acquired additional shares of **Inari Medical, Inc.**, a manufacturer of catheter-based devices to remove clots from venous thromboembolism, and **CyberArk Software Ltd.**, a provider of digital information security software.

Table VI.
Top net sales for the quarter ended March 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Axon Enterprise, Inc.	2022	$8.9	$16.4	$17.6
CareDx, Inc.	2018	0.5	0.5	14.7
Inogen, Inc.	2019	1.0	0.3	14.6
Mercury Systems, Inc.	2015	0.6	3.0	13.9
Progyny, Inc.	2019	1.3	3.1	12.2

We reduced our position in **Axon Enterprise, Inc.** a bit after the stock moved up meaningfully during the quarter, purely for risk management purposes. We continue to think this is a fantastic company with great long-term prospects. Similarly, we reduced our investment in **Mercury Systems, Inc.** as it ran up on news that it was working with its Board of Directors to look at a potential sale of the company or other strategic alternatives.

We sold our position in **CareDx, Inc.** after some extremely difficult deliberation. This had been one of our favorite ideas given its market leadership in transplant diagnostics, inexpensive valuation, and solid cash position. However, a very unexpectedly negative notice out of MolDx (which is the CMS-related entity that determines pricing and reimbursement criteria for diagnostic tests) exceeded our worst downside scenarios. The vagueness of the notice from MolDx, combined with the potential for a far reduced paid volume of approved tests for Medicare patients put a dramatic amount of current revenue and profitability at risk. We determined that until the issue is resolved, we could not properly underwrite our investment in the company.

We exited a long-term investment in **Inogen, Inc**. While we like the company's leading market position and its management team, we believe that the worldwide market for portable oxygen concentrators (which are not paid for by insurance) will be significantly constrained by the current downturn. Additionally, it appears to us that there is increased competition in the field.

OUTLOOK

The Fund has gotten off to a solid start so far in 2023. That being said, there will be fits and starts to the stock market's recovery. We always like to say that stock market bottoms are processes, not points. We think it is going to take time for the market to digest the different cross-currents the economy is experiencing today. It is almost impossible to time the market bottom, so we believe the best strategy is to stay the course with both our investment process and with our competitively advantaged, fast-growing companies. By doing so, it is our expectation that we will be better positioned to outperform when the inevitable economic recovery begins.

Randy Gwirtzman & Laird Bieger
Portfolio Managers

Baron Discovery Fund

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

Risks: Specific risks associated with investing in smaller companies include that the securities may be thinly traded and more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio manager only through the end of the period stated in this report. The portfolio managers' views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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

Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. **Price/Earnings Ratio (next 12-months)**: is a valuation ratio of a company's current share price compared to its mean forecasted 4 quarter sum earnings per share over the next twelve months. If a company's EPS estimate is negative, it is excluded from the portfolio-level calculation.

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