Baron Funds®

March 31, 2023 Quarterly Report

"Don't believe anything you hear…and only half of what you see." Robert McKee, Wanamassa Grammar School Guidance Counselor. 8th Grade Graduation Ceremony. May 1957.

"I grew up in a small town…" Just like the town John Mellencamp sang about in his *Small Town* music video. In the 1950s, my small town of Wanamassa, New Jersey, was a 3,000-person community bordering Asbury Park, a larger, Jersey shore town with a population of 25,000. My Wanamassa grammar school class of 60 was virtually all white, middle class, and led sheltered lives. Our parents were doctors, lawyers, real estate brokers, small business owners, housewives, and U.S. Army engineers like my dad, who worked at nearby Fort Monmouth.

On an extremely warm day in May 1957, Guidance Counselor Robert McKee spoke to our graduating Wanamassa grammar school class. Mr. McKee told us that Asbury Park High School, where we would be freshmen that fall, had a highly diverse 2,000-person student body and would be a lot different than Wanamassa. *"Don't believe anything you hear…and only half of what you see,"* he advised. Mr. McKee's advice clearly resonated, since I still remember it…and so do my lifelong Wanamassa 8th grade friends!

Although I didn't understand then why Mr. McKee was giving that advice, *shockingly* I was paying attention. Mr. McKee was trying to tell us, just like Ben Franklin advised his students in 1776, that good decisions, enabling consistent above average results in whatever you attempt, are based upon your own diligence and hard work. You can't rely upon the judgment and work of others. "You can't *phone it in*." That is since learning information that is contrary to what most believe creates an advantage that often leads to exceptional results. Just like those we have achieved in my career as an analyst and investor.

Surprisingly, Mr. McKee's advice all those years ago is foundational in our investment process! In fact, *Question Everything* was the theme of the annual Baron Investment Conference in 2015! Baron Capital has earned a reputation as a long-term investor in businesses…and earned returns substantially in excess of broad equity markets and most competitors…in large part because we followed Bob McKee's advice to *question everything*! We question everything… and we mean *everything*…about *executives' character and talent*…businesses' *durable competitive advantages*… operations … and their growth prospects. *Growth + Values* was the theme of the Baron Investment Conference in 2018.

Baron's proprietary research enables us to make long-term commitments, with which few people at the time may agree. Primary research also lets us invest in businesses when it may take some time to prove whether we are right or wrong. This has led to strong performance. That is because our investment thesis is *Exceptional Takes Time*. We invest regardless of economic and market projections by Wall Street strategists. That is because we believe that most things economists forecast cannot be predicted!

Accordingly, we believe consensus earnings estimates and market forecasts that most depend upon will likely provide average investment performance…at best. Good enough to keep analysts and portfolio managers from being fired…but not good enough to provide their clients with exceptional returns. It's safe for geese to fly in formation and penguins to live in colonies. We think it's not safe for most analysts and market strategists to have the same opinions if their objective is to achieve outstanding results.

The late Los Angeles Dodgers' manager Tommy Lasorda won two World Series, four National League championships, and eight division titles in his 20-year career. He recognized that great leaders often make decisions with which many disagree. "Listen, if you start worrying about the people in the stands, before too long you're up in the stands with them." You've got to be "the man in the arena, whose face is marred by dust and sweat and blood" is how Teddy Roosevelt, America's 26th President, put it.

Letter from Ron

"When you had that third [rocket launch] failure in a row, did you think, 'I need to pack this in?'" CBS 60 Minutes journalist Scott Pelley asked Elon Musk eleven years ago. Without pausing, Elon answered, "Never." Pelley followed with "Why not?" Elon responded as quickly, "I don't ever give up." CBS 60 Minutes. March 18, 2012.

Since Scott Pelley's interview with Elon on *60 Minutes* 11 years ago, SpaceX, with its innovative, reusable Falcon 9 rockets, has disrupted the aerospace industry and has become the world's leading space company. More launches and more satellites in orbit than any other company…or country. Due to SpaceX's reusable rocket technology, this company could now provide access to space for governments…commercial enterprises…and consumers at a lower cost than any other company…or country. We believe this competitive advantage will last for a long time.

Before SpaceX, launch customers had no way to reach space except to contract with cost-plus aerospace businesses. Those companies use expensive 1960s Russian, single-use, rocket launch technology. SpaceX's technology enables much lower cost access to space with rocket boosters that, remarkably, are re-landed on Earth… and then reused over and over and over again. Single-use rockets that perform similar functions cost more than one hundred million dollars each!

We think SpaceX's 394-foot-tall Starship, the largest rocket ever built on this planet and the size of a New York City skyscraper, will become *the railroad to space*. This is after SpaceX's enormously successful, much smaller Falcon 9 reusable rockets blazed the way. We analogize SpaceX's launch business to railroads in the 1800s that opened America's Western states to settlement. SpaceX's ability to launch Starlink satellites economically will allow its Starlink to provide satellite broadband internet nearly everywhere on…and above… our planet…including Earth's mountains, deserts, seas…and airspace!

We believe Starlink will become the *backbone for satellite broadband internet* for the world. SpaceX can increase Starlink's innovative broadband capacities with software…not just by adding next generation satellites! Telco wired connections to remote homes cost approximately $16,000 per mile. This compares to $500 for a Starlink plug-and-play user interface antenna! Accordingly, Starlink could provide telcos, commercial customers, and government customers with the backbone for broadband everywhere.

"When we look back in history, I believe this will be the day when we mark the technological breakthrough of building a vehicle that can actually go to Mars."
– Antonio Gracias, Director of SpaceX and Tesla, Boca Chica, Texas at the launch of Starship, the most powerful space rocket ever developed, on April 20, 2023.

On April 20, 2023, at 8:33 AM CDT SpaceX launched the Starship for the first time. The Starship is the size of a 40-story New York City skyscraper! When you visualize placing such a structure on a launching pad powered by 33 engines for its first test flight, you can easily understand why Elon promised "excitement guaranteed." The rocket flew four minutes, reaching altitude of 24 miles. When 5 of its 33 Raptor engines did not function as planned, SpaceX blew up the rocket to be certain it could not cause damage on land. Both Elon and NASA officials regarded this test as a success.

Among the reasons this awesome test was regarded as successful was that it cleared the launch pad without crashing and destroying the site…which could have cost a lot and taken months to rebuild. Bill Nelson, the head NASA administrator, congratulated SpaceX. "Every great achievement in history requires calculated risk because with great risk comes great reward," Nelson wrote. A former White House space advisor commented, "flying and reusing rockets has massive potential to change the game and transportation to orbit." Starship will ultimately carry massive telescopes, squadrons of robots to explore and build bases and manufacturing facilities on other planets, the moon, or in orbit; and entire space stations. It will also carry humans to Mars! Musk commented on Twitter, "Learned a lot for next test launch in a few months." Before all the results were analyzed, more than 1,000 elements have been changed! When I asked why the engines failed, the answer was the cause had not yet been determined. "Do you think a squirrel or seagull may have gotten into the engine?" I asked. "Maybe, Ron," the SpaceX engineer laughed.

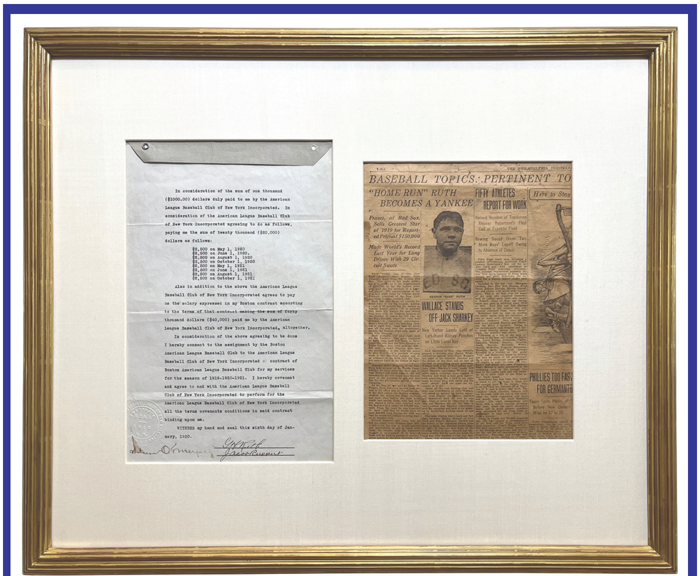
Baron has been purchasing privately owned SpaceX stock regularly since 2017. We presently own shares valued at approximately $1.4 billion. Those shares cost approximately $630 million.

"This weekend you can watch SpaceX launch 55 Starlink satellites in one of its reusable Falcon 9 rockets. Although the weather may not be favorable for viewing Sunday evening, don't worry. SpaceX is launching two Falcons a week this year!" Jennifer Collins, CBS Meteorologist, Palm Beach, Florida. March 2023.

Judy and I often visit our vacation home in Palm Beach on weekends in winter months. Nearly every Sunday morning during those visits, while I run on my treadmill…I watch CBS Meteorologist Jennifer Collins forecast the weekend weather.

It was initially startling when I watched Jennifer nonchalantly describe SpaceX launches in March. Startling since those launches…and the subsequent landings of SpaceX reusable Falcon rocket boosters…have become commonplace. So commonplace, in fact, they no longer warrant coverage in local newspapers…on the internet…or in most television news reports. In 2015, SpaceX was the first, and is still the only, aerospace business to launch flight-proven rockets. That remarkable achievement significantly reduced launch expenses because using rockets over and over costs a lot less than if rockets that cost more than $100 million each are used just once. For example, OIG projects the cost of a single SLS/Orion rocket to be $4.1 billion per launch! (SLS is a consortium of prime aerospace government contractors including Boeing, Lockhead, and Northrup.)

Being first means that Musk landed a Falcon 9 booster in 2015 before NASA, Russia, China, the U.S., Jeff Bezos' Blue Origin, or anyone else…although they've all been trying for longer than Elon! When Elon Musk's business accomplished what others thought impossible, *The Wall Street Journa*l published an op-ed by China's Communist Party leadership (CCP). The CCP congratulated Elon on his improbable success…and was critical of its own space engineering efforts to launch, land, and reuse rockets! “We were beaten not by a country…but by a man! Our scientists need to try harder.”



Whether in the Bronx or at Baron Capital, there’s no escaping inflation’s awesome compounding power. Babe Ruth’s first contract as a Yankee in 1919 for $40,000 annual salary compares to Aaron Judge’s $40,000,000 annual contract today. That’s a 6.8% compound annual rate of salary inflation for the past 104 years if you’re keeping score at home.

John Sculley was Pepsico’s President for six years. That was immediately before he became Apple’s CEO from 1983-1993, that was after Steve Jobs had resigned and before he returned to lead that business. John oversaw the growth of Apple from $800 million to $8 billion in annual sales. John and his wife Diane recently invited my wife, Judy, and me to dinner in Palm Beach. Soon after we were seated at their club, John began to ask me about SpaceX. Unprompted, he then remarked that Elon and the exceptional engineering team he has assembled were doing a spectacular job eliminating complexity. “SpaceX will become the most valuable business on the planet,” he opined. I agreed that was likely to happen in the 2030s…*after* Tesla becomes the most valuable business on the planet at the end of this decade.

“[T]he price level is probably 15 times what it was when I was a kid… [F]iscal policy scares me more than monetary policy.” Buffett feels that Congress only cares about getting reelected. To do so, they give away things to their constituents. "Fed Chairman Powell has an extraordinarily difficult job. That is since everything he does could be negated by the Congress.” Warren Buffett. CNBC. *Squawk Box*. April 12, 2023.

That comment by Warren Buffett was in response to a question posed by CNBC’s *Squawk Box* Co-Anchor Becky Quick. Becky, whom I think asks the best questions, was attempting to get Warren to say whether or not he thought Fed Chairman Powell was doing a good job…and whether Warren thought Powell should pause raising rates. That is a question Warren was unwilling to answer directly…even when it was posed by Becky.

Warren is 92 years old. We thought his observation that prices increased about 15 times since his youth was super relevant! His remark meant *prices doubled about four times over the past 70 years.* That is annual inflation of 3.9% per year. Which means the buying power of your money fell in half about every 17 years…and that the *dollar you saved in 1950 is now worth only $.07 (seven cents)!!!!*…Accordingly, tuition…homes…salaries …cars…food…travel…real estate…consumer products and just about everything else are all about 15 times more expensive now than 70 years ago!

As I pointed out in the *Inflation According to Ron* table in the December 31, 2021 *Letter from Ron,* inflation has averaged 4% to 5% per year since the end of WWII in 1945…as well as for the entire 20th century! Which we believe is the economic model of the U.S.…nominal annual growth of about 7% including 4% to 5% annual inflation, 2% annual real increase in output. Warren then explained why property & casualty (P&C) insurance underwriting benefits from inflation. Since insurance policies are repriced annually, P&C insurers can avoid duration risk and participate in our economy’s growth, about two-thirds of which can be attributed to inflation.

Buffett noted that GEICO auto policies 60 years ago had $50 annual premiums. Average premiums per car are now $2,000! Buffett believes, and we agree, that 30-year home mortgages at fixed rates provided by banks are “loss leaders” for those institutions. Banks make such loans in a social covenant with government to allow individuals to own their homes…and in return, banks, highly regulated businesses, are permitted to earn strong returns using their leveraged balance sheets elsewhere.

Our investment philosophy is similar to Warren Buffett’s, except we are “growthier.” We too regard equity investments as representing part ownership of publicly traded businesses. We do not think of them as “stocks,” pieces of paper, whose share prices fluctuate daily and may or may not at any point reflect accurately the value of an underlying business. We consider the investments made by individuals and by ourselves in Baron Funds as ownership of diversified portfolios of fast-growing, competitively advantaged businesses managed by exceptionally talented individuals. And, as means to protect fellow Baron Funds’ shareholders against the ravages of inflation. Such investments are also intended to enable middle class individuals and wealthy families as well to benefit from the growth of America’s economy. We think it is always more attractive to invest in such businesses than to invest in money market funds. Equity investments are especially attractive at times like the present when “parts of America are on sale” in the stock market due to fear of recession.

Paul Volker is lionized as a warrior who slayed the inflation dragon. He became Chairman of the Federal Reserve in 1979. Inflation was then 11% and rising. High inflation in the 1970s was the result of poorly conceived and executed fiscal policies of four consecutive Presidents…Johnson…Nixon…Ford…and Carter.

When annualized inflation in the U.S. reached 16% in June 1980, Chairman Volker raised the Fed Funds rate to 19%! Amidst the ensuing painful recession, unemployment increased from 6% to 11% and inflation tumbled to 5%…and bottomed at 3% in 1983. Our economy and stock markets rebounded dramatically during the next five years as interest rates tumbled. When Volker left the Fed in 1987, inflation ranged between 4% and 5%, the norm for our country during my lifetime.

The harrowing inflation of the 1970s peaked in 1981 and ended soon after the Volker Fed's dramatic tightening. COVID supply-chain disruptions and the war in Ukraine were the proximate causes of current inflation, which peaked at 9.1% in June 2022 and in April 2023 fell to 4.5%. The Powell-led Fed's tightening playbook, which already caused several bank failures…is obviously similar to that of Volker's some 40 years ago.

"*Anything is Possible.*" Topic: The benefits of investing amidst entropy, chaos, and disorder. Ron Baron. Baron Conference. Metropolitan Opera House. November 4, 2022.

The Dow Jones Industrial Average was 800 on March 15, 1982 when we founded Baron Capital. We had just $10 million assets under management and three employees, Susan Robbins, our senior health care analyst, Linda Martinson, our President and Chief Operating Officer, and me. My son David was born in 1980, my son Michael in 1981. Both have worked at Baron for 20 years. When I showed David the table with inflation at 16% in 1981…Fed Funds at 18%… unemployment at 10%…and our economy in deep recession, he glanced at it for a moment and turned to me. "Dad, how did you ever start a business in 1982 with two newborns?"

The Dow Jones Industrial Average is now 33,600. It has increased more than 42 times since 1982. This is although during the past 41 years, there has been only one year, 1989, when the news was good! That was when the wall separating East and West Germany was taken down and we believed there would be a "peace dividend."

Instead, market crashes; financial panics; the COVID pandemic; rapid inflation; supply-chain disruptions; negative interest rates; wars; terror; gun violence in our streets, houses of worship, and schools; and threats to our democracy have dominated news cycles.

Investing for the long term in competitively advantaged growth businesses managed by exceptional executives. That's our strategy. We choose these growing businesses by doing what algorithms…coding…and even ChatGPT can't do. At least not yet. We judge competitive advantage and the character, integrity, intellect, and awesomeness, of executives, all of whom we like and admire or we wouldn't choose to invest with them.

We like to say, "We invest in people." The executives who manage the businesses in which we have partial ownership interests are individuals we would hire if we owned those competitively advantaged businesses in their entirety. Of course, we also invest in awesome individuals who work at Baron Capital and study those businesses. Several examples follow.

Arch Capital Group Ltd.'s exceptionally strong balance sheet, underwriting expertise, and its culture of cycle management, meaning aggressively writing property policies only when rates are high, have enabled that company to become a leader in its industry.

The Charles Schwab Corp.'s revolutionary Mutual Fund Marketplace platform completely changed mutual fund distribution. Schwab's extraordinarily low overhead due to its culture of digitization has allowed it to offer its 34 million financial advisers and individual customers an ever-increasing menu of services at low cost…and be exceptionally profitable. Assets held at Schwab have increased to $7.5 trillion from $60 billion when we began to invest in that business in 1992 at $0.88 per share.

Red Rock Resorts, Inc., due to zoning changes, owns the 400 acres in Las Vegas' residential communities that include the only remaining eight gaming-entitled sites not on the Las Vegas Strip. Red Rock's casinos primarily serve *locals* who work at the mammoth strip hotel casinos that intensely compete with each other. The high returns earned by the properties of this family-owned business with little competition serve primarily the individuals who work on the Strip.

Figs Inc. disrupted the health care apparel industry by reimagining health care apparel and creating a digital connection with health care professionals. Prior to Figs, health care apparel consisted of commoditized scrubs sold by third-party medical supply stores. With Figs, health care professionals now have access to technical, comfortable, functional and stylish apparel. By selling directly, Figs has a structurally advantaged margin profile, deep relationships with an intensely loyal community, and a trove of customer data to drive its replenishment-driven business. The two young women who founded this business began selling uniforms from the trunks of their cars. Just like Nike's Phil Knight.

Gartner, Inc. is the leading provider of syndicated research for technology, HR, sales, and supply-chain management professionals. Its research helps customers make better decisions. Gartner has more than 10 times the number of analysts providing this critical information than its nearest competitor…and, as a result has more extensive subject matter expertise.

Hyatt Hotels Corporation is another family business with which we have had an exceptionally long relationship…dating to the beginning of my career in the 1970s. Hyatt's focus is on quality services for its high-end luxury hotels and is growing faster than any large hotel chain.

ANSYS, Inc. software allows customers to replace physical prototypes with computer-based simulation. ANSYS is the largest provider and developer of simulation capabilities. ANSYS' simulation leadership position provides it with significantly more data and experience than competitors establishing an important moat for its business.

MSCI Inc. is the defacto standard for measuring cross-border investment returns. It is the emerging standard for its fast-growing ESG and climate analysis businesses. MSCI is investing heavily to expand its private company data offerings, which we think also offer vast opportunity.

FactSet Research Systems, Inc. is a rapidly growing vendor of financial data and analytics. The company offers proprietary data, unique analytics, and open architecture that allow its clients to consolidate their technology spending with FactSet.

In the 1950s, streets in **Vail Resorts, Inc.**'s Vail Village were unpaved and children reached school on skis purchased from a local sawmill. Vail is the beneficiary of President Eisenhower's program to build the Interstate Highway system. The Eisenhower Tunnel allows guests using Interstate Route 70 to reach Vail from Denver in less than two hours. Before that tunnel was completed it took more than four hours. Talk about competitive advantage! More than 70% of skiers at Vail's 40 ski mountains purchase their season Epic lift ticket passes before a single snowflake hits the ground.

Few investment firms that manage "active" funds have achieved investment performance in excess of passive benchmark indices. Baron Capital is among the few. Since their respective inceptions as mutual funds, 16 of 19 Baron mutual funds representing **98.8%** of Baron Funds' AUM, have **outperformed** their benchmarks. 13 Baron Funds representing **96.3%** of Baron Funds' AUM rank in the **top 20%** of their respective Morningstar categories. 10 Funds, representing **67.9%** of Baron Funds' AUM, rank in the **top 10%** of their categories, and 5 Funds, representing **45.6%** of Baron Funds' AUM, rank in the **top 1%** of their categories. All five of these Funds are number one in their categories. Baron Partners Fund is the **number one** performing U.S. equity fund since its conversion to a mutual fund in 2003.* Its performance as a partnership from 1992 through 2003 was equally strong.

Thank you for joining us as fellow shareholders in Baron Funds. It makes me feel especially good when people stop me on the street or seemingly wherever I am to say, "Thank you." Virtually every day. It also made me feel good when I recently opened a fortune cookie to find, "**People rely on your dependability"** as my fortune.

Just as we favor companies that invest in themselves, we are investing in Baron Capital by significantly expanding our New York City offices. We expect the result – superior products and services for our customers – to be true for our business as those in which we invest. We expect this expansion to enable our fellow workers to work more efficiently together... and benefit investors for whom we manage money.

Thanks for trusting us to manage a portion of your family's hard-earned savings. We hope that the mediocre performance of several Baron Funds since October 2021 will prove a brief blip in our strong long-term results. Our goal is to earn back losses incurred during the past year and a half by the end of 2025. This is due to on average 15% annual growth of the businesses in which we have invested. We then hope to once again achieve double-digit annualized growth for our portfolios for the following decade.

Respectfully,

Ronald Baron
CEO
April 28, 2023

P.S. Almost forgot. Since Baron Capital's founding in 1982 with three individuals, our family business has *never had a layoff*…despite periods when our Firm's profitability was less than optimal. We currently have 196 employees, including 43 analysts and portfolio managers, who are also senior analysts. I think the most important reason we have performed as well as we have for as long as we have is due to the extraordinarily low turnover of our staff. Low turnover of businesses in which we invest and low turnover of the individuals who make those investments…all using the same investment process. Invest in people…invest in competitively advantaged growth businesses…invest for the long term. At a time when many firms are abandoning office space, we have added the 47th floor in New York City's General Motors Building to our 48th and 49th floor offices. 47 has been under construction for almost ten months by spectacular builders. We expect to fully occupy 47 by Monday, May 8, 2023. Fingers crossed.

* **This is a hypothetical ranking created by Baron Capital using Morningstar extended performance data and is as of 3/31/2023. There were 2,129 share classes in these nine Morningstar Categories for the period from 4/30/2003 to 3/31/2023.**

Note, the peer group used for this analysis includes all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for this analysis are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories.

The Morningstar Large Growth Category consisted of 1,250, 1,053, and 809 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Partners Fund (Institutional Shares) in the 97th, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund on 4/30/2003, and the category consisted of 780 share classes. On an absolute basis, Morningstar ranked Baron Partners Fund Retail Share Class as the 1,195th, 3rd, 2nd, and 1st best performing share class in its Category, for the 1-, 5-, 10-year, and since conversion periods, respectively.

Baron Funds (Institutional Shares) and Benchmark Performance 3/31/2023

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns 1-Year	3-Year	5-Year	10-Year	Annual Expense Ratio	Net Assets
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	12.99%	7.46%	12/31/1994	(3.40)%	19.87%	12.30%	11.77%	1.04%(3)	$7.50 billion
Baron Small Cap Fund	Russell 2000 Growth Index	9.84%	5.84%	9/30/1997	(10.51)%	17.05%	8.41%	9.89%	1.04%(3)	$4.27 billion
Baron Discovery Fund†	Russell 2000 Growth Index	12.31%	7.17%	9/30/2013	(13.81)%	16.24%	10.20%	N/A	1.06%(3)	$1.30 billion
SMALL/MID CAP										
Baron Focused Growth Fund(1)	Russell 2500 Growth Index	13.28%	7.83%	5/31/1996	(10.54)%	37.91%	23.99%	15.75%	1.06%(4)	$906.09 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.29%	9.99%(2)	6/12/1987	(8.65)%	12.57%	9.43%	11.49%	1.04%(3)	$4.53 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	7.99%	10.69%	4/30/2004	(24.99)%	3.16%	4.72%	10.85%	0.76%/0.75%(3)(6)	$403.44 million
Baron Durable Advantage Fund	S&P 500 Index	12.03%	10.47%	12/29/2017	(2.70)%	18.19%	12.38%	N/A	1.10%/0.70%(3)(7)	$61.25 million
ALL CAP										
Baron Partners Fund(1)	Russell Midcap Growth Index	15.00%	9.66%	1/31/1992	(24.52)%	43.29%	26.35%	19.95%	1.44%(4)(5)	$5.95 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	8.32%	5.99%	2/29/2000	(19.70)%	15.37%	14.87%	14.03%	1.05%(3)	$871.12 million
INTERNATIONAL										
Baron Emerging Markets Fund	MSCI EM Index	2.93%	1.19%	12/31/2010	(11.32)%	7.23%	(2.34)%	3.14%	1.12%(4)	$4.88 billion
Baron Global Advantage Fund†	MSCI ACWI Index	9.92%	8.46%	4/30/2012	(31.39)%	1.27%	4.70%	10.19%	0.93%/0.90%(4)(8)	$804.49 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	9.15%	6.52%	12/31/2008	(11.63)%	11.38%	2.51%	6.72%	0.99%/0.95%(4)(9)	$500.00 million
Baron New Asia Fund	MSCI AC Asia ex Japan Index	(14.91)%	(11.79)%	7/30/2021	(11.37)%	N/A	N/A	N/A	7.22%/1.20%(4)(10)	$4.11 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	13.26%	10.38%	12/31/2009	(14.15)%	19.71%	10.35%	9.66%	1.07%(4)	$1.43 billion
Baron Real Estate Income Fund	MSCI US REIT Index	7.51%	2.83%	12/29/2017	(21.78)%	12.63%	9.24%	N/A	0.96%/0.80%(4)(11)	$82.14 million
Baron Health Care Fund	Russell 3000 Health Care Index	12.29%	10.67%	4/30/2018	(11.13)%	14.72%	N/A	N/A	0.90%/0.85%(4)(12)	$199.55 million
Baron FinTech Fund†	FactSet Global FinTech Index	5.42%	(2.15)%	12/31/2019	(16.09)%	10.71%	N/A	N/A	1.20%/0.95%(4)(13)	$44.73 million
Baron Technology Fund	MSCI ACWI Information Technology Index	(26.37)%	(13.84)%	12/31/2021	(18.42)%	N/A	N/A	N/A	6.42%/0.95%(4)(14)	$4.20 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	11.94%	10.47%	12/29/2017	(14.08)%	20.17%	12.04%	N/A	1.14%/1.11%(4)(15)	$471.78 million

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.
(2) For the period June 30, 1987 to March 31, 2023.
(3) As of 9/30/2022.
(4) As of 12/31/2022.
(5) Comprised of operating expenses of 1.04% and interest expenses of 0.40%.
(6) Annual expense ratio was 0.76%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).
(7) Annual expense ratio was 1.10%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(8) Annual expense ratio was 0.93%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers and interest expense).
(9) Annual expense ratio was 0.99%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(10) Annual expense ratio was 7.22%, but the net annual expense ratio was 1.20% (net of Adviser's fee waivers).
(11) Annual expense ratio was 0.96%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
(12) Annual expense ratio was 0.90%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
(13) Annual expense ratio was 1.20%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(14) Annual expense ratio was 6.42%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(15) Annual expense ratio was 1.14%, but the net annual expense ratio was 1.11% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
† The Fund's historical performance was impacted by gains from IPOs. 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.

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

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 reimburses or may reimburse certain Funds expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Funds' 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.

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

Baron Discovery Fund's 3- and 5-year, **Baron Fifth Avenue Growth Fund's** 3-, 5- and 10-year, **Baron Fin Tech Fund's** 3-year**, Baron Global Advantage Fund's** 3-, 5- and 10-year, **Baron International Growth Fund's** 5-year and **Baron Opportunity Fund's** 3-, 5- and 10-year historical performance were impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Funds' level of participation in IPOs will be the same in the future.

Risks: All investments are subject to risk and may lose value. The **Baron Partners 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 most recent quarter-end, about 36% of the Fund's long positions are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period.

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

Ranking information provided is calculated for the **Institutional Share Class** and is as of **3/31/2023**. The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct. **Morningstar calculates its category average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.** The **Morningstar Large Growth Category** consisted of 1,250, 1,053, and 809 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Opportunity Fund* in the 91st, 4th, 14th, and 6th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 2/29/2000, and the category consisted of 617 share classes. Morningstar ranked *Baron Partners Fund* in the 97th, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 780 share classes. The **Morningstar Mid-Cap Growth Category** consisted of 577, 498, and 387 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 29th, 28th, 24th and 10th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 73 share classes. Morningstar ranked *Baron Growth Fund* in the 7th, 5th, 17th, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 163 share classes. On an absolute basis, Morningstar ranked Baron Growth Fund Retail Share Class as the 42nd, 32nd, 93rd, and 1st best performing share class in its Category, for the 1-, 5-, 10-year, and since inception periods, respectively.

Morningstar ranked *Baron Focused Growth Fund* in the 48th, 1st, 1st, and 3rd percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 452 share classes. The **Morningstar Small Growth Category** consisted of 607, 534, and 401 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 41st, 30th, 40th, and 11th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 9/30/1997, and the category consisted of 254 share classes. Morningstar ranked *Baron Discovery Fund* in the 70th, 13th, and 4th percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 536 share classes. The **Morningstar Real Estate Category** consisted of 257, 209, and 153 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 6th, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 186 share classes. On an absolute basis, Morningstar ranked Baron Real Estate Fund Institutional Share Class as the 14th, 2nd, 1st, and 1st best performing share class in its Category, for the 1-, 5-, 10-year, and since inception periods, respectively. Morningstar ranked *Baron Real Estate Income Fund* in the 74th, 2nd and 2nd percentiles for the 1-, 5-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 269 share classes. The **Morningstar Foreign Large Growth Category** consisted of 449, 350, 231, and 189 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 92nd, 72nd, 24th, and 16th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 833, 654, 394, and 390 share classes for the 1-, 5-, 10-year, and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 73rd, 79th, 19th, and 12th percentiles, respectively. The **Morningstar Health Category** consisted of 176 and 137 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron*

Health Care Fund in the 68th and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron Health Care Fund Institutional Share Class as the 142nd, 14th, and 1st best performing share class in its Category, for the 1-, 3- year, and since inception periods, respectively. The **Morningstar Allocation – 85%+ Equity Category** consisted of 208, 185 and 201 share classes for the 1-, 5-year and since inception (12/29/2017) periods. Morningstar ranked *Baron WealthBuilder Fund* in the 91st, 1st and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron WealthBuilder Fund Institutional Share Class as the 191st, 1st, and 1st best performing share class in its Category, for the 1-, 5- year, and since inception periods, respectively.

Portfolio holdings as a percentage of net assets as of March 31, 2023 for securities mentioned are as follows: ANSYS, Inc. – Baron Asset Fund (4.1%), Baron Focused Growth Fund (3.3%), Baron Growth Fund (4.4%); **Arch Capital Group Ltd.** – Baron Asset Fund (3.3%), Baron Durable Advantage Fund (4.5%), Baron Focused Growth Fund (6.7%), Baron Growth Fund (8.2%), Baron International Growth Fund (2.3%), Baron Partners Fund (6.4%*); **FactSet Research Systems Inc.** – Baron Asset Fund (3.4%), Baron FinTech Fund (2.9%), Baron Focused Growth Fund (4.6%), Baron Growth Fund (6.6%), Baron Partners Fund (4.4%*); **Figs Inc.** – Baron Focused Growth Fund (2.8%), Baron Growth Fund (0.4%), Baron Partners Fund (0.7%*); **Gartner, Inc.** – Baron Asset Fund (9.1%), Baron Growth Fund (6.6%), Baron Opportunity Fund (3.1%), Baron Partners Fund (3.3%*), Baron Small Cap Fund (5.4%), Baron Technology Fund (1.9%); **Hyatt Hotels Corporation** – Baron Asset Fund (1.3%), Baron Focused Growth Fund (6.2%), Baron Partners Fund (5.4%*), Baron Real Estate Fund (0.5%); **MSCI Inc.** – Baron Asset Fund (0.4%), Baron Durable Advantage Fund (3.1%), Baron FinTech Fund (4.1%), Baron Focused Growth Fund (4.6%), Baron Growth Fund (11.3%), Baron Partners Fund (1.8%*); **Red Rock Resorts, Inc.** – Baron Discovery Fund (1.3%), Baron Focused Growth Fund (3.0%), Baron Growth Fund (1.0%), Baron Partners Fund (0.8%*), Baron Real Estate Fund (1.4%), Baron Small Cap Fund (2.9%); **Space Exploration Technologies Corporation** – Baron Asset Fund (1.9%), Baron Fifth Avenue Growth Fund (1.0%), Baron Focused Growth Fund (9.6%), Baron Global Advantage Fund (3.0%), Baron Opportunity Fund (2.8%), Baron Partners Fund (8.6%*); **The Charles Schwab Corp.** - Baron Asset Fund (2.0%), Baron FinTech Fund (1.5%), Baron Partners Fund (3.8%*); **Vail Resorts, Inc.** – Baron Asset Fund (3.1%), Baron Focused Growth Fund (4.8%), Baron Growth Fund (6.2%), Baron Partners Fund (3.7%*), Baron Real Estate Fund (0.9%).

* % of Long Positions

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

Non-mutual fund products are available to institutional investors only.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).