Dear Baron Asset Fund Shareholder:

Performance

U.S. equity markets suffered their worst quarter since the 2008 financial crisis, abruptly ending the longest bull market in U.S. history. U.S. equities achieved new all-time highs in mid-February before falling sharply as the spread of the COVID-19 virus worsened outside of China, raising concerns about global health risks and impacts on global supply chains and economies. The situation was made worse by an escalating oil price war between Russia and Saudi Arabia, which sent oil prices tumbling more than 20% in early March. Despite the Federal Reserve's drastic actions and Washington's massive stimulus plan to counter the coronavirus-induced economic slowdown, stock prices remained under pressure as the number of reported cases continued to rise globally. However, as of the time of this letter, stocks have staged a recovery, recapturing a meaningful portion of their first quarter losses.

ANDREW PECK
PORTFOLIO MANAGER

Retail Shares: BARAX
Institutional Shares: BARIX
R6 Shares: BARUX

Table I.
Performance
Annualized for periods ended March 31, 2020

	Baron Asset Fund Retail Shares[1,2]	Baron Asset Fund Institutional Shares[1,2,3]	Russell Midcap Growth Index[1]	S&P 500 Index[1]
Three Months[5]	(16.69)%	(16.63)%	(20.04)%	(19.60)%
One Year	(4.73)%	(4.48)%	(9.45)%	(6.98)%
Three Years	9.47%	9.76%	6.53%	5.10%
Five Years	8.18%	8.47%	5.61%	6.73%
Ten Years	11.53%	11.83%	10.89%	10.53%
Fifteen Years	8.77%	8.98%	8.64%	7.58%
Since Inception (June 12, 1987)	11.07%	11.17%	9.52%[4]	9.17%

Against this backdrop, Baron Asset Fund (the "Fund") fell 16.63% (Institutional Shares), while the Russell Midcap Growth Index (the "Index") fell 20.04%, and the S&P 500 Index fell 19.60%.

Although we were not pleased with the Fund's absolute performance, we were encouraged that the Fund outperformed the Index during the first part of the quarter (12/31/2019 to 2/19/2020), as the market reached new highs. And, the Fund also outperformed the Index during the market's decline to its trough (2/19/2020 to 3/23/2020), and again during the market's initial

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, 2019 was 1.30% and 1.05%, 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 indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. 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.
[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] For the period June 30, 1987 to March 31, 2020.
[5] Not annualized.

The Morningstar RatingTM for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

As of 3/31/2020, the **Morningstar US Fund Mid-Cap Growth Category** consisted of 567, 498, 386, and 567 share classes for the 3-year, 5-year, 10-year, and overall periods, respectively. Morningstar has awarded **Baron Asset Fund Institutional** Share Class 5 stars, 5 stars, 5 stars, and 5 stars for its 3-year, 5-year, 10-year, and overall performance, respectively.

rebound (3/23/2020 to 3/31/2020). We believe that this example of positive upside and downside capture has been an attractive aspect of the Fund's long-term performance.

We are also pleased that as of March 31, 2020, good risk-adjusted performance allowed the Fund's Retail and Institutional Shares to receive a five-star rating from Morningstar, Inc., the well-known publisher of information and rankings for the mutual fund industry.*

Baron Asset Fund outperformed the Index because of a combination of positive stock selection and relative sector weights. Style biases also contributed to relative results, driven by the Fund's underexposure to the poor performing beta, earnings yield, and dividend yield factors. In addition, we were pleased that the Fund managed to outperform in a deteriorating market environment while remaining essentially fully invested in equities throughout the period.

Investments in the Industrials, Health Care, and Real Estate sectors and lack of exposure to the Energy sector, which was down sharply alongside the price of oil, added the most value. Stock selection in Industrials accounted for most of the Fund's outperformance in the period, driven by research & consulting services companies with largely subscription-based revenues that should be relatively unaffected by short-term economic disruption. The shares of **Verisk Analytics, Inc.** outperformed after the company sold its capital intensive Geomni business while retaining potential upside related to Geomni's aerial imagery analytics, which was well received by investors. Shares of **Clarivate Analytics Plc** were lifted by solid quarterly earnings results and optimistic guidance for the coming year. Real estate information and marketing services company **CoStar Group, Inc.** also performed well as business trends remained outstanding, with the company's bookings improving by approximately 20% year-over-year in 2019.

Within Health Care, higher exposure to strong performing health care equipment stocks through sizeable positions in **IDEXX Laboratories, Inc.**, **DexCom, Inc.**, and **Teleflex Incorporated** added value. Strength in the sector also came from injectable pharmaceutical packaging and delivery systems producer **West Pharmaceutical Services, Inc.**, life sciences software solutions provider **Veeva Systems Inc.**, and weighing instruments manufacturer **Mettler-Toledo International, Inc.** Within Real Estate, higher exposure to this outperforming sector and share price gains from wireless tower operator **SBA Communications Corp.** and data center company **Equinix, Inc.** bolstered relative results. SBA's shares outperformed following a government ruling that allowed the merger of Sprint and T-Mobile, two large wireless carriers. This merger is expected to result in increased spending to improve the new company's combined network, which should benefit tower owners. Equinix's stock reacted positively to solid quarterly earnings results and upbeat commentary from management regarding bookings and demand.

Underperformance of Information Technology (IT) and Consumer Discretionary investments and lack of exposure to the defensive Consumer Staples sector detracted the most from relative results. Weakness in IT was driven by syndicated research provider **Gartner, Inc.** and P&C insurance software vendor **Guidewire Software, Inc.** Negative stock selection in Consumer Discretionary was related to the underperformance of several companies exposed to the precipitous drop off in travel resulting from the COVID-19 pandemic. Affected companies included ski resort operator **Vail Resorts, Inc.**, global hotelier **Hyatt Hotels Corp.**, and hotel franchisor **Choice Hotels International, Inc.** This poor performance was offset by lower exposure to this lagging sector.

Table II.
Top contributors to performance for the quarter ended March 31, 2020

	Year Acquired	Percent Impact
Veeva Systems Inc.	2017	0.19%
DexCom, Inc.	2019	0.19
Clarivate Analytics Plc	2019	0.17
SBA Communications Corp	2007	0.13
Equinix, Inc.	2007	0.10

Veeva Systems Inc. provides cloud-based software focused on customer relationship, content, collaboration, and data management solutions tailored mostly to the life sciences industry. Veeva outperformed during the quarter because its revenues are largely subscription-based, and they are, therefore, expected to be well suited to withstand potential economic disruption related to COVID-19. In addition, the health care technology sub-industry is expected to be less impacted by this disruption than many other sub-industries. We believe that Veeva's software remains best-in-class, while being highly valued by its customers for use in mission critical areas of their businesses. We believe Veeva remains exceptionally well positioned for sustained long-term growth.

DexCom, Inc. is a medical device manufacturer that makes continuous blood glucose monitoring devices for patients with diabetes. We believe that DexCom's device is a superior method for monitoring blood sugar compared with finger sticks (the traditional method). We also believe that DexCom's market opportunity is large–its core market consists of the 3.2 million insulin intensive patients in the U.S. plus another 3 million to 5 million insulin intensives outside the U.S. The company's stock rose after it reported significantly higher sales and profits in the fourth quarter of 2019, driven by strong demand for the company's G6 device. Although we think DexCom's growth may be moderately impacted in the near term by the COVID-19 pandemic, we continue to believe the company has a long runway for growth.

Clarivate Analytics Plc sells proprietary data and analytics that helps its clients, including academia, governments, corporations, and law firms, to discover, protect, and commercialize new research, intellectual property, and patents. Its shares gained as the company reported solid fourth quarter 2019 earnings that included optimistic views on 2020 performance. We believe that Clarivate should be relatively well positioned to manage through challenging economic conditions because of its highly recurring revenue base and its "must have" products. We continue to believe that Clarivate will be a steady earnings compounder, which should drive solid returns for the stock over a multi-year period.

SBA Communications Corp., which owns and operates towers for wireless communications, contributed to performance because of its continued organic growth and its relative immunity from COVID-19 related economic disruption. In addition, the merger of two large wireless carriers, Sprint and T-Mobile, was upheld by the courts. This removed uncertainty around the pace at which the combined entity will invest in infrastructure to upgrade its network, benefiting SBA. We retain conviction in our investment because of the ongoing growth in demand for wireless voice, data, and video; the company's strong competitive position; and its consistent ability to return capital to shareholders through share buybacks and a recently instituted dividend.

Equinix, Inc. is a real estate investment trust that operates network-dense, carrier-neutral colocation data centers. The stock contributed to performance after reporting robust quarterly metrics related to new customer bookings. Like SBA, Equinix's business, which somewhat tracks the overall growth in internet usage, should be relatively unimpacted by near-term economic disruption. We retain conviction in our investment because of the ongoing growth of internet traffic, cloud adoption, and IT outsourcing; and Equinix's relatively unique position as one of the few operators offering customers a connected global data center platform.

Table III.
Top detractors from performance for the quarter ended March 31, 2020

	Year Acquired	Percent Impact
Gartner, Inc.	2007	–1.75%
Vail Resorts, Inc.	1997	–1.24
Guidewire Software, Inc.	2013	–0.91
Arch Capital Group Ltd.	2003	–0.88
TransUnion	2017	-0.76

Shares of **Gartner, Inc.**, whose primary business is providing syndicated research on the IT sector, detracted from performance. Gartner has an events business that operates conferences for various constituencies in the IT sector. This unit, which represents approximately 11% of overall revenue, is likely to be meaningfully impacted by the COVID-19 pandemic. We believe that this headwind will prove to be transitory, and we expect the company to institute various cost reduction efforts in the meantime. We expect that the company's core research business, which is largely recurring in nature, should remain resilient despite the elevated near-term economic uncertainty.

Shares of **Vail Resorts, Inc.**, the global operator of ski resorts, declined as the company was forced to prematurely end its resorts' ski season in mid-March because of the COVID-19 pandemic. Although this event will significantly impact Vail's near-term earnings, we are confident that Vail will navigate through this disruption. The company retains a strong balance sheet and free cash flow profile. The company indicated that it will defer various capital investments and temporarily suspend its dividend in order to further strengthen its cash position. We expect its business to eventually recover.

Shares of property and casualty insurance software vendor **Guidewire Software, Inc.** detracted from performance. Guidewire is transforming its business from its historic focus on premise-based software to cloud-based software services. During the quarter, the company reported financial results well ahead of expectations. Demand for its cloud-based services accelerated meaningfully, which we believe is favorable from a long-term perspective. However, this had negative consequences on its income statement in the short term. During the quarter, the company signed two very large customers to cloud deals. We believe one of these deals, with insurer USAA, could be worth $40 million to $50 million of annual recurring revenue once implemented. We believe that Guidewire's stock should recover, as the market better appreciates the positive long-term financial implications of the company's rapid transition in its business model.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. The company reported better-than-expected quarterly earnings with its book value per share gaining 23%. However, the stock underperformed over concerns that widespread business closures due to the COVID-19 pandemic could cause higher losses for business interruption and event cancellation insurance policies. A recession could also cause higher losses for its economically sensitive mortgage insurance business.

TransUnion is a consumer credit bureau that helps businesses make well-informed credit and marketing decisions. The company reported better-than-expected quarterly results during the quarter. However, the stock underperformed as the COVID-19 pandemic caused a deterioration in the economic outlook, causing investors to question the sustainability of TransUnion's strong growth if the economy enters a recession. While growth may slow, we continue to own the stock because we expect TransUnion to continue gaining market share while continuing to diversify into attractive information services verticals.

Portfolio Structure

At March 31, 2020, Baron Asset Fund held 56 positions. The Fund's 10 largest holdings represented 39.2% of assets, and the 20 largest represented 62.7% of assets. The Fund's largest weighting was in the IT sector at 28.2% of assets. This sector includes software companies, IT consulting firms, internet services companies, and data processing firms. The Fund held 23.9% of its assets in the Health Care sector, which includes investments in life sciences companies, and health care equipment, supplies, and technology companies. The Fund held 19.0% of its assets in the Industrials sector, which includes investments in research and consulting companies, industrial conglomerates, and machinery companies. The Fund also had significant weightings in Financials at 12.5% of assets and Real Estate at 8.0% of assets.

Table IV.
Top 10 holdings as March 31, 2020

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
IDEXX Laboratories, Inc.	2006	$2.5	$20.6	$230.5	6.2%
Verisk Analytics, Inc.	2009	4.0	22.7	179.3	4.8
Gartner, Inc.	2007	2.9	8.9	157.8	4.3
Mettler-Toledo International, Inc.	2008	2.4	16.6	154.1	4.2
ANSYS, Inc.	2009	2.3	19.9	138.8	3.7
SBA Communications Corp.	2007	3.8	30.2	129.5	3.5
CoStar Group, Inc.	2016	5.0	21.5	126.5	3.4
Verisign, Inc.	2013	7.1	21.0	125.9	3.4
Guidewire Software, Inc.	2013	2.8	6.6	112.8	3.0
FactSet Research Systems, Inc.	2006	2.5	9.9	100.6	2.7

Recent Activity

During the past quarter, the Fund established three new position and added to five others. The Fund eliminated 5 position and reduced its holdings in 18 others.

Table V.
Top net purchases for the quarter ended March 31, 2020

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Fair Isaac Corporation	$9.0	$29.8
GDS Holdings Limited	8.8	25.8
RingCentral, Inc.	18.5	16.0
MSCI, Inc.	24.6	7.8
Guidewire Software, Inc.	6.6	0.8

In the most recent quarter, we acquired shares of **GDS Holdings Limited**, the leading data center developer and operator in China serving the premier Chinese cloud service, e-commerce, social media/gaming, and internet players. Although we have not invested in many foreign-based companies, we believe that GDS represents a compelling opportunity. Its business shares many similarities with Equinix, Inc., a U.S.-based data center operator that has been a profitable long-term investment for the Fund. In addition, our real estate research team has met extensively with GDS management over the course of the last few years and has built increased confidence in the team's growth aspirations and its ability to successfully execute them.

We believe that the Chinese data center industry remains in the earlier stages of its growth curve, and we believe it will experience one of the fastest multi-year growth rates globally as the Chinese government continues to support the rapid rollout of 5G connectivity. GDS's current and future data centers support the critical IT infrastructure that empowers cloud adoption and enables numerous consumer and business applications. In addition to experiencing robust organic growth, GDS has accelerated its growth runway through select M&A. These acquisitions have allowed the company to obtain additional capacity in supply constrained markets at attractive prices. In addition, GDS has supplemented its dense urban strategy with a "campus strategy," whereby it secures additional supplies of land and power on the outskirts of cities with minimal capital committed.

To provide some perspective on GDS's growth rate, it signs more "bookings" in a single quarter than many global data center companies sign over the course of a year. Lastly, after two well received capital raises in 2019, GDS remains well funded with ample cash on its balance sheet to support multiple years of accelerated growth. GDS also has several deep-pocketed backers, including the Singaporean government's investment fund, that have remained supportive of GDS's growth plans and have participated in several of GDS's capital raises. We believe there are many similarities to our other data center investments–GDS is earlier on its growth curve but growing at a much faster clip. We see a path for GDS to nearly triple its cash flow over the next few years, and we see a path to double our investment over that timeframe.

Table VI.
Top net sales for the quarter ended March 31, 2020

	Amount Sold (millions)
Tiffany & Co.	$61.1
IAC/InterActiveCorp	45.4
Mettler-Toledo International, Inc.	18.7
Sage Therapeutics, Inc.	12.3
argenx SE	11.5

We exited our position in longtime holding **Tiffany & Co.** in advance of the company's expected sale to LVMH, the French luxury conglomerate. We exited our position in **IAC/InterActiveCorp** because we believe its Match Group unit will be challenged to maintain its growth rate, and we are concerned about continued deterioration and a changing strategy for its ANGI Homeservices unit. We modestly reduced our stake in longtime holding **Mettler-Toledo International, Inc.** to raise capital to allocate elsewhere in the Fund. We exited positions in the Fund's two biotechnology investments, **Sage Therapeutics, Inc.** and **argenx SE**. These businesses are not cash flow positive, and we had concerns about their ability to navigate the volatile economic climate.

Outlook

Throughout its 30-plus year history, Baron Asset Fund has been a long-term investor in businesses that we believe will benefit from long-lived secular growth trends, with sustainable competitive advantages, led by exceptional management teams. We believe that we have created value for our investors during this time by understanding and analyzing businesses better than many others. We have never believed that we can create value by understanding remarkably complex and inherently uncertain macroeconomic events, such as the ones we are now living through, better than others.

Although we are, of course, closely following the unprecedented social, political, and economic effects stemming from the COVID-19 pandemic, we are not making meaningful changes to the Fund's portfolio based on them. Instead, we continue to follow our tried and true approach, with a particular emphasis on ensuring that businesses in our portfolio have sufficient financial flexibility and balance sheet strength to weather these unprecedented times.

The most recent periods of extreme uncertainty and disruption in the equity markets–the 2008 financial crisis and the aftermath of 9/11–proved to be very attractive times to make long-term investments in high-quality, mid-sized growth stocks. We are optimistic that this current period will ultimately provide similar upside for our portfolio.

Sincerely,

Andrew Peck
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 mid-sized companies, but there also may be more risk. Specific risks associated with investing in mid-sized companies include that the securities may be thinly traded and they may be more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. 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.

Beta measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition.

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