Dear Baron Growth Fund Shareholder:

Performance

Baron Growth Fund (the "Fund") gained 7.80% (Institutional Shares) during the quarter ended June 30, 2021. This exceeded the Fund's primary benchmark, the Russell 2000 Growth Index (the "Benchmark"), which gained 3.92%. The S&P 500 Index, which measures the performance of publicly traded large-cap U.S. companies, gained 8.55%. The Fund's quarterly outperformance was driven by favorable stock selection. This is the goal of our fundamentally driven investment strategy, and where we devote the preponderance of our time and attention.

Our investment philosophy has always been underpinned by the view that prices rise inexorably. A belief in the persistency of inflation has heavily influenced the businesses in which we choose to deploy capital. We believe our investments serve large and growing addressable markets, benefit from positive secular trends, boast sustainable barriers to entry, offer high customer value relative to the cost of their products or services, consistently reinvest back into their businesses to drive continuous product improvement, and are run by exceptional entrepreneurial leaders. We believe these attributes endow these businesses with meaningful pricing power, which positions them to prosper as inflation moves higher.

NEAL ROSENBERG CO-PORTFOLIO MANAGER | RONALD BARON CEO AND LEAD PORTFOLIO MANAGER | Retail Shares: BGRFX Institutional Shares: BGRIX R6 Shares: BGRUX

Table I.
Performance
Annualized for periods ended June 30, 2021

	Baron Growth Fund Retail Shares[1,2]	Baron Growth Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	7.73%	7.80%	3.92%	8.55%
Six Months[4]	8.67%	8.81%	8.98%	15.25%
One Year	45.81%	46.19%	51.36%	40.79%
Three Years	21.08%	21.39%	15.94%	18.67%
Five Years	20.61%	20.92%	18.76%	17.65%
Ten Years	14.63%	14.92%	13.52%	14.84%
Fifteen Years	11.36%	11.59%	10.89%	10.73%
Since Inception (December 31, 1994)	14.10%	14.24%	9.22%	10.91%

Domestic investors spent the quarter debating whether the ongoing economic rebound will lead to elevated inflation. As usual, macroeconomic results have been opaque, volatile, and inconclusive, enabling central bankers and investors to pick and choose the data that supports their favored conclusion. Visibility has been further clouded by a dispute over the impact of generous Federal unemployment benefits on tight labor markets. Interest rates, as measured by the yield on the 10-year U.S. Treasury Bond, fluctuated as investors struggled to divine the future trajectory of prices and how the Federal Reserve will set monetary policy in response.

We do not seek to reposition the portfolio or change our process or strategy based on the market's mercurial expectations. Instead, we continue to focus on identifying and researching unique businesses with significant barriers to entry and compelling growth prospects, investing in them at attractive prices, and holding them for the long term. However, we do believe that inflation is a persistent and enduring feature of everyday life, regardless of when or how it is quantified by macroeconomic metrics such as CPI or PPI.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail shares and Institutional shares as of September 30, 2020 was 1.30% and 1.04%, 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 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 The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

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

3 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.

4 Not annualized.

BARON FUNDS 1987

We believe that all our businesses boast sustainable competitive advantages, which helps to insulate them from competitors and enables them to consistently raise prices. Many of our investments have embedded price escalators directly into their contracts with customers. For example, annual contracts with **Gartner, Inc.** for syndicated research, **CoStar Group, Inc.** for commercial real estate data, or **MSCI, Inc.** for benchmarking or analytics empowers these companies to pass along annual price increases. Companies like **Bright Horizons Family Solutions, Inc.** and **Mettler-Toledo International, Inc.** offer such compelling products and services that they consistently raise prices without the need for a contract. The increases are nominal relative to the value of the services, and capital is reinvested in R&D, which yields a corresponding improvement to the product. Finally, our investments in REITs such as **Douglas Emmett, Inc.**, **Alexandria Real Estate Equities, Inc.**, and **American Assets Trust, Inc.** boast unique, competitively advantaged businesses that are benefiting from annual rent escalators. We think our investments are positioned to perform well regardless of the inflationary backdrop, and we believe that owning a well-diversified portfolio of secular growth businesses with pricing power will prove to be particularly compelling if, by whatever measure, inflation does rise.

Table II groups our portfolio based on our assessment of the attributes that best characterize each investment. While this does not perfectly correlate to the Global Industry Classification Standard ("GICS"), the industry standard nomenclature, we believe it provides added transparency into our thought process.

Table II.

Total returns by category for the three months ended June 30, 2021

	% of Net Assets (as of 6/30/2021)	Total Return (%)	Contribution to Return (%)
Core Growth	**28.2**	**14.22**	**3.85**
Gartner, Inc.	4.2	32.68	1.09
IDEXX Laboratories, Inc.	5.2	29.08	1.27
Dechra Pharmaceuticals PLC	0.4	27.84	0.09
West Pharmaceutical Services, Inc.	2.1	27.51	0.47
Mettler-Toledo International, Inc.	1.3	19.88	0.23
Bio-Techne Corporation	4.2	17.99	0.68
Trex Company, Inc.	2.3	11.58	0.25
Neogen Corp.	0.6	3.59	0.02
Marel hf.	0.3	1.44	0.01
Yucaipa Acquisition Corporation	–	1.07	0.00
CoStar Group, Inc.	5.0	0.78	0.13
Littelfuse, Inc.	0.2	–3.30	–0.00
BrightView Holdings, Inc.	0.2	–4.45	–0.01
Bright Horizons Family Solutions, Inc.	2.2	–14.19	–0.37
Financials	**31.6**	**13.57**	**3.90**
MSCI, Inc.	10.0	27.35	2.21
The Carlyle Group Inc.	1.0	27.15	0.22
Cohen & Steers, Inc.	1.7	26.44	0.38
Houlihan Lokey, Inc.	0.4	23.68	0.08
Morningstar, Inc.	2.8	14.43	0.35
FactSet Research Systems, Inc.	4.5	9.03	0.37
Moelis & Company	0.5	8.63	0.04
Primerica, Inc.	2.8	3.91	0.11
SS&C Technologies Holdings, Inc.	1.8	3.40	0.08
Arch Capital Group Ltd.	4.0	1.49	0.07
Kinsale Capital Group, Inc.	1.8	0.05	0.00
Essent Group Ltd.	0.3	–5.01	–0.01
Disruptive Growth	**14.3**	**4.39**	**0.66**
Zymergen Inc.	0.3	75.93	0.03
Northvolt AB	0.2	38.09	0.06
Denali Therapeutics Inc.	0.6	37.37	0.17
Pegasystems, Inc.	1.5	21.76	0.29
Guidewire Software, Inc.	1.3	10.91	0.13
Altair Engineering Inc.	0.6	10.23	0.05
Farmers Business Network, Inc.	0.2	8.48	0.01
Wix.com Ltd.	0.2	3.54	–0.01
ANSYS, Inc.	4.7	2.21	0.14
Adaptive Biotechnologies Corporation	0.2	1.50	0.00
Schrodinger, Inc.	0.8	–0.89	–0.00
Iridium Communications Inc.	3.5	–3.10	–0.13
American Well Corporation	–	–3.26	–0.00
Desktop Metal, Inc.	0.1	–22.82	–0.04
ACV Auctions Inc.	0.1	–25.95	–0.05
Russell 2000 Growth Index		**3.92**	
Real-Irreplaceable Assets	**25.8**	**–1.68**	**–0.37**
Red Rock Resorts, Inc.	0.8	30.41	0.20
American Assets Trust, Inc.	0.1	15.87	0.01
Alexandria Real Estate Equities, Inc.	1.5	11.41	0.17
Choice Hotels International, Inc.	4.0	11.00	0.42
Gaming and Leisure Properties, Inc.	2.8	10.72	0.29
Vail Resorts, Inc.	7.0	8.52	0.59
Douglas Emmett, Inc.	1.4	7.96	0.12
Boyd Gaming Corporation	0.3	4.29	0.01
Manchester United plc	0.7	–3.50	–0.03
Marriott Vacations Worldwide Corp.	2.2	–8.54	–0.21
Penn National Gaming, Inc.	5.0	–27.17	–1.95
OneSpa World Holdings Limited	0.0	–43.43	–0.00
Cash	**0.1**	**–35.94**	**0.01**
Fees	**–**	**–0.28**	**–0.29**
Total	**100.0**	**7.76***	**7.76***

Sources: FactSet PA, BAMCO, and Russell, Inc.

* *Represents the blended return of all share classes of the Fund.*

We initially presented Table II last quarter to offer incremental insight into the way that we think about grouping the businesses represented in the portfolio. As demonstrated above, our investments in Core Growth, Financials, and Real or Irreplaceable Assets are in roughly equal balance, representing between 25% and 32% of the portfolio individually and approximately 86% of our portfolio in aggregate. The remaining 14% of the portfolio is invested in businesses that we consider to be Disruptive Growth, which we believe offer greater growth potential, albeit with modestly more risk relative to other investments. We believe this balance appropriately reflects our goal to generate superior returns over time with less risk.

This quarter, the stocks that we consider to be Core Growth, Financials, and Disruptive Growth performed well on an absolute and relative basis. Our Core Growth investments, which represent approximately 28% of our portfolio, returned 14.2% during the quarter, while our Financials investments, which represent approximately 32% of the portfolio, returned 13.6%. Our Disruptive Growth investments returned 4.4% during the quarter, which was also better than the performance of our Benchmark.

Last quarter, we highlighted the compelling secular drivers that we believe underpin our investments in select Consumer Discretionary stocks, which we believe are being amplified by the ongoing recovery from COVID. This quarter we elaborate on our investments in Financials. At first blush, these investments might seem anathema to a portfolio exclusively focused on investing in competitively advantaged businesses that can generate sustainable growth.

As of June 30, the Fund had 31.6% of its assets in stocks that are considered Financials. This meaningfully exceeds that of the Benchmark, which has about 5% exposure to Financials. A common misinterpretation is that we must own a lot of regional banks or specialty finance companies and have strong views about the short-term trajectory for interest rates. Of course, that is the diametrical opposite of our investment philosophy. As demonstrated in Table II, we do not own a single bank and have not made a single investment that is contingent on interest rates.

Instead, approximately 60% of our Financials investments are technology-enabled market data vendors such as **FactSet Research Systems, Inc.**, **MSCI, Inc.**, **Morningstar, Inc.**, and **SS&C Technologies Holdings, Inc.** These are businesses that serve vast and growing end markets, which we estimate offer at least $30 billion of annual recurring revenue. They start with a proprietary set of data assets that have been collected over decades. This carries significant fixed costs and time to collect, and in many ways would be impossible to replicate now. Once those assets have been collected, the vendors build mission critical products and services that become deeply embedded in customer workflows. This creates recurring revenue, high retention rates, and annual pricing power. And since the products are delivered electronically and all the data has already been collected, the incremental margins are extremely high.

MSCI is the largest of our Financials investments. It is the dominant market leader for cross-border indexes, with approximately 90% market share in cross-border benchmarks. Given the powerful network effects and influence of asset owners and their advisors, it is extremely difficult for managers to select an alternative provider. MSCI has demonstrated its ability to consistently grow this business at double-digit rates through consistent product innovation, volume expansion, and disciplined pricing trends. It has supercharged its growth by licensing the same data to ETF providers to construct passive indexes. Given the significant upfront cost and low incremental costs, its margins in this business exceed 70%. We see an analogous opportunity emerging with MSCI's ESG franchise, which is the same business with attractive secular growth and compelling market share but 20 years earlier. MSCI is successful in generating compelling conversion of earnings into free cash flow, which it has adeptly deployed back into its business, for mergers and acquisitions, and to return to shareholders.

The remaining 40% of our Financials exposure includes sustainably differentiated P&C carriers or unique advisory businesses. We believe that all have carved out unique and sustainable competitive advantages, such as **Primerica, Inc.**'s extensive distribution network or **Arch Capital Group Ltd.**'s best-in-class underwriting discipline. We also believe that all are benefiting from compelling secular trends, such as **Kinsale Capital Group, Inc.**'s exposure to dramatic growth in the Excess & Surplus insurance market.

While we consider these investments Financials, their success is not dependent on GDP growth, interest rates, and they do not assume any credit risk. All share the attractive characteristics that we value in our investments, which include large addressable markets, positive secular trends, sustainable competitive advantages, attractive business models underpinned by recurring revenue, annual price increases, robust free cash flow generation, and best-in-class management teams. We believe these are representative of how much is going on under the surface in the portfolio, and how fundamental research enables us to make investments that are high conviction and build a portfolio that is highly differentiated.

This quarter, we participated in the IPO of **Zymergen Inc.**, which came public in April. We made a modest initial investment in Zymergen approximately one year ago while it was still private. We used the intervening period to enhance our understanding of the company and its opportunity. The section entitled "Recent Purchases" elaborates on our Zymergen investment thesis.

We exited modest positions in **American Well Corporation** and **Yucaipa Acquisition Corporation** during the quarter. We think that these sales exemplify the merits of maintaining small initial position sizes. We were initially excited by the long-term opportunities represented by both businesses and the valuations at which we were able to deploy capital. However, our ongoing and iterative due diligence efforts surfaced concerns regarding the sustainability of competitive advantages over our investment horizon. Additionally, we observed changes to incentive structures that potentially foreshadowed a future misalignment with shareholders. We were easily able to exit these modest positions and reallocate that capital to investments in which we have greater conviction that we believe offer more attractive risk-adjusted returns.

Table III.
Performance Based Characteristics as of June 30, 2021

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 6/30/2021	Millennium Internet Bubble to Present 12/31/1999 to 6/30/2021	Inception 12/31/1994 to 6/30/2021
Alpha (%)	5.05	3.66	5.56	7.14
Beta	0.58	0.81	0.69	0.71

Baron Growth Fund

Table IV.
Performance
Millennium to COVID-19 Pandemic. 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 6/30/2021		Millennium Internet Bubble to Present 12/31/1999 to 6/30/2021		Inception 12/31/1994 to 6/30/2021	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Growth Fund (Institutional Shares)	$12,448	2.46%	$73,930	17.36%	$92,032	10.88%	$340,433	14.24%
Russell 2000 Growth Index	$ 6,476	–4.71%	$67,013	16.44%	$43,395	7.07%	$103,513	9.22%
S&P 500 Index	$ 7,188	–3.60%	$61,548	15.65%	$44,240	7.16%	$155,336	10.91%

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

The Fund has meaningfully outperformed its Benchmark over the long term. This is principally the result of not losing money during the nine years ended December 2008, when most others did…as well as outstanding performance of our growth stock investments. The Fund has compounded at 14.24% annually since its inception on December 31, 1994, which exceeds the Benchmark by 5.02% annually. While the Fund did not make much money from December 31, 1999 through December 31, 2008, a period which includes the highs of the Internet Bubble and the lows of the Financial Panic, it did generate a positive annualized return of 2.46%. Conversely, a hypothetical investment in a fund designed to track the Fund's Benchmark would have declined in value by 4.71% on an annualized basis over the same time, while a hypothetical investment in a fund designed to track the large-cap S&P 500 Index would have declined 3.60% annualized. (Please see Table IV–Millennium Internet Bubble to Financial Panic). From the Financial Panic to the present, the Fund generated annualized returns of 17.36%, which exceeded that of its Benchmark by 0.92% annually. This represents robust absolute and relative returns across a variety of market environments, driven primarily by favorable stock selection.

The power of compounding is best demonstrated by viewing this return in dollar terms. A hypothetical investment of $10,000 in the Fund at its inception on December 31,1994 would be worth $340,433 at June 30, 2021. This is approximately 3.3 times greater than the $103,513 the same hypothetical investment made in a fund designed to track the Benchmark would be worth. Hypothetically, our returns were achieved with approximately 30% less volatility than the Benchmark, as represented by its beta. (Please see Tables III and IV.) We are pleased that our long-term investments in what we believe are competitively advantaged growth companies with exceptional management teams have generated attractive returns in good markets and have helped to protect capital during more challenging ones.

Table V.
Top contributors to performance for the quarter ended June 30, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
MSCI, Inc.	2007	$1.8	$43.9	27.35%	2.21%
IDEXX Laboratories, Inc.	2005	1.9	53.9	29.08	1.27
Gartner, Inc.	2007	2.3	20.8	32.68	1.09
Bio-Techne Corporation	2009	2.1	17.5	17.99	0.68
Vail Resorts, Inc.	1997	0.2	12.7	8.52	0.59

Shares of **MSCI, Inc.**, a leading provider of investment decision support tools, contributed to performance. The company reported strong first quarter earnings and management provided an upbeat assessment of the economic and market backdrop going forward. We retain long-term conviction as the company owns strong, "all weather" franchises and remains well positioned to benefit from numerous secular tailwinds in the investment community.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance in the quarter. Long-term secular trends driving the humanization of pets have been enhanced by a surge in pandemic-era pet adoption, driving practice level revenue to double-digit growth. IDEXX's competitive trends are outstanding, and we expect new proprietary innovations and field sales force expansion to be meaningful contributors to growth. Margins are moving significantly higher, and we believe that margins can exceed 30% over time.

Shares of **Gartner, Inc.**, a provider of syndicated research, contributed to performance after reporting financial results significantly better than investor estimates. Growth in the company's research business has reaccelerated, led by its Global Business Sales segment, which is benefiting from a multi-year investment cycle. We expect improved revenue growth and renewed focus on cost control to drive margin expansion and enhanced free cash flow generation. The company's balance sheet is in excellent shape, and we expect an acceleration in repurchases.

Table VI.
Top detractors from performance for the quarter ended June 30, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Penn National Gaming, Inc.	2008	$2.5	$12.0	–27.17%	–1.95%
Bright Horizons Family Solutions, Inc.	2013	1.8	9.0	–14.19	–0.37
Marriott Vacations Worldwide Corp.	2013	1.5	6.8	–8.54	–0.21
Iridium Communications Inc.	2014	0.6	5.3	–3.10	–0.13
ACV Auctions Inc.	2021	4.8	4.0	–25.95	–0.05

Penn National Gaming, Inc., a regional U.S. casino operator, detracted on news that the company had lost sports betting and i-gaming market share in both Michigan and Pennsylvania. While the lost market share is a disappointment, Penn has been able to maintain a double-digit share with no marketing. We believe the market is attributing little value to Penn's Barstool equity stake as well as its online gaming and sports betting opportunities including its access fees from other operators. We view the valuation as attractive.

Shares of **Bright Horizons Family Solutions, Inc.**, a leading provider of high-quality corporate-sponsored childcare and other family support programs, experienced a pullback on uncertainties related to the post-pandemic pace of center re-enrollment and concerns of a potential decline in demand should more flexible work-from-home arrangements result in increased utilization of community-based providers. We believe Bright Horizons will successfully adapt to any market changes and that the future remains bright for this well-managed company.

Marriott Vacations Worldwide Corp., a developer and seller of timeshares, detracted in the quarter on investor concerns about how the Delta variant of COVID-19 would impact leisure travel. Shares were also pressured by the possibility of higher mortgage rates. While both developments are short-term concerns, Marriott Vacations has seen no impact from either as its business is recovering quickly and the securitization market is at its best levels ever. Marriott Vacations remains a strong free cash flow business.

Recent Purchases

This quarter, we added to our position in **Zymergen Inc.** through participation in its IPO in April. We made an initial investment in the business in 2020, when it was still a privately held, and we used the intervening time to conduct additional due diligence and interact with management.

We believe that Zymergen has developed a unique platform that combines biology, machine learning, and automation to reliably design microbes and manufacture them at scale. The company has assembled a vast library of proprietary genetic data, which it searches to identify molecules that offer material characteristics that are superior to traditional petrochemical-based materials. Zymergen's development and manufacturing platform is guided by artificial intelligence and machine learning, which helps the company ferment microbes at scale faster and more cheaply than traditional techniques. Early estimates imply that Zymergen's "bio-facturing" platform can bring products to market in approximately one-half of the time and at one-tenth of the cost of traditional techniques.

We expect Zymergen to initially focus on launching products into the electronics, consumer products, and agricultural spaces. These three verticals have rapid product launch and adoption cycles, enjoy relatively benign regulatory environments, and offer compelling margin structures for vendors. In total, we believe that these three end markets represent approximately $150 billion of addressable market opportunity.

Zymergen's initial product is branded Hyaline and came to market in December 2020. Hyaline is a high-quality optical film used by electronics companies for display touch sensors and flexible printed circuits. Hyaline offers significant enhancements over incumbent products, including better flexibility, transparency, folding endurance, and durability. Zymergen is working on additional molecules for the electronics space, which will offer other feature enhancements such as greater temperature tolerance. We expect to see additional launches over the next few years.

Within the consumer care space, we believe Zymergen's most mature product is an innovative insect repellant, which will offer comparable efficacy with significantly lower toxicity than current DEET-based repellants. We expect to see a product launched within the next two years and can envision multiple product-line extensions from sprays to creams, gels, sticks, and other delivery mechanisms. We believe that the company is also working on UV-repellent with analogous characteristics to those with traditional chemical-based active ingredients, in addition to several undisclosed products.

Zymergen's most mature agricultural molecule is designed to enhance the nutrient uptake of crops like corn and wheat, thereby reducing producers' reliance on synthetic nitrogen-based fertilizers. Other products in the pipeline are targeting herbicide and pest protection opportunities. Such products could replace synthetic chemical treatments that have negative environmental or health impacts with more naturally derived products that offer superior or comparable efficacy at a similar or lower cost.

While we have highlighted Zymergen's most mature products, we think that Zymergen's process, platform, and intellectual property leave unlimited flexibility. We recognize that not all Zymergen's innovations will be commercially successful. However, we believe that the company has built a scalable, repeatable product design platform, and therefore is not constrained by the success or failure of one discrete product. We expect the company to consistently delve more deeply into the aforementioned verticals, while also creating microbes that offer enhanced materials characteristics for use in industrial, health care, consumer non-durables, and manufacturing. We think that ultimately the company's addressable opportunity can increase by eight-fold from current levels.

Baron Growth Fund

Portfolio Structure and Investment Strategy

The Fund seeks to invest in businesses that we believe have attractive fundamental characteristics and are underpinned by sustainable competitive advantages. We search for businesses that serve large addressable markets and are benefiting from favorable secular tailwinds. We favor business models that have high levels of recurring revenue, generate attractive incremental margins, are cash generative, and are not dependent on third-party financing. We exclusively invest with management teams that we consider exceptional and are investing in their businesses to generate long-term profitable growth.

The Fund holds investments for the long term. As of June 30, 2021, the weighted average holding period of the Fund was 13.3 years. This is dramatically longer than most other small-cap growth funds, which, according to Morningstar, turn over about 78% of their portfolios annually. The portfolio's 10 largest positions have a weighted average holding period of 15.8 years, ranging from a 12.4 year investment in **Bio-Techne Corporation** to a 24.4 year investment in **Vail Resorts, Inc.** Twenty-one of the Fund's investments, representing 73.4% of the portfolio's net assets, have been held for more than 10 years. Twelve investments, representing 19.5% of the portfolio's net assets, have been held between 5 and 10 years. A further 18 investments, representing 7.0% of the portfolio's net assets, have been owned for less than 5 years.

We believe that Table VII and Table VIII demonstrate the merits of our long-term holding philosophy, as our longest tenured investments have continued to generate robust absolute and relative returns.

Table VII.
Top performing stocks owned more than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
IDEXX Laboratories, Inc.	2005	4,288.0%
Choice Hotels International, Inc.	1996	2,383.4
MSCI, Inc.	2007	2,206.5
CoStar Group, Inc.	2004	1,968.4
Vail Resorts, Inc.	1997	1,828.5
Mettler-Toledo International, Inc.	2008	1,820.3

The cohort of investments that have been held for more than five years earned an annualized rate of return of 20.5% based on weighted average assets since they were first purchased, which exceeded the performance of the Fund's Benchmark by 8.0% per year annualized. Five of these investments have achieved annualized returns that exceeded the Benchmark by more than 10% per year, including four that have achieved annualized returns that exceeded the Benchmark by more than 15% per year.

Table VIII.
Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Schrodinger, Inc.	2020	612.9%
Wix.com Ltd.	2016	518.9
Kinsale Capital Group, Inc.	2016	518.0

The cohort of investments that have been held for less than five years has returned 71.3% annually based on weighted average assets since their initial purchase and exceeded the Benchmark by 50.9% annualized. Excluding the impact of Schrodinger, which was initially a private investment and has accrued extraordinary returns, this cohort has exceeded the Benchmark by 21.4% annualized. Eight of these investments have achieved annualized returns that exceeded the Benchmark by more than 15% per year, including seven that have achieved annualized returns that exceeded the Benchmark by more than 25% per year.

Portfolio Holdings

As of June 30, 2021, Baron Growth Fund held 51 investments. The top 10 holdings represented 53.8% of the Fund's net assets. All were small-cap businesses at the time of purchase and have become top 10 positions mostly through stock appreciation. Our holdings in these stocks have increased by an average of 18.2 times since our initial investment and have exceeded the Benchmark by an average of 6.6% annually. We believe all our positions offer significant further appreciation potential individually, and that the Fund's diversification offers potentially better-than-market returns with less risk than the market. Note that diversification cannot guarantee a profit or protect against loss.

Baron Growth Fund only purchases small-cap companies. Since the Fund holds its investments for the long term, the Fund has a significant percentage of assets invested in securities that have appreciated beyond their market capitalizations at the time of the Fund's investment. Baron Growth Fund's median market cap is $6.8 billion and its weighted average market cap is $19.3 billion. This compares to Morningstar's U.S. market cap breakpoints for small- and mid-cap funds of $6.9 billion and $36.4 billion, respectively, as of June 30, 2021.

Table IX.
Top 10 holdings as of June 30, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
MSCI, Inc.	2007	$1.8	$43.9	$898.2	10.0%
Vail Resorts, Inc.	1997	0.2	12.7	633.0	7.0
IDEXX Laboratories, Inc.	2005	1.9	53.9	467.3	5.2
Penn National Gaming, Inc.	2008	2.5	12.0	451.3	5.0
CoStar Group, Inc.	2004	0.7	32.7	450.5	5.0
ANSYS, Inc.	2009	2.3	30.2	419.9	4.7
FactSet Research Systems, Inc.	2006	2.5	12.7	402.7	4.5
Bio-Techne Corporation	2009	2.1	17.5	382.7	4.2
Gartner, Inc.	2007	2.3	20.8	381.5	4.2
Arch Capital Group Ltd.	2002	0.4	15.7	356.9	4.0

Thank you for joining us as fellow shareholders in Baron Growth Fund. We are appreciative of the confidence you have shown in us, and we will continue to work hard to justify that confidence.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager

Neal Rosenberg
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 its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Adviser believes that there is more potential for capital appreciation in smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities may be thinly traded, and they may be more difficult to sell during market downturns. 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.

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

There is no guarantee that that the goals discussed will be met.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

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

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2000 Growth Index) is 1.00 by definition.

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