Dear Baron Partners Fund Shareholder:

Performance

Baron Partners Fund® (the Fund) performed well over the first three months of 2023, despite a volatile equity market. At the start of the year, many quality growth businesses indicated that they were taking appropriate steps to manage the challenging macro environment. Sentiment began to turn as investors believed the rapid rate hikes would slow. A relief rally ensued in January, but it was short-lived. A banking crisis occurred in early March, with the failure of a couple of mid-sized regional banks. Investors again questioned the Fed's rate policy and whether contagion would result throughout the banking industry and impact a wider swath of businesses. An equity sell-off followed.

The Fund rose considerably at the start of the quarter and successfully navigated heightened uncertainty surrounding the banking industry. The Fund increased 23.41% (Institutional Shares) in the quarter. This performance exceeded the Russell Midcap Growth Index's (the Index) and the S&P 500 Index's quarterly returns of 9.14% and 7.50%, respectively. The Morningstar Large Growth Category Average (the Peer Group) increased 11.65%.*

MICHAEL BARON
CO-PORTFOLIO MANAGER

RON BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BPTRX
Institutional Shares: BPTIX
R6 Shares: BPTUX

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

	Baron Partners Fund Retail Shares[1,2,3]	Baron Partners Fund Institutional Shares[1,2,3,4]	Russell Midcap Growth Index[2]	S&P 500 Index[2]
Three Months[5]	23.32%	23.41%	9.14%	7.50%
One Year	(24.72)%	(24.52)%	(8.52)%	(7.73)%
Three Years	42.91%	43.29%	15.20%	18.60%
Five Years	26.01%	26.35%	9.07%	11.19%
Ten Years	19.63%	19.95%	11.17%	12.24%
Since Conversion (April 30, 2003)	16.52%	16.73%	11.03%	9.98%
Since Inception (January 31, 1992)	14.87%	15.00%	9.66%	9.85%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2022 was 1.69% (comprised of operating expenses of 1.30% and interest expense of 0.39%) and Institutional Shares was 1.44% (comprised of operating expenses of 1.04% and interest expense of 0.40%). 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 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.

2 The **Russell Midcap® Growth Index** measures the performance of medium-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.

3 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.

4 Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.

5 Not annualized.

* As of 3/31/2023, the annualized returns of the Morningstar Large Growth Category average were (12.67)%, 14.80%, 10.21%, and 12.07% for the 1-, 3-, 5-, and 10-year periods, respectively.

Baron Partners Fund

The Fund maintains an exceptional long-term absolute and relative record, as demonstrated by its 3-, 5-, and 10-year annualized returns of 43.29%, 26.35%, and 19.95%, respectively. These figures compare of 15.20%, 9.07%, and 11.17%, respectively, for the Index. Since its nearly 20-year period since conversion to a mutual fund, the Fund's annualized return is 16-73%. We remain very pleased with the Fund's long-term results and relative outperformance.

Baron Partners Fund is a focused and levered portfolio invested in competitively advantaged growth companies. Its top 10 positions account for 85.2% of total investments. We aim to achieve diversification by investing in four categories of companies (**Disruptive Growth**, **Core Growth**, **Financials**, and **Real/Irreplaceable Assets**), which tend to perform differently in various market environments. In the Fund's previous quarterly letter, we deviated from discussing these segments to focus on the largest holding, **Tesla, Inc.**, and its adverse impact on the Fund's performance in that period. In the current quarter, the partial reversal of Tesla's stock price again warrants a deeper discussion.

Tesla gained 68.4% in the quarter and contributed 19.8% to the Fund's overall performance. While not (yet) back to its all-time high of $414 per share, which it briefly achieved in November 2021, the appreciation from its $102 stock price lows was substantial. We did not sell any shares during the late 2022 price decline, nor have we sold during the subsequent partial recovery. (We had sold 4.5 million shares, or 27.0% of the original holding, at an average price of $218.39 from 2020 through 2021.) We maintain our conviction that the company can be many times larger than the current operations, achieve higher profit margins, and capitalize on ancillary businesses that are only just starting to be explored. We believe the company's market capitalization will be higher if these targets are achieved.

As discussed in the prior quarterly letter, Tesla's stock price decline in 2022 was the result of many exogenous factors. CEO Elon Musk's purchase of Twitter was viewed by some as an unwelcome distraction. China's COVID policies and outbreak had disrupted production in this crucial region. And recessionary fears and inflation combating fiscal policies caused U.S. car buyers to delay purchases. Many of these concerns have subsided. Twitter appears to be trending towards profitability and should be both less of a distraction and financial burden for Musk. Tesla's China production and deliveries have nearly returned to record levels. New orders are now nearly twice the level of annual production, demonstrating continued high demand for Tesla vehicles.

While these easing fears led to the current stock price appreciation, we believe the best is still ahead. We are reassured in the company's ability to produce a mass affordable product that can also achieve enviable profitability. At Tesla's recent analyst day, the company presented a strong case for such a next generation vehicle. A deep and impressive team described a collaborative effort on various cost reduction techniques that we believe existing traditional manufacturers cannot duplicate. Production costs could be reduced by more than $15,000 through initiatives in design, battery, powertrain, and manufacturing. Its vertical integration of the supply chain, assembly, and battery has enabled it to realize these savings. Competitors' reliance on third parties for many of these aspects make it more difficult to implement changes. If successful, Tesla's lower cost vehicle would enable it to approach a tremendous market opportunity for mass electric vehicles. It is the largest segment with approximately 40 million vehicles sold annually.

Interestingly, Tesla's stock price declined immediately following the analyst day, as short-term oriented traders were not provided with an imminent product launch that would accelerate growth. We, however, were pleased with the progress the company has made. We continue to believe Tesla is incrementally more likely to achieve its mission *to accelerate the world's transition to sustainable energy* and be handsomely profitable while doing so.

While Tesla was the largest holding, gainer, and contributor in the period, other large positions representing diverse business categories performed well. Real/Irreplaceable Asset **Hyatt Hotels Corporation**, Financials holding **MSCI Inc.**, and Core Growth company **IDEXX Laboratories, Inc.** are all top holdings in the Fund, and each appreciated by more than 20%. Despite tough macroeconomic factors, each of these companies increased prices for their highly demanded or integral products without experiencing a decline in demand. Hyatt has successfully transformed its business to be less reliant on transient business customers and now can better serve. It has increased its product geared towards leisure travelers. Leisure demand is now 20% above 2019 (pre-COVID) levels. Hyatt's net leverage is also below long-term targets. We believe this should enable the company to buy back stock while simultaneously growing its room base by nearly 40% over the coming four years. Room rates are now 14% above 2019 levels.

Despite a tough financial industry backdrop that resulted in fewer net new subscriptions, MSCI had solid organic growth and increased prices for its valuable services. We believe the company can continue to show meaningful and consistent growth in its core public equity index business. We believe the company can also become a vital part of investment departments' risk and analytics, private markets, and climate initiatives.

Finally, IDEXX again demonstrated consistency despite recessionary pressures. While clinical visits declined in the period, the company was able to organically grow its consumables, laboratory, and rapid assay businesses. Its price increases did not deter usage and resulted in higher margins for the business.

However, it was not all good news for the Fund. While the Fund did weather the recent banking crisis, our holdings were not completely immune. The Fund has rarely invested in traditional banks. Those financial companies are heavily tied to an unpredictable macro environment, subject to changing regulation, and provide little insight into balance sheet liabilities and risks. They usually do not satisfy our investment criteria and most Baron Funds tend to have a lower weighting in this segment than their Indexes. However, discount brokerage firm and top 10 holding in the Fund, **The Charles Schwab Corp.**, does have a retail bank division. The company launched its bank approximately 20 years ago to enable the investment broker to deepen client relationships and lower costs for customers. Its bank contributes to this fortuitous cycle of offering increased functionality, lowering costs, and attracting more clients. The banking arm also enhanced its competitive offering over rivals who chose not to bear the upfront cost. However, investors have (unfairly in our opinion) deemed Schwab *at risk* during the current banking crisis. We disagree. Clients primarily use the Schwab bank as a source of funding for investments which makes switching providers by its 34 million customers and account manager unlikely in our opinion. The cash portion of balances has consistently been in a tight range. More than 80% of account balances are below the fully FDIC insured $250,000 level. Cash has continued to enter the bank at very strong rates as Schwab demonstrates organic growth and market share gains. Interest rate increases could have a short-term impact on earnings as the bank's balance sheet assets are marked to market and the company raises higher cost of capital funds. However, we have little concern about the viability of the bank or the company. Over time, the highly profitable net interest income should increase with the combination of higher rates and more client assets on the platform. Schwab gathered $53 billion of net new client assets in March 2023, the month of the banking panic. We incrementally added to our holdings of Schwab during this market decline.

The variety of our holdings enabled the Fund to continue to perform well, and we took advantage of short-term volatility to better position the portfolio for the future. Our portfolio management approach allowed the Fund to maintain its strong absolute and relative returns during this volatile period, and we believe will continue to serve our clients well in the future.

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

	% of Net Assets (as of 3/31/2023)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	**60.0**	**44.64**	**21.88**
Tesla, Inc.	42.3	68.42	19.82
Spotify Technology S.A.	0.3	67.24	0.11
Airbnb, Inc.	–	33.50	0.04
Guidewire Software, Inc.	1.3	31.18	0.35
X Holding Corp.	0.9	27.52	0.25
Velo3D, Inc.	–	26.84	0.07
Iridium Communications Inc.	4.2	20.75	1.05
Shopify Inc.	–	16.25	0.09
Northvolt AB	0.1	3.10	0.01
Space Exploration Technologies Corp.	10.0	0.74	0.07
Figs Inc.	0.8	–8.10	0.02
Real/Irreplaceable Assets	**15.1**	**9.36**	**2.00**
Hyatt Hotels Corporation	6.2	23.59	1.61
Red Rock Resorts, Inc.	1.0	12.07	0.15
Gaming and Leisure Properties, Inc.	1.6	1.76	0.03
Marriott Vacations Worldwide Corp.	1.7	0.70	0.10
Vail Resorts, Inc.	4.3	–1.00	0.15
Douglas Emmett, Inc.	0.3	–20.25	–0.03
Russell Midcap Growth Index		9.14	
Core Growth	**21.9**	**2.28**	**1.24**
Krispy Kreme, Inc.	0.3	51.12	0.13
IDEXX Laboratories, Inc.	6.7	22.58	1.83
StubHub Holdings, Inc.	0.4	15.15	0.09
Adyen N.V.	1.5	14.63	0.27
HEICO Corporation	0.6	12.28	0.09
Gartner, Inc.	3.8	–3.09	–0.18
Illumina, Inc.	–	–4.56	–0.01
CoStar Group, Inc.	8.5	–10.91	–0.98
Financials	**19.5**	**–5.73**	**–1.19**
MSCI Inc.	2.1	20.58	0.43
Arch Capital Group Ltd.	7.5	8.11	0.52
Brookfield Asset Management Ltd.	–	7.19	0.01
Brookfield Corporation	–	5.02	0.08
FactSet Research Systems Inc.	5.1	3.69	0.31
Cohen & Steers, Inc.	0.4	–0.26	0.02
The Charles Schwab Corp.	4.4	–37.10	–2.55
Cash	**–16.5**	**–0.00**	**0.00**
Fees	**–**	**–0.52**	**–0.56**
Total	**100.0***	**23.38****	**23.38****

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.
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	$21.9	$656.4	68.42%	19.82%
IDEXX Laboratories, Inc.	2013	4.7	41.5	22.58	1.83
Hyatt Hotels Corporation	2009	4.2	11.9	23.59	1.61
Iridium Communications Inc.	2019	3.0	7.8	20.75	1.05
Arch Capital Group Ltd.	2002	0.6	25.2	8.11	0.52

Tesla, Inc. designs, manufactures, and sells electric vehicles, 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 veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance for the quarter, helped by financial results that beat consensus and multiple expansion. The post-pandemic rate of decline of veterinary visits seems to have stabilized and is poised to return to advancement by the end of 2023. IDEXX's competitive trends are outstanding, and we expect new proprietary innovations and field sales force expansion to be meaningful contributors to growth. We see increasing evidence that secular trends around pet ownership and pet care spending have been structurally accelerated, which should help support IDEXX's long-term growth rate.

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 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.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares rose after the company reported strong quarterly results driven by 33% growth in earned premiums, favorable reserve development, below-average catastrophe losses, and higher investment income. Pricing trends in the property and casualty insurance market remain favorable, and rising interest rates are driving higher investment yields. We continue to own the stock due to Arch's strong management team and our expectation of strong growth in earnings and book value.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
The Charles Schwab Corp.	1992	$ 1.0	$96.5	–37.10%	–2.55%
CoStar Group, Inc.	2005	0.7	28.0	–10.91	–0.98
Gartner, Inc.	2013	5.7	25.8	–3.09	–0.18
Douglas Emmett, Inc.	2015	4.2	2.2	–20.25	–0.03
Illumina, Inc.	2022	36.7	32.1	–4.56	–0.01

Shares of online brokerage firm **The Charles Schwab Corp.** declined during the quarter following the bankruptcy of Silicon Valley Bank (SVB) and the resulting banking crisis that led to weakness in financials generally and particularly in regional banks. Despite running a much different business than SVB, Schwab is facing deposit pressure through cash sorting in the wake of SVB's collapse. As investors continue to move uninvested cash balances into higher-yielding money market funds, with the assets remaining at Schwab, the company must raise high-cost external funding in the short term. Although this is pressuring earnings estimates and contributing to near-term weakness in shares, we retain long-term conviction given accelerating net inflows year-to-date, with Schwab gathering over $75 billion in new assets in just the first two months of 2023. We are encouraged by the firm's exceptional client loyalty levels, robust organic growth, and industry-leading operating expense per client assets. Schwab is well positioned to retain clients and increase long-term earnings growth, in our view.

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 out 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.

After meaningfully outperforming last year, shares of **Gartner, Inc.**, a provider of syndicated research, gave up some gains in the first quarter. Business conditions have softened modestly, as Gartner's IT vendor customer base is being negatively impacted by layoffs and cost reductions across the sector. Despite this headwind, Gartner is still generating attractive double-digit growth in research contract value. We expect sustained revenue increases and renewed focus on cost control to drive margin expansion and enhanced free-cash-flow generation over time. The company's balance sheet is in excellent shape and can support aggressive repurchases and bolt-on acquisitions, 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.

Illumina, Inc., the market leader in DNA sequencing technology, detracted from performance for the period held. During the quarter, activist investor Carl Icahn nominated three directors to the Illumina board and criticized the current management team's decisions with respect to Grail, an acquisition that has developed an early cancer detection test called Galleri. Icahn is urging Illumina to sell the Grail business as soon as possible to eliminate the near-term earnings dilution and allow investors to participate in the core Illumina business. In early April, the FTC ordered the divestment of Grail. We exited our position early in the quarter.

Investment Strategy and Portfolio Structure

We seek to invest in businesses that we believe can double in value within five or six years. We invest for the long term in a focused portfolio of appropriately capitalized, well-managed growth businesses at attractive prices across market capitalizations. We attempt to create a portfolio of approximately 30 securities diversified by GICS sectors, but with the top 10 positions representing a significant portion of net assets. These businesses are identified by our analysts and portfolio managers using our proprietary research. We think these well-managed businesses have sustainable competitive advantages and strong, long-term growth opportunities. We use leverage to enhance returns, which increases the Fund's volatility.

As of March 31, 2023, we held 26 investments. The median market capitalization of these growth companies was $14.8 billion. The top 10 positions represented 85.2% of total investments. Leverage was 16.5%.

Portfolio leverage is slightly below historical levels. We have traditionally managed the portfolio with 20% to 25% leverage (the average leverage over the prior 10 years was 21.4%). At the start of 2020, leverage was 27.0%.

However, due to a combination of a rapidly rising market, higher market volatility, and increased concentration in our top holdings, we managed risk by reducing leverage. Quarterly leverage troughed at 3.3% at the end of March 2021. During the market decline in 2022, we increased leverage as there was lower risk and better investment opportunities. In early 2023, we again lowered leverage slightly because of the rapid rise in some investments and increased volatility.

The long-term absolute and relative performance of the Fund has been very good. The Fund has returned 15.00% annualized since inception as a private partnership on January 31, 1992, beating its benchmark Index by 5.34% per year.

The Fund's performance has also exceeded its Index over the prior 3-, 5-, 10-, 15-, and 20-year periods. In addition to viewing the Fund's returns over various trailing periods, we believe it is helpful to understand how the Fund has performed over economic cycles.

The Fund has appreciated considerably in good times…

There have been two distinct periods over the life of the Fund with significant economic growth. The nearly 8-year period from the Fund's inception through the Internet Bubble (1/31/1992 to 12/31/1999) and the more recent 11-year period Post-Great Recession to the start of the COVID Pandemic (12/31/2008 to 12/31/2019). During both periods, the Index had strong returns; however, the Fund's returns were even better. Baron Partners Fund's annualized return during the most recent robust economic period was 17.44% compared to the Index's 16.84%.

Table V.

Performance in Good Times: Outpacing the Index

	Fund's Inception to Internet Bubble 1/31/1992 to 12/31/1999		Post-Financial Panic to COVID Pandemic 12/31/2008 to 12/31/2019	
	Value $10,000	Annualized Return	Value $10,000	Annualized Return
Baron Partners Fund (Institutional Shares)	$49,685	22.45%	$58,586	17.44%
Russell Midcap Growth Index	$40,316	19.26%	$55,380	16.84%
S&P 500 Index	$42,945	20.21%	$45,104	14.68%

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.

The Fund has retained value in challenging times…

We believe what sets the Fund apart from other growth funds is its historic ability to outperform in more challenging economic periods. The 9-year period from the Internet Bubble collapse through the Great Recession (12/31/1999 to 12/31/2008) saw lower returns for the Fund. It had annualized returns of 1.54%. However, the Index declined substantially. $10,000 hypothetically invested in the Fund at the start of this period would have been worth $11,479 after those nine years. A $10,000 hypothetical investment in funds designed to track the Index would be worth only $6,488, more than a 35% cumulative decline. The Fund preserved (and slightly grew) capital during this difficult economic time because its investments in a diverse set of high-quality growth businesses were able to weather the environment and enhance their competitive positioning.

The COVID-19 pandemic and its lingering macroeconomic issues have caused great market volatility. Over the course of three years, there have been two sizable market corrections, each with an approximate 33% decline in major indexes. But the Fund has performed admirably in both, protecting and growing clients' capital. During the COVID pandemic and its aftermath (12/31/2019 to 12/31/2022), the Fund had an annualized return of 23.65%. The Index's annualized return was only 3.85%.

Table VI.

Performance in Challenging Times: The Impact of Not Losing Money

	Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		COVID Pandemic and Macro-Downturn 12/31/2019 to 12/31/2022	
	Value $10,000	Annualized Return	Value $10,000	Annualized Return
Baron Partners Fund (Institutional Shares)	$11,479	1.54%	$18,903	23.65%
Russell Midcap Growth Index	$ 6,488	(4.69)%	$11,200	3.85%
S&P 500 Index	$ 7,188	(3.60)%	$12,479	7.66%

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 do not yet know if the challenges caused by the COVID-19 pandemic will persist. Volatility has remained high, but we are hopeful that the interest rate increases, policy measures, and COVID hangovers are nearing an end. So far, we are optimistic that companies will again be valued on their fundamentals rather than on macro concerns.

During periods of strong economic expansion, investors often disregard these more challenging periods. Losing capital during those periods, we believe, makes it nearly impossible to have exceptionally strong returns over the long term. Baron Partners Fund has shown a prior ability to grow capital during challenging periods. We believe the high-quality growth portfolio should be able to perform well again in future difficult economic periods, although there is no guarantee that will be the case.

Over the longer term, this combination has been rewarding for clients. A $10,000 hypothetical investment at the inception of the Fund on January 31, 1992, would have been worth $779,469 on March 31, 2022. That same $10,000 hypothetical investment in a fund designed to track the Index would now be worth $177,057, only about 23% of what it would have been worth if invested in the Fund.

Portfolio Holdings

Table VII.
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 Total Investments
Tesla, Inc.	2014	$21.9	$656.4	$2,520.6	36.3%
Space Exploration Technologies Corp.	2017	–	–	597.1	8.6
CoStar Group, Inc.	2005	0.7	28.0	506.0	7.3
Arch Capital Group Ltd.	2002	0.6	25.2	444.5	6.4
IDEXX Laboratories, Inc.	2013	4.7	41.5	400.1	5.8
Hyatt Hotels Corporation	2009	4.2	11.9	371.7	5.4
FactSet Research Systems Inc.	2007	2.7	15.9	303.0	4.4
The Charles Schwab Corp.	1992	1.0	96.5	261.9	3.8
Vail Resorts, Inc.	2008	1.6	9.4	258.2	3.7
Iridium Communications Inc.	2019	3.0	7.8	247.7	3.6

Thank you for joining us as fellow shareholders in Baron Partners Fund. We continue to work hard to justify your confidence and trust in our stewardship of your hard-earned savings. We remain dedicated to providing you with the information we would like to have if our roles were reversed. We hope this letter enables you to make an informed decision about whether this Fund remains an appropriate investment.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager

Michael 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 48% 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 leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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

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

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