DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

After a difficult fourth quarter last year, Baron Focused Growth Fund® (the Fund) rebounded in the first quarter of 2023. Despite continued macro concerns of a slowdown in spending and investment due to higher interest rates and stubbornly high inflation, the Fund outperformed in a strong start to the new year. The Fund increased 14.49% (Institutional Shares) in the quarter ended March 31, 2023. The Fund's primary benchmark, the Russell 2500 Growth Index (the Index), increased 6.54%. The S&P 500 Index, which measures the performance of domestic large-cap companies, increased 7.50%.

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

	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]	14.37%	14.49%	6.54%	7.50%
One Year	(10.79)%	(10.54)%	(10.35)%	(7.73)%
Three Years	37.55%	37.91%	14.75%	18.60%
Five Years	23.67%	23.99%	6.82%	11.19%
Ten Years	15.45%	15.75%	10.05%	12.24%
Fifteen Years	12.54%	12.80%	9.70%	10.06%
Since Inception (May 31,1996)	13.14%	13.28%	7.83%	9.01%

This significant rebound in the first quarter was principally due to the increase in **Tesla, Inc.**'s share price. Despite price cuts by Tesla and questions about demand, the company saw robust orders for its cars after the price reductions. Tesla continues to increase its market share. In addition, Tesla remains the lowest cost provider for its high-quality cars. It continues to find more efficient ways to produce its cars while ramping up its factories in Texas and Berlin. This should mitigate gross margin declines from start-up costs, while still generating strong cash flow for more high-return investments. The company is now building its fifth factory, which will be in Mexico. This will add capacity to meet demand, while helping lower

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CEO AND LEAD PORTFOLIO MANAGER

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

overhead and logistics costs. Tesla's stock price increased 68.4% in the first quarter and added 640 bps to the Fund's performance.

Tesla should also benefit from the Inflation Reduction Act. Starting April 17, 2023, most consumers will receive a $7,500 credit when they buy an electric vehicle (EV), while Tesla will benefit from a $3,500 tax incentive. Combining its strong 40% EBITDA to cash conversion rate and its robust balance sheet, with over $22 billion in cash and nominal debt, Tesla is in a strong position to weather the current volatile environment.

Appreciation in our consumer and business services companies also added to Fund performance. These businesses benefited from strong demand, pricing power, and cash flow growth, while maintaining strong customer retention. Among these companies were **Hyatt Hotels Corporation**, **Iridium Communications Inc.**, **MSCI Inc.**, and **ANSYS, Inc.**

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 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.

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 period 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 companies that are classified as growth and the **S&P 500 Index** of 500 widely the performance of small to medium-sized U.S. companies that 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 index 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.

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. Institutional Shares do not have a distribution fee. If the annual returns for Institutional Shares prior to May 29, 2009, did not reflect this fee, the returns would be higher.

5 Not annualized.

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We remain steadfast in our commitment to long-term investing in competitively advantaged growth businesses with large growth opportunities that are taking share and are managed by exceptional executives. We believe such investments are an effective way to protect and increase the purchasing power of your savings. In the past, after wars, pandemics, financial panics, higher-than-normal inflation, and significant market declines, as interest rates stabilize and are ultimately reduced, equity stock prices have increased substantially. We believe that will happen again although the timing remains uncertain.

The Fund also outperformed its Index for the 3-, 5-, 10-, and 15-year periods, as well as since its inception as a private partnership on May 31, 1996. Since its inception nearly 27 years ago, the Fund has increased 13.28% annualized. This compares to a 7.83% annualized return for the Index and a 9.01% annualized return for the S&P 500 Index.

While the Fund's first quarter performance was strong on an absolute and relative basis, we are not taking a victory lap. We believe there are more gains to come and remain steadfast in our approach to continue to find companies with strong competitive advantages and significant pricing power. Our goal is to invest in companies that are investing in themselves at high rates of return. This allows them to either raise prices on goods and services or provide services at the lowest possible cost.

Our portfolio holdings continue to have strong competitive advantages with large market opportunities. Despite market volatility, our companies continue to invest in their businesses to accelerate revenue growth, while using excess cash to return capital to shareholders through increased buybacks and dividends. That is a key differentiator for the Fund, and one that we believe reduces fund volatility, an important factor in a concentrated fund.

The current weighted average return on invested capital for our holdings is 10.9% versus 6.7% for companies in the Index. One of the reasons we believe our companies should continue to grow through any market environment is that they invest for growth through all market environments. In addition, many are starting to accelerate their return of capital to shareholders through increased buybacks and dividends. Those are signs that managements are confident in their businesses' prospects, despite the uncertain macro environment.

We believe many of our stocks have already priced in significant declines in earnings this year. 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 should see significant near-term upside in our investments. We believe our stocks are cyclically depressed, not secularly challenged, and should recover over the next 18 to 24 months. So far, most of our companies 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 companies would still be operating above pre-pandemic levels. Our businesses' balance sheets have been strengthened compared to pre-COVID levels.

As mentioned above, first quarter performance was driven by companies that continue to see strong demand for their products and services despite the uncertain economic environment. These gains were offset slightly by the underperformance of companies that increased investments for future growth. These include **CoStar Group, Inc.** and **Figs Inc.** Our office real estate REITs, **Douglas Emmett, Inc.** and **Alexandria Real Estate Equities, Inc.**, continue to be negatively impacted by the work-from-home transition and higher interest rates.

Shares of global hotelier Hyatt increased 23.6% and helped performance by 148 bps in the first quarter. Hyatt continues to see strong growth in revenue-per-available room above pre-pandemic levels. This is driven by continued strength in its leisure business, now 50% of its room base. We believe the company's corporate business should continue to rebound. Its group business is now running above 2019 levels. Sustained margin gains from operating improvements implemented during the pandemic should also help drive EBITDA and cash flow growth. Hyatt expects to complete its transition to an 80% fee-based business through asset sales of about $2 billion by the end of 2024. We believe Hyatt shares are significantly undervalued. While investor concern that a possible recession will result in slower or even negative growth, we believe this has been priced into its stock at current levels. So far, the company has seen no material slowdown in occupancy levels and continues to increase prices, especially on the leisure side. While leisure may be experiencing peak demand levels, management believes any slowdown in growth would be offset by the continued recovery of its group and business customers. Volumes in these segments are rapidly returning to pre-pandemic levels. Hyatt's balance sheet and cash flow profile remain strong, which, combined with the hotel asset sales mentioned above, should result in more consistent earnings. We believe Hyatt's multiple will increase over the next few years.

Iridium, a leading mobile voice and data communications services vendor offering global coverage via satellite, increased 20.8% and added 99 bps to performance in the quarter. The stock outperformed as the company's revenue growth accelerated, leading to strong profitability and cash flow, which the company used to buy back its stock. The company continues to benefit from its $3 billion investment in its satellite constellation, which is a technologically and capital-intensive effort and a strong barrier to entry. Iridium continues to generate consistent and growing revenue and cash flow, which should lead to a return of capital to shareholders for at least the next 10 years. That is since its satellites last longer than its competitors' satellites, and they offer stronger broadband given their low-Earth orbit positioning.

Shares of MSCI, a leading provider of investment decision support tools, increased 20.6% in the first quarter and helped performance by 97 bps. The company continues to generate resilient earnings and cash flow. It is benefiting from improved performance in the global equity markets, which impacts MSCI's asset-based fee revenue. MSCI owns strong, *all weather* franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community. We believe its core equity index business continues to be a durable double-digit grower, while its climate change tools should offer another avenue for growth. Climate tools help banks and credit providers understand climate emission rates of borrowers and the footprint of their loan books. Climate today is an $80 million revenue business. MSCI believes in 10 years it could be a $1.5 billion business with extremely high margins. Finally, we believe there should be an opportunity in the private markets, especially the fixed income and private credit spaces. The company continues to generate strong cash flow, which it uses to invest in its business and buy back its stock, a sign the company continues to see value in its equity.

ANSYS, a leader in simulation driven product development, increased 37.8% in the first quarter, and helped performance by 91 bps. The company continued to sign new contracts with companies generating low double-digit growth in annual contract values with strength in autos, aerospace and defense, technology, and energy. The company continues to benefit from businesses needing ANSYS' simulation technology for their ever changing and complicated initiatives around electrification, connectivity, driver-assist technology, and programs for drilling, clean energy, and sustainability. ANSYS continues to sign incremental contracts with current clients, a sign its technology is working. The company remains significantly underpenetrated in the $1.2 trillion market for research and development for simulations. ANSYS continues to invest to enhance its products and add new services and technologies.

Real estate data and marketing platform CoStar decreased 10.9% in the quarter and hurt performance by 55 bps. CoStar's share price decline was due to an acceleration in its investment in its residential business. CoStar expects to more than double its residential investment from 2022 levels to approximately $500 million this year. We believe the acceleration in investment should drive organic growth on its Homes.com platform. Homes.com had just 24 million monthly active users in the first quarter versus Zillow's 230 million users. We believe CoStar's additional retail investment should meaningfully accelerate CoStar's revenue growth by expanding its addressable market. We believe other investors are attributing negative equity value to this. Over the next five years, CoStar's residential investment could add at least $1 billion to annualized revenue at a significantly accretive margin. This would result in a 50% increase in today's $2 billion of revenue and an approximate 75% increase in EBITDA. Longer term, we believe this investment opportunity is several multiples of $1 billion of revenue. CoStar continues to see strong new bookings and strength in its retention rates, despite implementing price increases across its suite of products. It continues to have a strong balance sheet, with $5 billion of cash and just $1 billion of debt. We are not concerned with its residential investment and believe it should generate strong returns over time.

Figs is the largest direct-to-consumer supplier of scrubs to the medical industry, and its shares underperformed in the first quarter. This was due to customers pulling back on their frequency of purchases, as they are being hurt by the inflationary environment and higher interest rates. Increased promotions, higher freight and fulfillment costs, and higher shipping rates hurt margins. However, the company is still seeing strong customer additions and record reactivations with the brand. We believe headwinds this year should become tailwinds next year. 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. The company also continues to expand awareness, by leveraging digital marketing, and remains profitable on a first order basis. Its international business is in its infancy with strong results so far in the U.K. and Canada. We believe Figs' direct-to-consumer model, strong brand, and superior product remain durable competitive advantages. We expect Figs to continue to gain share in the $80 billion global health care apparel market. We continue to believe the company could double its revenue over the next three years and almost triple its EBITDA. The CEO personally bought $5 million of stock recently.

Douglas Emmett is an office REIT that owns and manages buildings in West Los Angeles, the San Fernando Valley, and Honolulu. Its share price declined 20.9% in the first quarter and hurt performance by 41 bps. The company continues to be hurt by challenges due to work-from-home trends and having lots of space to lease as a large number of short-term leases expire. About 15% to 20% of its leases roll off in any given year, and Douglas Emmett has had to negotiate in a tough environment. However, we believe over the long term, the company has significant growth potential driven by occupancy recoupment of 1,000 bps from today's levels, the eventual firming of pricing power that will occur once they reach a lease rate of 90%, and a modest development pipeline. The stock is now significantly below its pre-COVID price and trades cheaply at just 14 times net operating income. Its 6.2% dividend yield is well covered and its share price is below $300 per square foot for an irreplaceable office portfolio. This compares to the over $1,000 per square foot valuation for properties that have traded in the private market pre-COVID. While we expect business conditions to remain challenging, we believe there is compelling upside potential for this stock. This is if its highly discounted multiple re-rates even modestly or the company is able to sell assets at accretive values.

Alexandria, an office REIT for the life sciences industry, declined 14.0% and hurt performance by 27 bps in the first quarter. The decline was due to concerns about bank failures and worries that regional banks were key lenders to many biotechnology companies that could fail if they did not get financing. However, Alexandria has minimal exposure to the biotechnology industry and has no exposure to regional banking troubles. We believe Alexandria is a truly special company with high barriers to entry, numerous other competitive advantages, and an attractive runway for growth. The company has long-term leases of 7 to 10 years. The lease terms escalate every year. Alexandria has an irreplaceable developable land portfolio that has lower development risk since it is tenant driven. The company continues to grow its earnings organically at a high single-digit rate and has development spending of another $3 billion that is already 80% pre-leased. Alexandria's balance sheet is strong – 95% of its debt is fixed rate, and there are no debt maturities for the next two years. Business conditions remain favorable, with continued life science rent growth and institutional appetite for Alexandria's assets at multiples above the company's current valuation. Sales are taking place at over 20 times net operating income, while Alexandria today trades at just 15 times. The stock is trading today at an almost 50% discount to replacement cost. Assets trade today at $1,500 per square foot, while Alexandria is valued in the public market today at just $800 per square foot.

Performance for the quarter was led by our **Disruptive Growth** investments: rapid, earlier-stage growth businesses that are disruptive to their industries. These stocks increased 28.6% in the quarter. The group accounted for 41.4% of net assets as of March 31, 2023. The increase was led by our investments in Tesla, ANSYS, and Iridium (as mentioned above).

Our **Financials** investments also performed better than the Index during the quarter. Rising interest rates help such businesses. These stocks increased 10.6% in the quarter and represented 18.7% of net assets. The outperformance was led by our investment in MSCI (as mentioned above).

Companies we categorize as **Core Growth** can generally grow revenue and earnings steadily, while returning excess cash flow to investors through dividends and share repurchases. They increased slightly less than the Index in the first quarter. These stocks increased 5.8% in the quarter and represented 11.6% of net assets. The slightly worse performance was due to CoStar's stock decline (as mentioned above). We continue to believe that CoStar's accelerated investment in its residential business, while it will penalize earnings in the short term, should significantly expand CoStar's addressable market in the longer term. We believe the investment should yield high returns and enhance the company's growth and free cash flow.

Our **Real/Irreplaceable Assets** are those companies with assets that generally have strong pricing power and are a hedge against inflation. They also increased slightly less than the Index in the first quarter. These stocks increased 5.4% in the quarter and represented 27.3% of net assets. The slightly worse performance was due to our office real estate investments in Douglas Emmett and Alexandria (as mentioned above).

Baron Focused Growth Fund

Table II.
Total returns by category for the quarter ended March 31, 2023

	% of Net Assets (as of 3/31/2023)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	**41.4**	**28.57**	**10.29**
Spotify Technology S.A.	1.8	69.12	0.54
Tesla, Inc.	14.1	68.42	6.40
Shopify Inc.	1.1	38.12	0.40
ANSYS, Inc.	3.3	37.78	0.91
Guidewire Software, Inc.	4.3	30.98	0.99
Iridium Communications Inc.	4.4	20.75	0.99
Space Exploration Technologies Corp.	9.6	0.74	0.06
Figs Inc.	2.8	–8.14	–0.00
Financials	**18.7**	**10.64**	**1.88**
MSCI Inc.	4.6	20.61	0.97
Arch Capital Group Ltd.	6.7	8.11	0.53
Interactive Brokers Group, Inc.	1.8	6.02	0.12
FactSet Research Systems Inc.	4.6	3.78	0.24
Jefferies Financial Group Inc.	0.9	2.81	0.02
Russell 2500 Growth Index		**6.54**	
Core Growth	**11.6**	**5.81**	**0.84**
Krispy Kreme, Inc.	2.2	50.39	0.69
IDEXX Laboratories, Inc.	1.5	22.58	0.38
Verisk Analytics, Inc.	3.4	8.89	0.32
CoStar Group, Inc.	4.4	–10.91	–0.55
Real/Irreplaceable Assets	**27.3**	**5.39**	**1.66**
Hyatt Hotels Corporation	6.2	23.59	1.48
Red Rock Resorts, Inc.	3.0	12.07	0.43
American Homes 4 Rent	0.8	5.12	0.07
Choice Hotels International, Inc.	2.0	4.30	0.13
Marriott Vacations Worldwide Corp.	2.3	0.65	0.08
PENN Entertainment, Inc.	1.5	–0.13	0.05
Vail Resorts, Inc.	4.8	–0.78	0.10
MGM Resorts International	2.0	–0.89	0.05
Manchester United plc	1.0	–5.06	–0.06
Alexandria Real Estate Equities, Inc.	1.8	–14.04	–0.27
Douglas Emmett, Inc.	2.0	–20.88	–0.41
Cash	**1.1**	**–**	**0.06**
Fees	**–**	**–0.29**	**–0.29**
Total	**100.0***	**14.44****	**14.44****

Sources: FactSet PA, BAMCO, and FTSE Russell.

* Individual weights may not sum to displayed total due to rounding.
** Represents the blended return of all share classes of the Fund.

Table III.
Performance
Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/1998 to 3/9/2000	12/31/2013 to 12/31/2016
Baron Focused Growth Fund (Institutional Shares)	41.77%	0.45%
Russell 2500 Growth Index	126.53%	5.45%
S&P 500 Index	32.29%	8.87%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

From 2014 through 2016, we invested in several companies whose stocks underperformed while they were investing in their businesses to enable them to grow. CoStar and Iridium were among those businesses. Their stocks outperformed in 2021 and 2022 and Iridium gained further in the first quarter of 2023 as those investments began to generate strong returns.

We believe the Fund's underperformance from 2014 through 2016 is analogous to instances when, after brief periods of underperformance, the Fund subsequently outperformed for an extended period. For example, in the 18-month period from October 1998 through March 2000, the height of the Internet Bubble, the Fund, with no internet stocks held, increased 41.77% annualized, while the Index increased 126.53% annualized. This was immediately prior to the Internet Bubble bursting. The Index fell materially over the next eight years. The Fund increased in value during that period. (Please see Tables III and IV.)

Similar to the Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund to perform well over the next several years. This is despite our expectation that there will be periods when value stocks outperform the growth stocks in which we have invested as was the case in 2022. We can certainly give no assurance this will be the case. So, despite unusually strong balance sheets and favorable growth prospects, we believe the market is giving these businesses little credit for future earnings growth. We believe, even if a recession were to occur, our investments would still be generating earnings above pre-pandemic levels and most of their stocks are already discounting that a decline in earnings will occur this year or next.

Since its inception as a private partnership on May 31, 1996 through March 31, 2023, the Fund's **13.28% annualized performance** has **exceeded** that of its Index by **545 bps per year**!

The Fund's beta is 0.84 since inception, meaning it has only been 84% as volatile as the Index. As a result of the Fund's strong absolute and relative returns and lower risk since inception, the Fund has achieved 6.96% annual alpha, a measure of risk-adjusted performance.

Table IV.
Performance
Millennium Internet Bubble to Post-COVID-19. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 3/31/2023		Millennium Internet Bubble to Present 12/31/1999 to 3/31/2023		Inception 5/31/1996 to 3/31/2023	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Focused Growth Fund (Institutional Shares)	$12,732	2.72%	$92,452	16.89%	$117,710	11.19%	$284,037	13.28%
Russell 2500 Growth Index	$ 6,931	–3.99%	$60,978	13.53%	$ 42,263	6.40%	$ 75,558	7.83%
S&P 500 Index	$ 7,188	–3.60%	$60,504	13.47%	$ 43,490	6.53%	$101,199	9.01%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

We did not make much money from December 31, 1999 to December 31, 2008 (amid the highs of the Internet Bubble and the lows of the Financial Crisis). But…we did make something…which gave investors a much better outcome than if they had hypothetically invested in a passive index fund mirroring either the Index or the S&P 500 Index. Both indexes lost a material amount of money during that period. (Please see Table IV.)

Due to the power of compounding and of not losing money from the Millennium Internet Bubble to the Financial Panic period and outperforming the market during upswings from the Financial Panic to Present, $10,000 hypothetically invested in Baron Focused Growth Fund at the Fund's inception on May 31, 1996, was worth $284,037 on March 31, 2023. That is 3.8 times the value of a hypothetical investment of the same amount in funds designed to track the Russell 2500 Growth Index, and 2.8 times the value of a hypothetical investment of the same amount in funds designed to track the S&P 500 Index. (Please see Table IV.)

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$656.4	68.42%	6.40%
Hyatt Hotels Corporation	2009	4.2	11.9	23.59	1.48
Iridium Communications Inc.	2014	0.6	7.8	20.75	0.99
Guidewire Software, Inc.	2013	2.7	6.7	30.98	0.99
MSCI Inc.	2021	53.9	44.8	20.61	0.97

Tesla, Inc. designs, manufactures, and sells EVs, related software and components, and solar and energy storage products. Following a rapid decline at the end of 2022, the stock rebounded in the first quarter of 2023 on investor expectations that Tesla will continue to grow and maintain industry-leading margins despite a potential recession, COVID-related concerns, competition in China, and a price reduction. In addition, after devoting considerable time to reorganizing Twitter post-acquisition, CEO Elon Musk has re-established his commitment to Tesla, while a management presentation during its analyst day provided visibility into the broad quality of talent leading Tesla. We expect Tesla to continue to lead the electrification of the automotive and energy storage markets through its vertical integration, scale, and cost leadership. As long-term shareholders, we have witnessed Tesla increase deliveries from practically zero to over 1.3 million units while proving it can reduce costs and rapidly expand its product line and manufacturing footprint. We expect Tesla's next platform to have a similar impact on company results.

Shares of global hotelier **Hyatt Hotels Corporation** increased in the first quarter after it reported growth in revenue-per-available-room above pre-pandemic levels, driven by its strong leisure business, which is now 50% of its room base. We believe the company's business transient business should continue to rebound along with its group business that is now pacing above 2019 levels. Sustained owned margin gains from operating improvements implemented during the pandemic will also help drive EBITDA and cash flow over the next few years. Hyatt expects to complete its transition to an 80% fee-based business through the sale of $2 billion of owned assets by the end of 2024. Its balance sheet remains robust and should be able to withstand any economic slowdown that may impact travel, in our view.

Iridium Communications Inc. is a leading mobile voice and data communications services vendor offering global coverage via satellite. Shares increased following the company's announcement of a strategic partnership with Qualcomm aimed to integrate Iridium's satellite communication technology into Qualcomm's Snapdragon chip series. This partnership should provide a large growth opportunity for Iridium by significantly simplifying the integration of its technology with a slew of new devices including smartphones, laptops, tablets, and other connected devices within the Internet-of-Things (IoT) ecosystem. The relationship should generate revenue for Iridium not only through subscription services to potentially millions of devices but also through royalty and development payments. In addition, Iridium continued to see healthy growth across all key segments and has accelerated its robust shareholder return program with the announcement of its first cash dividend.

Shares of property & casualty (P&C) insurance software vendor **Guidewire Software, Inc.** contributed to performance for the quarter. The company has crossed the midpoint of its cloud transition and is now demonstrating more consistent recurring revenue growth and durable gross margin expansion. We believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%. During the quarter, Guidewire's largest competitor was acquired by a private equity firm at a meaningful premium to Guidewire's current valuation. We believe this acquisition will help further enhance Guidewire's win rates and pricing power while also illustrating the significant multiple expansion opportunity embedded in its current share price.

Shares of **MSCI Inc.**, a leading provider of investment decision support tools, contributed to performance. The company reported resilient fourth quarter 2022 earnings results and gave a cautiously optimistic outlook for 2023. MSCI also benefited from improved performance in the global equity markets in the quarter, which most directly impacts MSCI's asset-based fee revenue. We retain long-term conviction, as MSCI owns strong "all weather" franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2014	$ 6.2	$28.0	–10.91%	–0.55%
Douglas Emmett, Inc.	2022	2.8	2.2	–20.88	–0.41
Alexandria Real Estate Equities, Inc.	2022	23.9	21.7	–14.04	–0.27
Manchester United plc	2022	3.5	3.6	–5.06	–0.06

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial real estate industry. After two straight quarters of robust performance, shares detracted during the quarter, likely due to profit taking. The company is generating robust financial performance, with net new sales growing 15% in the quarter, and margins expanding by 200 basis points excluding growth investments. We expect the company's core businesses to continue to benefit from the migration of real estate market spend to online channels. CoStar has begun to invest aggressively in building its residential marketing platform. We estimate CoStar invested around $230 million in this initiative in 2022, and its initial 2023 guidance implies a total investment approaching $500 million. While this is a significant upfront commitment, we believe the residential market represents a transformative opportunity. The company's proprietary data, broker-oriented approach, and best-in-class management position it to succeed in this endeavor, in our view.

Douglas Emmett, Inc. is a REIT that owns and manages office buildings and apartment communities concentrated in West Los Angeles, the San Fernando Valley, and Honolulu. Shares declined due to weak fourth quarter results and full-year guidance. Business fundamentals are challenged, driven by slower leasing activity, elevated vacancies, and diminished pricing power across the company's sub-markets. Higher interest expense is also negatively impacting earnings. We remain optimistic about the company's long-term business prospects, owing to its irreplaceable portfolio in supply-constrained markets and manageable debt levels, and we view the current valuation as highly discounted.

Alexandria Real Estate Equities, Inc. is the largest pure-play landlord and developer for the life sciences industry. Weak performance during the quarter was driven by investor concerns that tighter lending conditions for the biotechnology sector could lead to diminished leasing activity across Alexandria's real estate footprint. The high number of new life sciences office buildings planned for completion over the next couple of years could also pressure rents across Alexandria's markets. We remain optimistic about Alexandria's prospects given its irreplaceable portfolio of life science clusters that benefits from long-term secular demand tailwinds and meaningful land holdings that support incremental growth. Alexandria's portfolio also has a proven history of resilient performance during challenging economic periods. We view the current valuation as attractive.

Manchester United plc is the best-known team in the English Premier League and generates revenue from broadcasting, sponsorship, and licensing. Shares were down this quarter on uncertainty around the possibility and timing of Manchester United's potential sale following the news in late 2022 that the club was exploring strategic alternatives. We retain conviction and continue to monitor bids and owner demands, with recent transactions of similar clubs suggesting that the stock is comparatively undervalued. In our view, Manchester United is a unique media company with over 1.1 billion fans globally and broad appeal that should compound value over the long term.

Recent Activity

Despite current market volatility, we have continued to manage the Fund the same way we have historically. That is searching for companies with large addressable market opportunities that have the potential to disrupt industries and take market share given strong competitive advantages inherent in their businesses. We search for companies with strong pricing power that have the ability to be a price leader and can raise prices every year without impacting retention rates such as with **FactSet Research Systems Inc.**, **CoStar Group, Inc.**, **MSCI Inc.**, or **Vail Resorts, Inc.** We also look for those companies that are able to be a cost leader and can produce goods and provide services at the lowest possible cost, such as with **Tesla, Inc.** and **Figs Inc.**

In the first quarter, we initiated a new position in **Interactive Brokers Group, Inc.**, a leading securities brokerage company that provides securities brokerage to both retail and professional investors. It focuses on the most sophisticated investors who trade a range of assets across different global markets and make use of tools such as leverage. The company differentiates itself through its low prices, the vast array of markets it serves, and its strong growth from countries outside the U.S., where low-cost brokerage is not well penetrated. The company offers its clients low cost trading due to its high level of automation, while also giving them a highly competitive margin and securities lending rates and paying them attractive yields on their uninvested cash balances. These are all features that set Interactive Brokers apart from its competition. The company 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 2 million clients today. The company's focus on automation should enable it to continue being the low-cost provider while earning best-in-class margins, which we believe should lead to double-digit revenue and earnings growth over the long run.

In the first quarter, we also re-initiated a position in **MGM Resorts International**, a casino company with properties in the U.S. and Macau. The company continues to see strong growth in Las Vegas and continued improvement in Macau, with increased market share despite macroeconomic concerns due to investments made during the pandemic. MGM has continued to use its cash flow to repurchase shares and recently increased its share repurchase authorization, a sign it continues to see value in its stock. Its strong balance sheet and net cash position should give it flexibility on the acquisition front should something become available at the right price. At current levels, we believe investors are getting its digital platform, BetMGM, as well as new casino licenses in Japan and New York for free, all of which could result in as much as a 50% increase in cash flow from current levels over time. The stock declined 25% last year, and we believe its valuation and growth prospects remain attractive at current levels.

Investment Strategy & Portfolio Structure

While we have made other changes on the margin, our strategy remains the same. We continue to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, competitively advantaged, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of between 20 and 30 securities diversified by GICS sectors that will be approximately 80% as volatile (as measured by beta) as the market. Since inception, the Fund has generated 99% of the upside when the market rises but just 80% of the downside when the market declines. Businesses in which the Fund invests are identified by our analysts and portfolio managers using our proprietary research and time-tested investment approach.

As of March 31, 2023, we held 28 investments. The Fund's average portfolio turnover for the past three years was 27.9%. This means the Fund has an average holding period for its investments of around four years. This contrasts sharply with the average mid-cap growth mutual fund, which typically turns over its entire portfolio every 17 months. From a quality standpoint, the Fund's investments have stronger sales growth than holdings in the Index, higher EBITDA, operating, and free cash flow margins, and stronger returns on invested capital. We believe these metrics are important factors to limit the risk in this focused portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Index. For example, we are heavily weighted in Consumer Discretionary businesses with 38.0% of net assets in this sector versus 12.9% for the Index. We have no exposure to Energy versus 5.1% for the Index and lower exposure to Health Care stocks at 4.4% of the Fund versus 18.4% for the Index. We believe the performance of stocks in these sectors can change quickly and therefore believe it is undesirable to invest in these stocks in a concentrated portfolio for the long term. The Fund is further diversified by investments in businesses at different stages of growth and development as discussed above and shown below.

Table VII.
Disruptive Growth Companies as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	14.1%	2014	1,142.7%
Space Exploration Technologies Corp.	9.6	2017	435.9
Iridium Communications Inc.	4.4	2014	811.3
Guidewire Software, Inc.	4.3	2013	77.5
ANSYS, Inc.	3.3	2022	36.6
Figs Inc.	2.8	2022	–32.4
Spotify Technology S.A.	1.8	2020	–44.2
Shopify Inc.	1.1	2022	37.7

Disruptive Growth firms accounted for 41.4% 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 EV leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, and systems software provider to the insurance industry **Guidewire Software, Inc.** All of these companies have large underpenetrated addressable markets relative to the current size of these competitively advantaged businesses.

Table VIII.
Investments with Real/Irreplaceable Assets as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corporation	6.2%	2009	307.5%
Vail Resorts, Inc.	4.8	2013	355.7
Red Rock Resorts, Inc.	3.0	2017	137.2
Marriott Vacations Worldwide Corp.	2.3	2022	3.0
Choice Hotels International, Inc.	2.0	2010	480.0
Douglas Emmett, Inc.	2.0	2022	–20.8
MGM Resorts International	2.0	2023	0.7
Alexandria Real Estate Equities, Inc.	1.8	2022	–12.9
PENN Entertainment, Inc.	1.5	2019	41.3
Manchester United plc	1.0	2022	4.4
American Homes 4 Rent	0.8	2018	60.0

Companies that own what we believe are **Real/Irreplaceable Assets** represented 27.3% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corporation**, and the largest U.S. regional casino gaming company **PENN Entertainment, Inc.**, are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power over time. PENN's state-granted licenses for its regional casinos provide important protection from competitors. Online sports betting and internet-casino gaming offer large opportunities for future growth.

Table IX.
Financials Investments as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Arch Capital Group Ltd.	6.7%	2003	1,764.0%
MSCI Inc.	4.6	2021	–13.3
FactSet Research Systems Inc.	4.6	2008	849.9
Interactive Brokers Group, Inc.	1.8	2023	3.2
Jefferies Financial Group Inc.	0.9	2023	3.2

Financials investments accounted for 18.7% of the Fund's net assets. These businesses generate strong recurring earnings through subscriptions and premiums that generate highly predictable earnings and cash flow. Those 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.**

Arch, one of the leading P&C insurers, continued to increase premiums written and raise prices. This strong pricing is resulting in robust returns on investments, with increased earnings and cash flow that the company is using to repurchase its shares. We continue to believe that Arch should continue to generate mid-teens returns on capital and that its growth and valuation remain attractive.

FactSet, which offers one of the leading financial intelligence systems for the asset management industry, continues to grow into new areas via fixed income, risk management and, most recently, private equity. This should enable the company to grow and generate a steady stream of recurring cash flow that it uses for acquisitions, dividends, and buybacks. MSCI is a leading provider of investment decision support tools for the global investment community. The company's underlying business largely continued to perform well despite the negative impact of broader market weakness on asset-based fee revenue. We retain long-term conviction, as MSCI owns strong, "all weather" franchises and remains well positioned, in our view, to benefit from numerous secular tailwinds in the investment community.

Table X.
Core Growth Investments as of March 31, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	4.4%	2014	221.7%
Verisk Analytics, Inc.	3.4	2022	11.2
Krispy Kreme, Inc.	2.2	2021	11.3
IDEXX Laboratories, Inc.	1.5	2022	13.3

Core Growth investments, steady growers that continually invest in their businesses for growth and return excess free cash flow to shareholders, represented 11.6% of net assets. An example would be **CoStar Group, Inc.** The company continues to add new services in the commercial and residential areas of 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.

Portfolio Holdings

As of March 31, 2023, the Fund's top 10 holdings represented 63.6% of net assets. A number 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, **Tesla, Inc.**, **Space Exploration Technologies Corp.**, **Arch Capital Group Ltd.**, **Hyatt Hotels Corporation**, and **Vail Resorts, Inc.**, 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, which enhances their potential for superior earnings growth and returns over time.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Tesla, Inc.	2014	$31.2	$656.4	$127.6	14.1%
Space Exploration Technologies Corp.	2017	–	–	87.2	9.6
Arch Capital Group Ltd.	2003	0.9	25.2	61.1	6.7
Hyatt Hotels Corporation	2009	4.2	11.9	55.9	6.2
Vail Resorts, Inc.	2013	2.3	9.4	43.1	4.8
MSCI Inc.	2021	53.9	44.8	42.0	4.6
FactSet Research Systems Inc.	2008	2.5	15.9	41.5	4.6
CoStar Group, Inc.	2014	6.2	28.0	39.9	4.4
Iridium Communications Inc.	2014	0.6	7.8	39.5	4.4
Guidewire Software, Inc.	2013	2.7	6.7	39.0	4.3

Thank you for investing 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 Lead Portfolio Manager

David Baron
Co-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 1-800-99BARON or visiting www.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. As of the date of the latest prospectus supplement, about 27% of the Fund's assets 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 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 an offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition.

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

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.

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