



QUARTERLY LETTER | SEPTEMBER 30, 2025

## Baron Focused Growth Fund®

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

### Dear Baron Focused Growth Fund Shareholder,

#### Performance

Baron Focused Growth Fund® (the Fund) delivered strong results in the third quarter, with a gain of 4.83% (Institutional Shares) continuing the solid year-to-date returns. However, this performance underperformed our benchmark, the Russell 2500 Growth Index (the Benchmark), which increased 10.73%. Underperformance reflected concerns about a moderation of economic growth across our more economically sensitive Consumer Discretionary stocks including **Choice Hotels International, Inc.**, **Hyatt Hotels Corporation**, and **Vail Resorts, Inc.** In addition, increased competitive concerns from investors hurt the valuations on a few of our investments, such as **On Holding AG**, **FactSet Research Systems Inc.**, and **Iridium Communications Inc.** in the quarter.

However, despite the recent quarterly underperformance, our portfolio companies continue to do quite well. They are generating strong revenue growth and increasing investments to accelerate growth further while still maintaining strong balance sheets. This gives our companies opportunities either to invest for growth, make strategic acquisitions should something come available, or return capital to shareholders through share buybacks should there be dislocations in stock prices.

In addition, despite the stock market currently hovering at peak levels, we as fund managers are having no issues putting new cash to work and are adding to both existing and new names as we believe valuations remain compelling. The uplift in the market has been led by niche AI-related large-cap companies and has not been broad based. We see it in the multiples of our small- and mid-cap stock selections, which are currently trading at discounts to their large-cap peers despite having faster growth. We believe

*Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of April 30, 2025, was 1.31% 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 Adviser may waive or reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2036, 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 [BaronCapitalGroup.com](http://BaronCapitalGroup.com) or call 1-800-99-BARON.*



David Baron  
Co-President  
Portfolio Manager

Ron Baron  
CEO  
Portfolio Manager

#### Annualized performance (%) for period ended September 30, 2025<sup>†</sup>

|                                 | Fund<br>Retail<br>Shares <sup>1,2,3</sup> | Fund<br>Institutional<br>Shares <sup>1,2,3,4</sup> | Russell<br>2500<br>Growth<br>Index <sup>1</sup> | Russell<br>3000<br>Index <sup>1</sup> |
|---------------------------------|-------------------------------------------|----------------------------------------------------|-------------------------------------------------|---------------------------------------|
| QTD <sup>5</sup>                | 4.76                                      | 4.83                                               | 10.73                                           | 8.18                                  |
| YTD <sup>5</sup>                | 8.62                                      | 8.84                                               | 9.95                                            | 14.40                                 |
| 1 Year                          | 24.28                                     | 24.61                                              | 12.62                                           | 17.41                                 |
| 3 Year                          | 19.59                                     | 19.91                                              | 15.97                                           | 24.12                                 |
| 5 Year                          | 15.09                                     | 15.40                                              | 7.76                                            | 15.74                                 |
| 10 Year                         | 19.99                                     | 20.30                                              | 10.93                                           | 14.71                                 |
| 15 Year                         | 16.43                                     | 16.74                                              | 11.92                                           | 14.23                                 |
| Since Conversion<br>(6/30/2008) | 13.84                                     | 14.12                                              | 10.28                                           | 11.92                                 |
| Since Inception<br>(5/31/1996)  | 13.68                                     | 13.84                                              | 8.37                                            | 10.03                                 |

this discount should narrow over time as investors start to see accelerated growth from these companies next year due to recent investments made. Further, we believe there is still a ton of capital on the sidelines waiting to be invested, including from private equity firms who continue to raise new funds. We believe as rates continue to move lower over the next year, public to private transactions and strategic acquisitions should increase, which should further support valuations and our investments.

While we are disappointed with the third quarter underperformance, the Fund still has continued to outperform its Benchmark over the prior 3-, 5-, and 10- year periods, generating significant excess returns with much less than market risk. Over the past 3-, 5-, and 10- year periods, the Fund has generated 394, 764, and 937 bps of

outperformance, respectively, with market risk that is 77%, 96%, and 96%, respectively, as volatile as the market.

These strong risk-adjusted returns are a testament to our portfolio construction technique where we aim to balance the portfolio by not only investing in shoot-out-the-lights, disruptive companies that can take share of large market opportunities such as a **Tesla, Inc.** or **Shopify Inc.**, but also balance that with steadier growing companies that are more mature in their lifecycle such as **IDEXX Laboratories, Inc.** or **Birkenstock Holding plc.** These companies are still growing revenues at double-digit rates or more and can generate strong returns through growth plus income whether that be dividends or share repurchases.

We further balanced the Fund with more recurring revenue, subscription businesses whose products are embedded in their customers' workflows such as **MSCI Inc.**, **Verisk Analytics, Inc.**, and **CoStar Group, Inc.** These businesses generate predictable growth with strong balance sheets to fund tuck-in acquisitions and further accelerate growth. Lastly, we invest in real asset companies whose stocks trade at discounts to where they would sell to a strategic competitor or private equity but can still generate at least double-digit total shareholder annual returns such as **Vail**, **Airbnb, Inc.**, or **Choice**.

We continue to believe these businesses have strong competitive advantages with underpenetrated growth opportunities ahead of them and robust balance sheets to finance their growth. We believe valuations are attractive at current levels and continue to see an acceleration in insider buying activity such as just this past quarter in **Tesla**, **Vail**, **Jefferies Financial Group Inc.**, and **FactSet**, a key pillar that gives us increased confidence in our investment theses for these companies and expected stock returns over time.

We believe this combination of accelerating growth, strong balance sheets, and attractive valuations offer multiple avenues for potential returns. As a result, we continue to view the portfolio as compelling, with a favorable risk/reward profile over the long term.

We believe these strong returns with downside protection are due to our research-based investment process. Our research enables us to identify and understand businesses' competitive advantages, differentiation, long-term growth prospects, and exceptional people; and it allows us to invest in these businesses for the long term at what we believe are attractive valuations relative to what these businesses can become. As a result, as shown in the table below, the Fund has outperformed its Benchmark for all relevant periods including since its inception on May 31, 1996. **Since its inception as a private partnership over 29 years ago, the Fund has increased 13.84% on an annualized basis. This compares to an 8.37% annualized return for the Benchmark and a 10.03% annualized return for the Russell 3000 Index that measures the performance of the largest 3,000 U.S. companies.**

The Fund's underperformance in the third quarter was primarily due to companies that could be hurt the most by the introduction of AI into the economy including our subscription-based software investments such as **FactSet** and **Verisk** and those businesses

that could be impacted by additional competition such as **On Holding** from new Nike innovations. However, while this increased competition hurt the valuations of these stocks in the quarter, it has not impacted financials, and these companies continue to generate revenue growth in line with company and investor expectations.

Further losses were seen in more economic-sensitive Consumer Discretionary companies whose businesses could be hurt by declines in consumer spending such as **Choice** and **Vail**. These five businesses mentioned above represented over 15% on average, of the Fund's net assets and hurt performance by 277 bps in the quarter.

Shares of **FactSet**, a leading provider of investment management tools, declined 35.8% and hurt performance by 73 bps in the quarter. The decline was due to industry-wide AI fears and uncertainty as to the competitive moat surrounding its data. However, despite these continued fears, the company continues to generate strong results that are better than company and investor expectations. They had their best quarter of new sales ever and indicated they are benefiting from AI through revenue enhancements, pricing uptakes, and cost containments not being hurt by it. However, despite these strong results and commentary, the stock's valuation continues to contract. While we believe it's currently impossible to disprove the negative AI case, we believe the company's moat around trust, brand, and distribution is deeper than most investors realize. **FactSet** is deeply embedded in customer workflows, making them a logical partner through which many customers will leverage AI in a highly regulated end-market. As a result, we believe their ability to both normalize and consolidate vast amounts of data is underappreciated. We retain our belief that **FactSet** is an attractive company due to its large addressable market, consistent execution on both new product development and financial results, and robust free cash flow generation.

Shares of **Verisk**, a leading data and analytics vendor, declined 19.1% in the quarter and hurt performance by 51 bps. The decline was due to concerns of a deceleration in revenue growth in the second half of the year due to softer insurance market as well as a large acquisition the company made in the quarter to expand its product pipeline and accelerate growth in the coming years. However, while the revenue growth concerns are valid, it is only a difference in growth of 50 bps depending on whether they are selling into a strong or softer insurance market. The company continues to generate strong high single-digit revenue growth and remains upbeat on their pipeline of new products moving forward. We believe that **Verisk** is well positioned around AI given they are a necessary asset for insurance companies in the property and casualty insurance ecosystem and the deeply proprietary nature of many of their data assets. We still believe the company is well positioned for long-term growth, margin expansion, and strong returns on investments over the coming years.

Premium footwear and apparel brand **On Holding** declined 18.4% in the period and hurt performance by 91 bps. The stock has been volatile this year amid tariff uncertainty and increased competition as Nike increases investments in new products that could impact both **On's** revenue growth trajectory and margin structure. However, despite these headwinds, we believe **On** is

well equipped to navigate the current environment. Its strong brand and premium positioning should enable it to offset tariff exposure through selective price increases, while demand for its products remains resilient despite increased competition. On should continue to grow for many years and take share in the highly attractive global sportswear market as they remain a small player in a large growing market with just 2% of the global sports footwear market. We believe On has differentiated itself through its engineered solution whereas other brands rely more on marketing and that On's innovation capabilities should fuel share gains for many years. This growth should be supported by expansions across categories, retail outlets, and geographies, including underserved markets such as Asia. We believe the company should be able to grow revenue at a CAGR of over 20% the next few years leading to EBITDA growth of over 30% which when combined with a mid-single-digit yield on free cash flow should set the stock up for strong returns in the years to come.

Shares of Choice, a global franchisor of economy and midscale hotels across a portfolio of well-known brands, declined 15.6% and hurt performance by 44 bps. Shares fell during the quarter as investors were concerned with slowing revenue-per-available-room (RevPAR) growth. However, management has steadily reduced Choice's exposure to RevPAR fluctuations by expanding higher-margin, non-RevPAR fee income as it leverages the company's 70-million-member loyalty database to secure additional partnerships with credit card companies, timeshare operators, and casinos. Choice is also adding higher-revenue units at a low single-digit rate, with a focus on larger room sizes, premium royalty rates, and RevPAR levels that exceed the current portfolio. We expect revenue growth to accelerate as a robust pipeline of new projects come online and Choice captures synergies from its Radisson Americas acquisition by increasing traffic to those properties and narrowing the royalty-rate gap between Radisson and legacy Choice brands. With a strong balance sheet, Choice is well positioned to return capital to shareholders through dividends and share repurchases.

Shares of global ski resort company Vail were down 4.7% for the quarter, detracting 18 bps. Vail's stock was hurt by investor concerns about slowing visitation levels, driven by a lack of growth in season pass sales. In response, the company is refining its marketing strategy and investing in new media channels, including social media and influencer partnerships, to attract new skiers and accelerate pass sales. Vail also plans to narrow the pricing gap between lift tickets and season passes to encourage more non-pass holders to join its ecosystem, which should drive stronger pass growth next year. Consumer sentiment toward Vail's pass products is improving, and management continues to enhance the value of the portfolio. The company maintains strong margins and cash flow, which support both share repurchases and a 6% dividend yield. We believe the stock's significant discount to its historical valuation should narrow as growth reaccelerates in the coming years.

These declines were overshadowed by gains from companies who benefitted from recent investments in their company technology and products and who continued to take market share from competitors as they further penetrated their large addressable

market opportunities. Included in this category of investments are Tesla, Shopify, and FIGS, Inc.

Tesla's shares increased 40.0% in the quarter, adding 281 bps to performance. Tesla designs, manufactures, and sells electric vehicles, related software and components, and solar and energy storage products. The stock increased as the core automotive segment accelerated sequentially, and management indicated they expected a further acceleration later in 2025 and in 2026 as they release new lower-cost models. In addition, the start of autonomous vehicles in Austin in June also helped increase sentiment in stock. We continue to believe lower interest rates should help sell more cars and halt the company's continuous lowering of prices.

The company's energy storage business continues to grow and is becoming a large contributor to earnings and margin growth. In time, we continue to believe the energy storage business should add significantly to revenue and gross margins and help offset any margin degradation from its automotive business. Tesla continues to generate sufficient gross profit to support a robust product development pipeline. The refreshed Models 3 and Y continue to generate strong demand with improving unit-level economics, and we see further growth coming from newer models that are expected to launch in the second half of 2025. Lastly, Tesla should benefit from its eight year, \$10 billion investment in data and compute, which will allow AI to "train" cars to drive with autonomous technology. Dojo, an AI "training" compute; auto bidder, an automated energy trading platform; the Optimus, a human-like robot; and energy storage, we believe also provide opportunity. We continue to believe Tesla is well positioned for further growth given its strong balance sheet with substantial cash and strong annual cash generation, which should accelerate over the coming years.

Shares of Shopify rose 28.8% in the period, contributing 85 bps to performance. Shopify is a leading cloud-based software provider for multi-channel commerce. The company continued to deliver solid results, with second-quarter revenue up 30% year over year in constant currency, reflecting sustained market share gains driven by 29% growth in gross merchandise volume (GMV). Growth was broad-based across Shopify's core e-commerce merchant base and supported by successful expansion into offline, international, and business-to-business channels, which grew 29%, 42%, and 101%, respectively. Shares also benefited from progress in agentic commerce, underscored by Shopify's recently announced partnership with OpenAI, the owner of ChatGPT. We believe the company's maturing product suite is becoming increasingly attractive to merchants of all sizes and geographies, enabling it to further expand its addressable market. We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth, as it still holds less than a 2% share of the global commerce market.

Shares of FIGS increased 18.6% in the quarter and added 35 bps to performance. The company is generating strong results and accelerating revenue from recent investments made over the past year. This is despite making a conscious decision to pull back on promotions. After several years of industry pressure, FIGS is now

seeing more normal purchasing and replenishment patterns while also benefiting from specific initiatives around product and marketing that are resonating with its customers. The company is also seeing better-than-expected margin improvements as they begin to get better efficiency out of their new fulfillment center. We continue to believe FIGS can take share in the attractive \$80 billion global health care apparel industry. According to the Bureau of Labor Statistics, health care remains one of the fastest growing employment industries in the U.S. and FIGS benefits from being a need-based, replenishment item. The company is well positioned to take share in this industry through its premium, high-quality products sold advantageously through its website and stores. In addition to growing its core scrubs business, we believe that FIGS will also see outsized growth from its initiative to grow stores, business to business revenue, and expand internationally. We believe the revenue acceleration combined with margins expansions and strong cash generation should leave the company well positioned for further growth over time.

## Total returns by investment type for the quarter

|                                         | Percent of<br>Net Assets<br>(%) | Total<br>Return<br>(%) | Contribution<br>to Return<br>(%) |
|-----------------------------------------|---------------------------------|------------------------|----------------------------------|
| <b>Russell 2500 Growth Index</b>        |                                 | <b>10.73</b>           |                                  |
| <b>Disruptive Growth</b>                | <b>43.1</b>                     | <b>9.63</b>            | <b>3.76</b>                      |
| Figma, Inc.                             | 0.3                             | 57.18                  | 0.13                             |
| Tesla, Inc.                             | 9.7                             | 40.00                  | 2.81                             |
| Shopify Inc.                            | 3.6                             | 28.83                  | 0.85                             |
| FIGS, Inc.                              | 2.0                             | 18.62                  | 0.35                             |
| Space Exploration<br>Technologies Corp. | 11.6                            | 14.59                  | 1.38                             |
| ANSYS, Inc.                             | 0.0                             | 12.71                  | 0.18                             |
| Neuralink Corp.                         | 0.2                             | 0.00                   | 0.00                             |
| X.AI Holdings Corp.                     | 2.2                             | 0.00                   | 0.00                             |
| Samsara Inc.                            | 1.4                             | (5.53)                 | (0.09)                           |
| Duolingo, Inc.                          | 1.3                             | (6.30)                 | (0.02)                           |
| Spotify Technology S.A.                 | 6.5                             | (9.04)                 | (0.74)                           |
| On Holding AG                           | 4.4                             | (18.16)                | (0.91)                           |
| Synopsys Inc                            | 0.0                             | (26.11)                | (0.19)                           |
| <b>Real/Irreplaceable Assets</b>        | <b>19.4</b>                     | <b>3.79</b>            | <b>0.81</b>                      |
| Las Vegas Sands Corporation             | 1.7                             | 24.22                  | 0.36                             |
| Toll Brothers, Inc.                     | 1.4                             | 21.56                  | 0.27                             |
| Red Rock Resorts, Inc.                  | 4.3                             | 17.84                  | 0.71                             |
| Douglas Emmett, Inc.                    | 0.8                             | 4.80                   | 0.04                             |
| Hyatt Hotels Corporation                | 3.9                             | 1.74                   | 0.09                             |
| Vail Resorts, Inc.                      | 3.9                             | (4.63)                 | (0.18)                           |
| Airbnb, Inc.                            | 0.9                             | (8.15)                 | (0.06)                           |
| Choice Hotels International, Inc.       | 2.4                             | (15.55)                | (0.44)                           |

## Total returns by investment type for the quarter

|                                  | Percent of<br>Net Assets<br>(%) | Total<br>Return<br>(%) | Contribution<br>to Return<br>(%) |
|----------------------------------|---------------------------------|------------------------|----------------------------------|
| <b>Financials</b>                | <b>15.2</b>                     | <b>3.38</b>            | <b>0.51</b>                      |
| Interactive Brokers Group, Inc.  | 5.3                             | 24.34                  | 1.11                             |
| Jefferies Financial Group Inc.   | 1.1                             | 20.42                  | 0.20                             |
| Arch Capital Group Ltd.          | 2.9                             | (0.35)                 | (0.01)                           |
| MSCI Inc.                        | 4.6                             | (0.95)                 | (0.05)                           |
| FactSet Research Systems Inc.    | 1.3                             | (35.76)                | (0.73)                           |
| <b>Core Growth</b>               | <b>21.7</b>                     | <b>-0.27</b>           | <b>0.00</b>                      |
| IDEXX Laboratories, Inc.         | 5.4                             | 19.12                  | 0.94                             |
| Live Nation Entertainment, Inc.  | 1.5                             | 8.01                   | 0.12                             |
| CoStar Group, Inc.               | 4.0                             | 4.94                   | 0.24                             |
| Guidewire Software, Inc.         | 4.5                             | (2.37)                 | (0.16)                           |
| Birkenstock Holding plc          | 4.1                             | (7.59)                 | (0.30)                           |
| Verisk Analytics, Inc.           | 2.1                             | (19.10)                | (0.51)                           |
| Iridium Communications Inc.      | 0.0                             | (52.29)                | (0.34)                           |
| <b>Cash and Cash Equivalents</b> | <b>0.6</b>                      | <b>--</b>              | <b>0.02</b>                      |
| <b>Fees</b>                      | <b>--</b>                       | <b>(0.28)</b>          | <b>(0.28)</b>                    |
| <b>Total</b>                     | <b>100.0*</b>                   | <b>4.82**</b>          | <b>4.82**</b>                    |

\* Individual weights may not sum to displayed total due to rounding.

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

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

## Top contributors to performance for the quarter

|                                         | Year<br>Acquired | Market<br>Cap When<br>Acquired<br>(\$B) | Quarter End<br>Market Cap<br>(\$B) | Total<br>Return<br>(%) | Contribution<br>to Return<br>(%) |
|-----------------------------------------|------------------|-----------------------------------------|------------------------------------|------------------------|----------------------------------|
| Tesla, Inc.                             | 2014             | 31.2                                    | 1,478.8                            | 40.00                  | 2.81                             |
| Space Exploration<br>Technologies Corp. | 2017             | 21.6                                    | 400.1                              | 14.59                  | 1.38                             |
| Interactive Brokers<br>Group, Inc.      | 2023             | 33.8                                    | 117.0                              | 24.34                  | 1.11                             |
| IDEXX<br>Laboratories, Inc.             | 2022             | 36.5                                    | 51.1                               | 19.12                  | 0.94                             |
| Shopify Inc.                            | 2022             | 43.9                                    | 193.0                              | 28.83                  | 0.85                             |

**Tesla, Inc.** designs, manufactures, and sells fully electric vehicles, related software and components, solar products, and energy storage solutions. Shares rose during the quarter due to three key catalysts. First, Tesla's core automotive business is showing renewed strength, with expectations for rising third-quarter delivery volumes across major markets following an enthusiastic consumer response to a new Model Y variant in China. Second, investor confidence in the company's long-term vision and in Elon Musk's leadership was reinforced by a newly proposed CEO compensation package and nearly \$1 billion in personal share purchases by Musk. Finally, Tesla's AI initiatives continue to advance rapidly, highlighted by the Austin robotaxi network's expansion from 20 to over 170 square miles since its June 2025 launch and plans for rollouts to additional cities. The upcoming



Full Self-Driving Version 14 release is also expected to deliver a major leap in capability for the company's consumer-owned fleet, while humanoid robot production is anticipated next year as Tesla finalizes its latest Optimus design.

**Space Exploration Technologies Corp.** (SpaceX) is a high-profile private company founded by Elon Musk. The company's primary focus is on developing and launching advanced rockets, satellites, and spacecrafts, with the ambitious long-term goal of making life multi-planetary. SpaceX is generating significant value with the rapid expansion of its Starlink broadband service. The company is successfully deploying a vast constellation of Starlink satellites in Earth's orbit, reporting substantial growth in active users, and regularly deploying new and more efficient hardware technology. Furthermore, SpaceX has established itself as a leading launch provider by offering highly reliable and cost-effective launches, leveraging the company's reusable launch technology. SpaceX capabilities extend to strategic services such as human spaceflight missions. Moreover, SpaceX is making tremendous progress on its newest rocket, Starship, which is the largest, most powerful rocket ever flown. This next-generation vehicle represents a significant leap forward in reusability and space exploration capabilities. We value SpaceX using prices of recent stock transactions.

Leading online brokerage house **Interactive Brokers Group, Inc.** contributed to performance, driven by strong quarterly results. The company continues to grow accounts at a 30%-plus rate year over year, with revenue and earnings remaining robust. Interactive Brokers is also benefiting from favorable market conditions, as elevated asset prices and strong investor trading volumes combine to drive unusually high earnings for the company. We believe Interactive Brokers has a compelling long-term growth path and remain investors.

#### Top detractors from performance for the quarter

|                                   | Year<br>Acquired | Market<br>Cap When<br>Acquired<br>(\$B) | Quarter End<br>Market Cap<br>(\$B) | Total<br>Return<br>(%) | Contribution<br>to Return<br>(%) |
|-----------------------------------|------------------|-----------------------------------------|------------------------------------|------------------------|----------------------------------|
| On Holding AG                     | 2023             | 10.1                                    | 13.8                               | (18.42)                | (0.91)                           |
| Spotify Technology S.A.           | 2020             | 45.4                                    | 145.5                              | (9.04)                 | (0.74)                           |
| FactSet Research Systems Inc.     | 2008             | 2.5                                     | 10.8                               | (35.76)                | (0.73)                           |
| Verisk Analytics, Inc.            | 2022             | 27.4                                    | 35.1                               | (19.10)                | (0.51)                           |
| Choice Hotels International, Inc. | 2010             | 1.9                                     | 4.9                                | (15.55)                | (0.44)                           |

Shares of premium footwear and apparel brand **On Holding AG** fell during the quarter amid macroeconomic uncertainty and concerns about rising competition in the global sportswear industry. Despite these headwinds, the company delivered strong quarterly results, with revenue up 38% and broad-based growth across regions and categories. Management also raised its revenue and profitability expectations for the year. We maintain conviction in On's ability to gain market share in the attractive global sportswear segment through its premium brand positioning and innovative

product offerings, and we believe shares remain undervalued at current levels.

**Spotify Technology S.A.** is a leading global digital music service, offering on-demand audio streaming through paid premium subscriptions and an ad-supported model. Shares detracted from performance following mixed quarterly results and a longer timeline for margin expansion. This was partly offset by announcements of price increases across multiple regions and completed negotiations with major record labels. Despite recent price hikes, user growth remained strong at a double-digit pace, with high engagement and low churn even amid consumer uncertainty. The company has been on a path to structurally increase gross margins, aided by its high-margin artist promotions marketplace, growing contribution from podcasts, and ongoing investments in advertising. Spotify also continued to innovate on the product side, calling 2025 the "year of accelerated execution," with priorities in improving advertising, expanding into video, developing a Super Premium tier, and taking more market share. We continue to view Spotify as a long-term winner in music streaming with potential to reach 1 billion-plus monthly active users.

**FactSet Research Systems Inc.** is a leading provider of investment management tools. Shares fell during the quarter due to a combination of industry-wide concerns about AI, uncertainty surrounding the ongoing CEO transition (which prompted a more conservative preliminary fiscal 2026 outlook), and cautious commentary from several financial data and software peers. The company nevertheless reported solid fiscal fourth-quarter 2025 earnings results, its best quarter ever for new sales, and discussed at length how AI is benefiting the business. We retain long-term conviction in FactSet given its large addressable market, strong execution across both new product development and financial results, and robust free cash flow generation.

#### Investment Strategy and Portfolio Structure

We remain steadfast in our commitment to long-term investing in competitively advantaged, growth businesses. We continue to run a balanced portfolio of uncorrelated businesses to help reduce portfolio risk while generating strong excess returns over time. We believe this portfolio strategy is an effective way to protect and increase the purchasing power of your savings. While there will always be market volatility, we believe we can reduce that volatility via this portfolio that is approximately 20% less volatile than the market. This is due to the balanced nature of the portfolio as seen below with approximately 40% on average invested in fast growing **Disruptive Growth** investments that can generate revenue growth of as much as 20% to 30%; 20% of the portfolio in **Real/Irreplaceable Assets** that trade at significant discounts to replacement cost and where they would sell to private equity or another strategic buyer; and 15% in financial data businesses (**Financials**) that have recurring revenue and earnings given the embedded nature of their products in the workflow of their customers; and the balance in **Core Growth** double-digit revenue growing businesses that are more mature in their lifecycle and generate earnings growth while using excess cash for dividend

increases, share buybacks, and additional investments in the business in order to accelerate growth further.

As of September 30, 2025, the Fund held 30 investments. From a quality standpoint, the Fund's investments have generally stronger long-term sales growth; higher EBITDA, operating, and free-cash-flow margins; and stronger returns on invested capital than the Benchmark with generally less financial leverage. We believe these metrics help limit risk in this focused portfolio and are why the portfolio has generated such strong risk-adjusted returns over time.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Benchmark. For example, the Fund is heavily weighted to Consumer Discretionary businesses with 40.0% of net assets in this sector versus 13.0% for the Benchmark. The Fund has no exposure to Energy, Materials, Consumer Staples or Utilities. We believe companies in these sectors can be cyclical, linked to commodity prices, and/or have little if any competitive advantage. This compares to the Benchmark that had 7.7% total exposure to these sectors. The Fund also has lower exposure to Health Care stocks at 5.6% versus 20.6% for the Benchmark. The performance of many stocks in the Health Care sector can change quickly due to exogenous events or binary outcomes (e.g., biotechnology and pharmaceuticals). As a result, we do not invest a large amount in these stocks in this focused portfolio. In Health Care, we invest in competitively advantaged companies that are leaders in their industries such as **IDEXX Laboratories, Inc.**, the leading provider of diagnostics to the veterinary industry and who is benefiting from the increase in pets that people acquired during the COVID pandemic, especially as these pets age. The Fund is further diversified by investments in businesses at different stages of growth and development.

## Disruptive Growth Companies

|                                      | Percent of<br>Net Assets<br>(%) | Year<br>Acquired | Cumulative<br>Return<br>Since Date<br>Acquired<br>(%) |
|--------------------------------------|---------------------------------|------------------|-------------------------------------------------------|
| Space Exploration Technologies Corp. | 11.6                            | 2017             | 1,433.1                                               |
| X.AI Holdings Corp.                  | 2.2                             | 2024             | 205.4                                                 |
| Neuralink Corp.                      | 0.2                             | 2025             | 0.0                                                   |
| Tesla, Inc.                          | 9.7                             | 2014             | 2,564.0                                               |
| Spotify Technology S.A.              | 6.5                             | 2020             | 191.7                                                 |
| On Holding AG                        | 4.4                             | 2023             | 32.8                                                  |
| Shopify Inc.                         | 3.6                             | 2022             | 326.9                                                 |
| FIGS, Inc.                           | 2.0                             | 2022             | (27.0)                                                |
| Samsara Inc.                         | 1.4                             | 2025             | 9.2                                                   |
| Duolingo, Inc.                       | 1.3                             | 2025             | (11.6)                                                |
| Figma, Inc.                          | 0.3                             | 2025             | (55.1)                                                |

**Disruptive Growth** firms accounted for 43.1% 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 and launch company **Space Exploration Technologies Corp.**, and audio streaming service provider **Spotify Technology S.A.** These companies all have large underpenetrated addressable markets, and are well financed with significant equity stakes by these founder-led companies, giving us further confidence in our investment.

## Core Growth Investments

|                                 | Percent of<br>Net Assets<br>(%) | Year<br>Acquired | Cumulative<br>Return<br>Since Date<br>Acquired<br>(%) |
|---------------------------------|---------------------------------|------------------|-------------------------------------------------------|
| IDEXX Laboratories, Inc.        | 5.4                             | 2022             | 44.8                                                  |
| Guidewire Software, Inc.        | 4.5                             | 2013             | 397.3                                                 |
| Birkenstock Holding plc         | 4.1                             | 2023             | 12.6                                                  |
| CoStar Group, Inc.              | 4.0                             | 2014             | 294.3                                                 |
| Verisk Analytics, Inc.          | 2.1                             | 2022             | 48.1                                                  |
| Live Nation Entertainment, Inc. | 1.5                             | 2024             | 16.5                                                  |

**Core Growth** investments, steady growers that continually invest in their businesses for growth and return excess free cash flow to shareholders, represented 21.7% of net assets. An example would be **CoStar Group, Inc.**, a marketing and data analytics provider for the real estate industry. The company continues to add new services in commercial and residential 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.

## Investments with Real/Irreplaceable Assets

|                                   | Percent of<br>Net Assets<br>(%) | Year<br>Acquired | Cumulative<br>Return<br>Since Date<br>Acquired<br>(%) |
|-----------------------------------|---------------------------------|------------------|-------------------------------------------------------|
| Red Rock Resorts, Inc.            | 4.3                             | 2017             | 254.7                                                 |
| Hyatt Hotels Corporation          | 3.9                             | 2009             | 423.2                                                 |
| Vail Resorts, Inc.                | 3.9                             | 2013             | 223.0                                                 |
| Choice Hotels International, Inc. | 2.4                             | 2010             | 440.2                                                 |
| Las Vegas Sands Corporation       | 1.7                             | 2023             | 22.8                                                  |
| Toll Brothers, Inc.               | 1.4                             | 2025             | 28.3                                                  |
| Airbnb, Inc.                      | 0.9                             | 2024             | 5.9                                                   |
| Douglas Emmett, Inc.              | 0.83                            | 2022             | 13.6                                                  |

Companies that own what we believe are **Real/Irreplaceable Assets** represented 19.4% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, **Hyatt Hotels Corporation**, upscale lodging brand, and **Red Rock Resorts, Inc.**, the largest player in the Las Vegas locals casino gaming market,

are examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power.

## Financials Investments

|                                 | Percent of<br>Net Assets<br>(%) | Year<br>Acquired | Cumulative<br>Return<br>Since Date<br>Acquired<br>(%) |
|---------------------------------|---------------------------------|------------------|-------------------------------------------------------|
| Interactive Brokers Group, Inc. | 5.3                             | 2023             | 248.9                                                 |
| MSCI Inc.                       | 4.6                             | 2021             | (9.5)                                                 |
| Arch Capital Group Ltd.         | 2.9                             | 2003             | 2,520.3                                               |
| FactSet Research Systems Inc.   | 1.3                             | 2008             | 571.4                                                 |
| Jefferies Financial Group Inc.  | 1.1                             | 2023             | 128.6                                                 |

**Financials** investments accounted for 15.2% 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.**

## Portfolio Holdings

As of September 30, 2025, the Fund's top 10 holdings represented 60.5% of net assets. Many 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, **Space Exploration Technologies Corp.**, **Tesla, Inc.**, **Spotify Technology S.A.**, **IDEXX Laboratories, Inc.**, and **Interactive Brokers Group, Inc.** 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 and have large market opportunities to penetrate further, which enhances their potential for superior earnings growth and returns over time.

## Top 10 holdings

|                                      | Year<br>Acquired | Market<br>Cap When<br>Acquired<br>(\$B) | Quarter End<br>Market Cap<br>(\$B) | Quarter End<br>Investment<br>Value<br>(\$M) | Percent of<br>Net Assets<br>(%) |
|--------------------------------------|------------------|-----------------------------------------|------------------------------------|---------------------------------------------|---------------------------------|
| Space Exploration Technologies Corp. | 2017             | 21.6                                    | 400.1                              | 325.6                                       | 11.6                            |
| Tesla, Inc.                          | 2014             | 31.2                                    | 1,478.8                            | 273.5                                       | 9.7                             |
| Spotify Technology S.A.              | 2020             | 45.4                                    | 145.5                              | 182.9                                       | 6.5                             |
| IDEXX Laboratories, Inc.             | 2022             | 36.5                                    | 51.1                               | 152.4                                       | 5.4                             |
| Interactive Brokers Group, Inc.      | 2023             | 33.8                                    | 117.0                              | 148.6                                       | 5.3                             |
| MSCI Inc.                            | 2021             | 53.9                                    | 43.9                               | 129.4                                       | 4.6                             |
| Guidewire Software, Inc.             | 2013             | 2.7                                     | 19.4                               | 127.9                                       | 4.5                             |
| On Holding AG                        | 2023             | 10.1                                    | 13.8                               | 122.8                                       | 4.4                             |
| Red Rock Resorts, Inc.               | 2017             | 2.6                                     | 6.4                                | 122.1                                       | 4.3                             |
| Birkenstock Holding plc              | 2023             | 7.6                                     | 8.3                                | 114.7                                       | 4.1                             |

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 the Fund remains an appropriate investment for your family.



Ronald Baron  
CEO  
Portfolio Manager



David Baron  
Co-President  
Portfolio Manager

<sup>†</sup> The Fund's historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

<sup>1</sup> 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 December 31, 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.

<sup>2</sup> The **Russell 2500™ Growth Index** measures the performance of small to medium-sized companies that are classified as growth. The **Russell 3000® Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market, as of the most recent reconstitution. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The Fund includes reinvestment of dividends, net of withholding taxes, while the Russell 2500™ Growth and Russell 3000® Indexes include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

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

<sup>4</sup> 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.

<sup>5</sup> Not annualized.

*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 [BaronCapitalGroup.com](http://BaronCapitalGroup.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. 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.

**EBITDA**, short for earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income. It's used to assess a company's profitability and financial performance. **Long-term sales growth** refers to the increase in a company's sales over a particular period of time. It is a metric that companies can use to identify the rate at which their sales revenue increases over time. **Operating margin** is a company's profit for every dollar of sales after deducting production costs like wages and raw materials but before accounting for interest and taxes.

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).