Dear Baron Focused Growth Fund Shareholder:

Performance

Baron Focused Growth Fund® (the Fund) had a difficult quarter and declined 5.29% (Institutional Shares). Regardless, it outperformed the Russell 2500 Growth Index (the Benchmark) by 155 bps. The Benchmark fell 6.84%. Despite continued macroeconomic concerns of a slowdown in consumer spending and capital investments due to higher interest rates and stubbornly high inflation, most of our portfolio companies continue to generate strong results. These businesses have yet to experience changes in their customer demographics or spending levels. Inflation is affecting company operating expenses, including labor, insurance, and utilities; yet most of our portfolio companies have been able to offset cost increases with higher prices without impacting demand. This has led to stable margins and cash flow for businesses held in the Fund and has created a less volatile portfolio.

Table I.
Performance
Annualized for periods ended September 30, 2023

	Baron Focused Growth Fund Retail Shares[1,2,3]	Baron Focused Growth Fund Institutional Shares[1,2,3,4]	Russell 2500 Growth Index[2]	S&P 500 Index[2]
Three Months[5]	(5.35)%	(5.29)%	(6.84)%	(3.27)%
Nine Months[5]	16.18%	16.44%	5.63%	13.07%
One Year	10.87%	11.18%	10.61%	21.62%
Three Years	9.39%	9.69%	1.01%	10.15%
Five Years	20.47%	20.78%	4.05%	9.92%
Ten Years	14.93%	15.22%	8.37%	11.91%
Fifteen Years	13.31%	13.58%	10.33%	11.28%
Since Conversion (June 30, 2008)	12.55%	12.82%	9.22%	10.45%
Since Inception (May 31,1996)	12.95%	13.09%	7.65%	9.04%

DAVID BARON
PORTFOLIO MANAGER

RONALD BARON
CEO AND PORTFOLIO MANAGER

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

The Fund has outperformed its Benchmark for the 1-, 3-, 5-, 10-, and 15-year periods, as well as since its inception on May 31, 1996. Since its inception as a private partnership more than 27 years ago, the Fund has increased 13.09% annualized. This compares to a 7.65% annualized return for the Benchmark and a 9.04% annualized return for the S&P 500 Index.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.32% and 1.06%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser may reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2034, 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 baronfunds.com or call 1-800-99-BARON.

1 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The **Russell 2500® Growth Index** measures the performance of small to medium-sized companies that are classified as growth. The **S&P 500 Index** measures the performance 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 trade mark 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 Fund includes reinvestment of dividends, net of withholding taxes, while the Russell 2500® Growth Index and S&P 500 Index include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

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

4 Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. 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.

Baron Focused Growth Fund

The outperformance in the third quarter was led by our recurring revenue, fee-oriented investments that have strong pricing power, high client retention rates, and are less susceptible to changes in the macroeconomic environment. These included **Guidewire Software, Inc.**, **FactSet Research Systems Inc.**, **Arch Capital Group Ltd.**, and **MSCI Inc**.

These gains were offset by underperformance in our **Disruptive Growth** and **Real/Irreplaceable Assets** investments, as well as those companies more susceptible to a slower macroeconomic environment leading to potential declines in their businesses. Regardless, most are continuing to generate strong results. These businesses continue to benefit from strong demand, pricing power, and cash-flow growth. They maintain low customer acquisition costs given their strong, well-known brands, allowing them to benefit from word-of-mouth marketing. The low marketing costs allow these companies to invest in new products and distribution channels, and they can use excess cash to strengthen their balance sheets or pay dividends and/or buy back stock at attractive valuations. These include **FIGS, Inc.**, **Krispy Kreme, Inc,** and **Marriott Vacations Worldwide Corporation**.

Property and casualty insurance software vendor Guidewire increased 18.3% and helped performance by 59 bps during the third quarter. This was due to strong bookings. Faster subscription growth due to more account signups led to robust margin performance and better-than-expected cash flow. In addition, management expects subscription growth acceleration next year as ramped deals mature. Management indicated that its intermediate- and long-term margin structure is tracking ahead of plan. The company is now transferring its research and development and infrastructure spending to product development. It is also considering acquisitions. We believe Guidewire has now tripled its addressable market to $20 billion through new products and its cloud delivery software. We regard Guidewire as the critical software vendor to the global P&C insurance industry, which remains significantly underpenetrated. Guidewire could ultimately capture between 30% and 50% of its $20 billion total annual addressable market and generate margins above 40%. Its resultant strong cash flow could be used to continue to invest in new products and services for its customers, while also buying back stock. It recently instituted a $400 million share repurchase program.

FactSet, a financial intelligence provider to the investment community, increased 9.4% and helped performance in the quarter by 40 bps. FactSet shares increased as the company indicated it was experiencing a pickup in new business with a strong pipeline of potential sales. Investors had been worried about decelerating earnings growth due to the company's accelerated investments in new tools and technology. It appears those investments are resulting in strong returns. This has led to increased pricing power and new use cases without any change in retention rates. We expect further revenue and earnings growth in 2023 and beyond, as well as improved cash flow from its recent CUSIP acquisition. FactSet will likely use its increased cash flow for additional acquisitions and share repurchases. The company's prospects remain favorable due to its large addressable market, strong financial technology expertise, and consistent execution on both new product development and financial results.

The diversified property, casualty, and mortgage insurer Arch Capital's share price increased 6.5% and helped performance by 34 bps in the third quarter. This was as the company continued to increase premiums written while raising prices. This strong pricing is resulting in robust returns on investments with increased earnings and cash flow that the company continues to use to repurchase its shares. We believe that Arch will continue to generate mid-teens returns on capital and that Arch's valuation remains attractive. Its stock is trading at a low double-digit multiple of earnings, which are growing at a mid-teens annual growth rate.

Shares of MSCI, a leading provider of investment decision support tools, increased 9.6% in the third quarter and helped performance by 32 bps. The stock's outperformance was due to a stabilization in ESG sales growth with a strong sales pipeline as well as continued strength in its index and analytics businesses. MSCI continues to grow its business at a double-digit rate with strong pricing power and high retention rates. This well-run business is committed to protecting profitability. It has long-term secular growth opportunities relating to the increased use of data analytics in the investment process and asset managers outsourcing back office functions. MSCI continues to generate resilient earnings and cash flow and is benefiting from improved performance in the global equity markets, which impacts MSCI's asset-based fee revenue. The company generates strong cash flow, which it uses to invest in its business. It is currently buying back its stock at an accelerated rate.

FIGS is the largest direct-to-consumer supplier of scrubs to the medical industry. Its shares underperformed in the third quarter declining 28.7% and hurt performance by 91 bps. This was due to customers reducing their frequency of purchases, as they are impacted by the inflationary environment and higher interest rates. However, the company is experiencing strong customer additions and record reactivations. We believe cost headwinds this year should become tailwinds next year. Continued growth in upselling customers into non-scrubs, greater international penetration, and increasing its customer base through new extended size offerings should contribute to growth. Non-scrubs continue to grow at a brisk pace and should be accretive to margins as this product line scales. The company also continues to expand awareness, benefiting from strong word-of-mouth marketing and leveraging its digital marketing, while remaining profitable on a first order basis. FIGS' international business is in its infancy, with strong results so far in the U.K. and Canada. We believe FIGS' direct-to-consumer model, strong brand, and superior product remain durable competitive advantages. We expect FIGS to continue to gain share in the $80 billion global health care apparel market. We continue to believe the company could double its revenue over the next three years and increase its EBITDA growth more substantially. The CEO has personally bought stock at current levels.

Shares of Krispy Kreme, a manufacturer and seller of delicious doughnuts, declined in the third quarter 15.0% and hurt performance by 45 bps. This was due to cost pressures that hurt profits. However, pricing initiatives and hub-and and-spoke efficiencies remain on track as the company continues to scale and increase distribution. Points of access continue to increase at a double-digit rate leading to strong mid-teens organic growth in earnings. We believe earnings growth will accelerate in the coming years as the company further expands its distribution and potentially adds more McDonald's stores to its portfolio. Management has been positive on test market results to date and continues to believe it has a significant growth opportunity globally. This is in part since the company can successfully serve these points of access from its existing hub network. The company continues to expand its addressable market as it tests alternative channels. It believes it has further opportunities to drive revenue per hub and margin expansion in the U.S.

Timeshare company Marriott Vacations Worldwide Corporation declined 17.4% in the third quarter and hurt performance by 39 bps on softer sales results. The company is selling a new combined product with the addition of the Marriott Abound Collection, which allows timeshare owners to gain access to Sheraton, Westin, Ritz, Marriott, and other brands. This new product sale, combined with higher interest rates and a slight uptick in default rates, led to declines in earnings and cash flow. Wildfires in Hawaii, which comprises 12% of the company's room base, also hurt results. We believe that, once the sales team is trained in selling the new product, sales and associated recurring revenue including maintenance fees, financing fees, and membership dues, should return to growth. The business disruption caused by the fires in Hawaii should be covered by insurance and result in a one-time impact on the business. Occupancies across its portfolio have returned to pre-COVID levels, which should be a strong channel for further sales growth. Marriott Vacations continues to have a robust pipeline of tour packages, with higher-than-usual rates of bookings. We believe this strength, combined with a more targeted marketing approach, should help boost closing rates and sales growth. The company has a strong balance sheet with robust cash flow that it uses to buy back its stock and pay a well-covered 3% dividend. With 35% of EBITDA generated through recurring management fees, interest income, exchange and membership dues, and maintenance fees; we think the company is well positioned to weather a potential downturn. The stock trades close to a trough forward EBITDA multiple and should expand to its historical average multiple over time as earnings growth and share repurchases accelerate.

Table II.
Total returns by category for the quarter ended September 30, 2023

	% of Net Assets (as of 9/30/2023)	Total Return (%)	Contribution to Return (%)
Financials	**19.1**	**7.88**	**1.23**
Jefferies Financial Group Inc.	0.8	11.38	0.08
MSCI Inc.	4.0	9.57	0.32
FactSet Research Systems Inc.	4.8	9.42	0.40
Arch Capital Group Ltd.	6.3	6.49	0.34
Interactive Brokers Group, Inc.	3.2	4.25	0.10
Core Growth	**18.0**	**–4.34**	**–0.81**
Guidewire Software, Inc.	4.1	18.34	0.59
Verisk Analytics, Inc.	3.3	4.66	0.14
IDEXX Laboratories, Inc.	1.3	–12.77	–0.19
CoStar Group, Inc.	4.3	–13.71	–0.60
On Holding AG	2.0	–14.62	–0.30
Krispy Kreme, Inc.	3.0	–14.99	–0.45
Russell 2500 Growth Index		**–6.84**	
Real/Irreplaceable Assets	**23.6**	**–8.79**	**–2.16**
PENN Entertainment, Inc.	–	12.46	0.11
Choice Hotels International, Inc.	2.4	4.71	0.09
Douglas Emmett, Inc.	1.6	3.08	0.05
American Homes 4 Rent	0.7	–4.38	–0.03
Hyatt Hotels Corporation	4.6	–7.29	–0.33
Alexandria Real Estate Equities, Inc.	1.4	–10.63	–0.20
Red Rock Resorts, Inc.	3.1	–11.81	–0.38
Vail Resorts, Inc.	4.5	–11.86	–0.57
MGM Resorts International	1.6	–16.19	–0.30
Marriott Vacations Worldwide Corporation	1.9	–17.37	–0.39
Manchester United plc	1.7	–19.74	–0.21
Disruptive Growth	**37.0**	**–9.79**	**–3.33**
Rivian Automotive, Inc.	1.1	19.66	0.10
Spotify Technology S.A.	3.4	–3.23	0.01
Tesla, Inc.	13.4	–4.41	–0.48
BioNTech SE	1.4	–4.58	–0.05
Space Exploration Technologies Corp.	7.7	–7.37	–0.62
ANSYS, Inc.	2.5	–9.89	–0.24
Shopify Inc.	1.7	–15.49	–0.23
Iridium Communications Inc.	2.9	–26.53	–0.91
FIGS, Inc.	3.0	–28.68	–0.91
Cash	**2.3**	**–**	**0.03**
Fees	**–**	**–0.28**	**–0.28**
Total	**100.0***	**–5.30****	**–5.30****

Sources: FactSet PA, FTSE Russell, and Baron Capital.

* 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 September 30, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Guidewire Software, Inc.	2013	$ 2.7	$ 7.3	18.34%	0.59%
FactSet Research Systems Inc.	2008	2.5	16.7	9.42	0.40
Arch Capital Group Ltd.	2003	0.9	29.7	6.49	0.34
MSCI Inc.	2021	53.9	40.6	9.57	0.32
Verisk Analytics, Inc.	2022	27.4	34.3	4.66	0.14

Shares of P&C insurance software vendor **Guidewire Software, Inc.** rose after the company announced robust quarterly results. Sales results included 17 cloud deals, 11 of which were with Tier 1 carriers including AllState Canada, Progressive, and Insurance Australia Group, the largest insurer in Australia. We expect to see the company's consistent annual recurring revenue growth accelerate next year as sales momentum continues and ramped deals distribute revenue. We are also encouraged by Guidewire's gross margin expansion, which improved by almost 10% during the quarter. We believe Guidewire will be the critical software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%.

Shares of **FactSet Research Systems Inc.**, a leading provider of investment management tools, contributed to performance. Despite macro-related volatility including challenges in the banking sector, lengthening sales cycles, and constrained client budgets, the company reported quarterly earnings that beat consensus estimates and provided a solid outlook for fiscal year 2024. While there is some near-term uncertainty, we retain long-term conviction in FactSet due to the company's large addressable market, consistent execution on both new product development and financial results, and robust free-cash-flow (FCF) generation.

Specialty insurer **Arch Capital Group Ltd.** contributed after reporting results that beat consensus amid favorable industry conditions. During the second quarter, net premiums written grew 28%, underwriting margins remained strong, and net investment income more than doubled. The operating ROE exceeded 20%, and book value per share grew 18%. Pricing trends in the P&C insurance market remain favorable, and higher interest rates are driving higher investment yields. We expect Arch to achieve significant growth in earnings and book value.

Table IV.
Top detractors from performance for the quarter ended September 30, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Iridium Communications Inc.	2014	$0.6	$ 5.7	–26.53%	–0.91%
FIGS, Inc.	2022	1.5	1.0	–28.68	–0.91
Space Exploration Technologies Corp.	2017	–	–	–7.37	–0.62
CoStar Group, Inc.	2014	6.2	31.4	–13.71	–0.60
Vail Resorts, Inc.	2013	2.3	8.5	–11.86	–0.57

Iridium Communications Inc. is a leading mobile voice and data communications services vendor offering global coverage via satellite. Shares fell on a second quarter earnings miss. A potential slowdown in Iridium's voice and data segment, following a few years during which the segment benefited from a price increase and competition displacement, also likely contributed to the stock's decline. We maintain conviction. The earnings miss was due largely to a one-time write-off of a spare satellite that we believe does not impact its long-term prospects. Iridium recently announced a collaboration with Qualcomm to integrate its satellite communication technology into Qualcomm's Snapdragon chip, allowing devices to seamlessly connect to both cellular and satellite networks. While Iridium has suggested the realization of the direct-to-device opportunity might take longer than some investors had hoped, we believe the collaboration will yield substantial revenue for the company over time. We also remain excited about the company's capital allocation program, which should benefit shareholders in the years ahead.

FIGS, Inc. is a direct-to-consumer apparel and lifestyle brand dedicated to the health care community. While the company reported quarterly results that beat consensus in early August, shares underperformed during the third quarter due to macroeconomic concerns regarding FIGS' customer base, including worries about the resumption of student loan payments. We believe FIGS will continue to grow its customer base and share of wallet through its superior product offering and direct relationship with consumers. In our view, FIGS has a long growth runway ahead, thanks to its international opportunities and nascent B2B offerings, that should expand the company's profitability over time.

Space Exploration Technologies Corp. (SpaceX) is a high-profile private company founded by Elon Musk that designs, manufactures, and launches rockets, satellites, and spacecrafts. Its long-term goal is to enable human beings to inhabit Mars. We believe SpaceX is creating substantial value through the expansion of its Starlink broadband service. It also reliably provides reusable launch capabilities, including crewed space flights, and is making progress on its largest rocket, Starship. We value SpaceX using prices of recent financing transactions and a proprietary valuation model.

Investment Strategy & Portfolio Structure

We remain steadfast in our commitment to long-term investing in competitively advantaged growth businesses with large market opportunities that are taking share and are managed by exceptional executives in whom we trust. We look for businesses that have strong pricing power with high retention rates and can invest capital at robust rates of return. We also look for companies that are cost leaders and can produce goods and provide services at the lowest possible cost. These investments, we believe, are an effective way to protect and increase the purchasing power of your savings. In the past, after wars, pandemics, financial panics, higher-than-normal inflation, and significant market declines, as interest rates stabilize and are ultimately reduced, equity stock prices have increased substantially. We believe this will happen again, although the timing remains uncertain.

Despite market volatility, our portfolio companies continue to invest in their businesses to accelerate revenue growth, while using excess cash to return capital to shareholders through increased buybacks and dividends. That is a key differentiator for the Fund, and one that we believe reduces Fund volatility, an important factor in a concentrated fund. As a result, while the Fund tends to keep up with the market during upcycles, the Fund loses less than the Benchmark during downturns, creating significantly lower risk while generating strong excess returns for investors.

The current weighted average return on invested capital for our holdings is 9.0% versus 4.1% for companies in the Benchmark. One of the reasons we believe our investments should continue to grow in any market environment is that they invest for growth through all market environments. In addition, many are starting to accelerate their return of capital to shareholders through increased buybacks and dividends with insiders including CEOs, CFOs and Directors starting to personally buy their stocks. Those are signs to us that management teams remain confident in their businesses' prospects despite the uncertain macroeconomic environment.

As of September 30, 2023, the Fund owned 30 investments. The Fund's average portfolio turnover for the past three years was 25.1%. This means the Fund has an average holding period for its investments of around four years. This contrasts sharply with the average mid-cap growth mutual fund, which typically turns over its entire portfolio around every 17 months. From a quality standpoint, the Fund's investments have stronger sales growth than holdings in the Benchmark, higher EBITDA, operating, and FCF margins, and stronger returns on invested capital. We believe these metrics are important factors to limit the risk in this focused portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Benchmark. For example, we are heavily weighted in Consumer Discretionary businesses with 40.6% of net assets in this sector versus 12.9% for the Benchmark. We have no exposure to Energy versus 5.1% for the Benchmark and lower exposure to Health Care stocks at 2.7% for the Fund versus 20.4% for the Benchmark. We believe the performance of stocks in the Energy and Health Care sectors can change quickly and therefore believe it is undesirable to invest a large amount in these stocks in a concentrated portfolio for the long term. The Fund is further diversified by investments in businesses at different stages of growth and development.

Table V.
Disruptive Growth Companies as of September 30, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	13.4%	2014	1,398.9%
Space Exploration Technologies Corp.	7.7	2017	441.6
Spotify Technology S.A.	3.4	2020	–35.4
FIGS, Inc.	3.0	2022	–35.6
Iridium Communications Inc.	2.9	2014	572.6
ANSYS, Inc.	2.5	2022	22.2
Shopify Inc.	1.7	2022	56.8
BioNTech SE	1.4	2023	–4.0
Rivian Automotive, Inc.	1.1	2023	18.8

Disruptive Growth firms accounted for 37.0% of the Fund's net assets. On current metrics, these businesses may appear expensive; however, we think they will continue to grow significantly and, if we are correct, they have the potential to generate exceptional returns over time. Examples of these companies include electric vehicle leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, and audio streaming service provider **Spotify Technology S.A.** All of these companies have large underpenetrated addressable markets relative to the current size of these competitively advantaged businesses.

Table VI.
Investments with Real/Irreplaceable Assets as of September 30, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Hyatt Hotels Corporation	4.6%	2009	287.7%
Vail Resorts, Inc.	4.5	2013	336.3
Red Rock Resorts, Inc.	3.1	2017	120.6
Choice Hotels International, Inc.	2.4	2010	509.2
Marriott Vacations Worldwide Corporation	1.9	2022	–22.2
Manchester United plc	1.7	2022	–6.7
MGM Resorts International	1.6	2023	–16.7
Douglas Emmett, Inc.	1.6	2022	–15.6
Alexandria Real Estate Equities, Inc.	1.4	2022	–29.0
American Homes 4 Rent	0.7	2018	73.5

Companies that own what we believe are **Real/Irreplaceable Assets** represented 23.6% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corporation**, and the largest player in the Las Vegas locals casino gaming market **Red Rock Resorts, Inc.**, are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power over time. Red Rock Resorts' state-granted licenses for its regional casinos provide important protection from competitors, while its undeveloped gaming-entitled land portfolio offers large opportunities for future growth.

Table VII.
Financials Investments as of September 30, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Arch Capital Group Ltd.	6.3%	2003	2,089.2%
FactSet Research Systems Inc.	4.8	2008	905.5
MSCI Inc.	4.0	2021	–20.1
Interactive Brokers Group, Inc.	3.2	2023	8.5
Jefferies Financial Group Inc.	0.8	2023	21.4

Financials investments accounted for 19.1% of the Fund's net assets. These businesses generate strong recurring earnings through subscriptions and premiums that generate highly predictable earnings and cash flow. These businesses use cash flows to continue to invest in new products and services, while returning capital to shareholders through share buybacks and dividends. These companies include **Arch Capital Group Ltd.**, **FactSet Research Systems Inc.**, and **MSCI Inc.** Arch, one of the leading P&C insurers, continued to increase premiums written and raise prices. This strong pricing is resulting in robust returns on investments, with increased earnings and cash flow that the company is using to repurchase its shares. We continue to believe that Arch should continue to generate mid-teens returns on capital and that its growth and valuation remain attractive.

Baron Focused Growth Fund

Table VIII.
Core Growth Investments as of September 30, 2023

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	4.3%	2014	259.3%
Guidewire Software, Inc.	4.1	2013	94.7
Verisk Analytics, Inc.	3.3	2022	37.4
Krispy Kreme, Inc.	3.0	2021	–10.3
On Holding AG	2.0	2023	–12.8
IDEXX Laboratories, Inc	1.3	2022	–0.9

Core Growth investments, steady growers that continually invest in their businesses for growth and return excess FCF to shareholders, represented 18.0% of net assets. An example would be **CoStar Group, Inc.** The company continues to add new services in the commercial and residential areas of real estate, which have grown its addressable market and enhanced services for its clients. This has improved client retention and cash flow. CoStar continues to invest its cash flow in its business to accelerate growth, which we believe should generate strong returns over time.

Portfolio Holdings

As of September 30, 2023, the Fund's top 10 holdings represented 57.2% of net assets. A number of these investments have been successful and were purchased when they were much smaller businesses. We believe they continue to offer significant appreciation potential, although we cannot guarantee that will be the case.

The top five positions in the portfolio, **Tesla, Inc.**, **Space Exploration Technologies Corp.**, **Arch Capital Group Ltd.**, **FactSet Research Systems Inc.**, and **Hyatt Hotels Corporation**, all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior industry expertise, or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth and returns over time.

Table IX.
Top 10 holdings as of September 30, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Tesla, Inc.	2014	$31.2	$794.2	$153.9	13.4%
Space Exploration Technologies Corp.	2017	–	–	88.1	7.7
Arch Capital Group Ltd.	2003	0.9	29.7	71.7	6.3
FactSet Research Systems Inc.	2008	2.5	16.7	54.7	4.8
Hyatt Hotels Corporation	2009	4.2	11.0	53.0	4.6
Vail Resorts, Inc.	2013	2.3	8.5	51.8	4.5
CoStar Group, Inc.	2014	6.2	31.4	48.8	4.3
Guidewire Software, Inc.	2013	2.7	7.3	47.4	4.1
MSCI Inc.	2021	53.9	40.6	46.2	4.0
Spotify Technology S.A.	2020	45.4	29.9	39.0	3.4

Recent Activity

In the third quarter, we added to our position in **On Holding AG**, a developer and distributor of athletic footwear, apparel, and accessories. The company has a strong brand and continues to take share in a large addressable market. On is one of the fastest-growing scaled athletic sports companies in the world and it continues to innovate with new footwear and apparel. On continues to expand its owned stores globally, especially in the U.S. On has just seven owned stores globally today and is carefully growing the number of wholesale stores.

On has a large market opportunity. It operates in the $300 billion global sportswear industry. That category is forecast to grow at a high single-digit rate through 2025, making it one of the fastest-growing pockets within Consumer Discretionary. The factors driving growth in the industry include continued trends toward *athleisure,* as trends towards healthier lifestyles drive consumers towards more comfortable and casual attire.

We believe On should be able to grow revenues at a rate of 20% to 25% annually over the next several years, while expanding margins as it scales. On should generate strong cash flow to reinvest in its business at high rates of return. On is debt free. On's growth is driven by growing brand awareness as it expands its geographic footprint. This is achieved through On's wholesale stores as well as direct-to-consumer growth through both digital and physical store expansion. Eventual cross-selling from running sneakers to lifestyle, outdoor, and tennis footwear, as well as expanding from footwear to apparel and accessories, is another long-term opportunity.

Outlook

We believe the shares of many of our portfolio companies already reflect significant declines in earnings next year. Investors obviously remember operating declines during the 2008/2009 Global Financial Crisis and are pricing in similar declines today. If we do not go into a deep recession this year, or if the slowdown and expected decline in earnings next year are not as bad as feared, we should see significant near-term upside in our investments. We believe our stocks are cyclically depressed, not secularly challenged, and should recover over the next 12 to 18 months. So far, most of our portfolio companies have not experienced a slowdown in sales or earnings growth, and their outlooks remain strong. In addition, we believe that even if a downturn were to occur, our portfolio companies would still be operating above pre-pandemic levels. These businesses' balance sheets have been strengthened compared to pre-COVID levels, and we believe they remain well positioned to weather a downturn should we enter one.

Thank you for investing in Baron Focused Growth Fund. We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also continue to try to provide you with information we would like to have if our roles were reversed. This is so you can make an informed judgment about whether Baron Focused Growth Fund remains an appropriate investment for your family.

Respectfully,

Ronald Baron
CEO and Portfolio Manager

David Baron
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 1-800-99-BARON or visiting 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 most recent quarter-end, about 13% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with investing in small and medium-sized companies include that the securities may be thinly traded and more difficult to sell during market downturns.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future holdings are subject to risk.

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

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

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