



QUARTERLY LETTER | DECEMBER 31, 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) finished the last quarter of 2025 strongly, with a gain of 12.34% (Institutional Shares) compared with a 0.33% increase for the Russell 2500 Growth Index (the Benchmark). This brought the Fund's 2025 gain to 22.26% versus a 10.31% increase for the Benchmark. While the quarterly outperformance was led by two new capital raises for **Space Exploration Technologies Corp.** and **X.AI Holdings Corp.** at valuations significantly higher than previous raises, the Fund also saw strength from its consumer-oriented investments including **FIGS, Inc.**, **Hyatt Hotels Corporation**, and **On Holding AG**, as the consumer remains quite resilient. This is despite continued concerns about higher inflation, interest rates, and a tighter labor market.

While we are pleased with the 2025 performance, we still see opportunity throughout the portfolio. Our companies continue to do quite well and are generating strong revenue growth while increasing investments to accelerate growth further. Most of our companies continue to maintain financial leverage below targeted levels, giving them enhanced flexibility to make investments, strategic acquisitions should something come available, or return capital to shareholders through buybacks should there be dislocations in stock prices.

Despite recent gains, a significant portion of the stocks in the portfolio continue to trade at multiples below historical levels. We believe this combination of strong revenue growth with well-positioned balance sheets and attractive valuations offers multiple avenues for potential returns for investors. As a result, we continue to view the portfolio as compelling, with a favorable risk/reward profile and are putting new cash to work in both existing and new names.

Annualized performance (%) for periods ended December 31, 2025

	Fund Retail Shares ^{1,2,3}	Fund Institutional Shares ^{1,2,3,4}	Russell 2500 Growth Index ¹	Russell 3000 Index ¹
QTD ⁵	12.27	12.34	0.33	2.40
1 Year	21.94	22.26	10.31	17.15
3 Year	26.25	26.59	14.32	22.25
5 Year	11.39	11.68	2.98	13.15
10 Year	20.66	20.97	10.55	14.29
15 Year	16.10	16.40	10.84	13.58
Since Conversion (6/30/2008)	14.39	14.66	10.15	11.89
Since Inception (5/31/1996)	14.00	14.16	8.31	10.03

Further, we believe there is still a ton of capital remaining on the sidelines waiting to be invested, including 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 accelerate, which should further support valuations and our investments.

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 accelerated levels of insider buying and company share repurchase activity, a key pillar that gives us increased confidence in our investment theses for these companies and expected stock returns over time.

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 or call 1-800-99-BARON.

In the near term, we continue to believe that inflation will remain at or below the historic 3% to 4% annualized level, and interest rates will approximate the rate of inflation. This has been the case since World War II. We believe that is a favorable environment for businesses that are growing significantly faster than the rate of inflation and the 7% nominal annualized growth rate of our economy.

The Fund 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 1,227, 870, and 1,042 bps of outperformance, respectively, with volatility measured as the Beta of the Fund that is 30%, 15% and 5%, respectively, less than the market. As a result, the Fund's Sharpe ratio, a measure of risk-adjusted return, was significantly higher than the Benchmark for each of these periods.

We believe these strong returns with downside management of risk 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 respective periods including since its inception on May 31, 1996. **Since its inception as a private partnership almost 30 years ago, the Fund has increased 14.16% annually. This compares to an 8.31% 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.**

Total returns by investment type for the quarter

	Percent of Net Assets (%)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	47.5	33.52	14.38
X.AI Holdings Corp.	3.7	106.40	2.77
Space Exploration Technologies Corp.	19.2	98.58	11.14
FIGS, Inc.	2.8	69.79	1.61
On Holding AG	4.3	9.76	0.55
Shopify Inc.	3.2	8.32	0.31
Tesla, Inc.	8.1	1.12	0.09
Neuralink Corp.	0.1	0.00	0.00
Samsara Inc.	1.5	(4.55)	(0.01)
Spotify Technology S.A.	4.5	(16.80)	(1.30)
Figma, Inc.	0.2	(27.95)	(0.10)
Duolingo, Inc.	0.0	(41.42)	(0.66)

Total returns by investment type for the quarter (continued)

	Percent of Net Assets (%)	Total Return (%)	Contribution to Return (%)
Real/Irreplaceable Assets	17.5	2.40	0.40
Las Vegas Sands Corporation	1.7	21.50	0.43
Hyatt Hotels Corporation	3.7	13.06	0.60
Airbnb, Inc.	1.5	12.02	0.18
Red Rock Resorts, Inc.	3.7	1.88	0.00
Toll Brothers, Inc.	1.1	(1.92)	(0.02)
Vail Resorts, Inc.	3.3	(8.13)	(0.32)
Choice Hotels International, Inc.	2.5	(10.58)	(0.35)
Douglas Emmett, Inc.	0.0	(15.39)	(0.12)
Russell 2500 Growth Index		0.33	
Financials	14.7	(0.65)	(0.26)
Arch Capital Group Ltd.	2.5	5.72	0.16
FactSet Research Systems Inc.	2.8	1.67	0.06
MSCI Inc.	4.3	1.40	(0.02)
Jefferies Financial Group Inc.	1.0	(4.85)	(0.04)
Interactive Brokers Group, Inc.	4.1	(6.42)	(0.41)
Core Growth	17.6	(8.50)	(1.90)
IDEXX Laboratories, Inc.	4.7	5.89	0.52
Birkenstock Holding plc	3.4	(9.56)	(0.39)
Verisk Analytics, Inc.	2.3	(10.97)	(0.24)
Guidewire Software, Inc.	3.4	(12.55)	(0.62)
Live Nation Entertainment, Inc.	1.1	(12.79)	(0.25)
CoStar Group, Inc.	2.7	(20.31)	(0.93)
Cash and Cash Equivalents	2.7	--	0.01
Fees	0.0	(0.31)	(0.31)
Total	100.0*	12.33**	12.33**

* 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.

Aside from two of our private investments, SpaceX and xAI successfully completing capital raises at valuations significantly higher than previous marks, performance in the fourth quarter was led by our exposure to consumer-focused investments as the consumer remains resilient despite macro worries.

These gains were partially offset by continued concerns about the introduction of AI into the economy and those businesses that could be impacted most from the new competition. These included our subscription-based software and platform investments such as **Spotify Technology S.A.**, **CoStar Group, Inc.**, and **Guidewire Software, Inc.** However, while the increased competition hurt the valuation of these stocks in the quarter, it has not impacted financials, and these companies continue to generate strong revenue growth and margins in line with company and investor expectations.

Shares of FIGS increased 69.8% in the fourth quarter and added 161 bps to performance. The company continues to generate strong results, and revenue has recently accelerated from investments made over the past year. This is despite making a conscious decision to pull back on promotions. The company is now seeing more normal purchasing and replenishment trends while also benefitting from specific initiatives around product and marketing that are resonating with its customers. FIGS is also seeing better efficiencies out of its new fulfillment center that are resulting in strong margin improvement as well. We continue to believe FIGS can take share in the attractive \$80 billion global health care apparel industry. 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 the industry through its premium, high-quality products. In addition, we believe FIGS will also see growth from its initiatives to grow stores, business to business revenue, and expand internationally. We believe the revenue acceleration combined with margin expansion and strong cash generation should leave the company well positioned for further growth over time.

Shares of Hyatt Hotels increased 13.1% and added 60 bps to performance in the fourth quarter as the company reported strong RevPAR and unit growth rates despite concerns about a deterioration in the macro economy. In addition, the company also came to an agreement with Chase to extend its credit card agreement with stronger economics for Hyatt given the increase in the company's World of Hyatt membership. Finally, the company continues to sell its owned hotels at accretive rates and is using the proceeds to buy back the company's stock. Hyatt continues to have an investment grade balance sheet with 90% of the business coming through fees, yet trades at a discount to peers despite similar growth and mix of business. We believe this discount should narrow over time as investors see the continued growth and resilience of its business model.

Premium footwear and apparel brand On Holding increased 9.8% and added 55 bps to performance in the fourth quarter. The company continues to generate strong revenue growth with accelerated margin expansion despite concerns about tariffs and increased competition from Nike. On's strong brand and premium positioning is allowing it to offset tariff exposure through selective price increases, while demand for its products remains resilient. The company should continue to grow for many years to come while taking share in the highly attractive global sportswear market. 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 and that the company's innovation capabilities should fuel share gains for many years. This growth should be supported by expansions across categories, retail outlets, and geographies. 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.

Spotify declined by 16.8% in the fourth quarter and detracted 130 bps from performance as investors were concerned with the decision by CEO Dan Ek to step down as CEO. In addition, further concerns about the timing of price increases and resulting margin expansion also frustrated investors. However, the company continues to institute price increases across multiple regions and complete negotiations with major record labels. User growth remains strong growing at a double-digit rate with high engagement and low churn even with price increases. The company remains on a path to increase gross margins through its high-margin artist promotions marketplace, growing podcast contribution, and ongoing investments in advertising where revenue growth is expected to accelerate this year. We continue to view Spotify as a long-term winner in music streaming with potential to reach 1 billion-plus subscribers by 2030.

CoStar declined by 20.3% in the fourth quarter and detracted 93 bps from performance as investors were concerned with a deceleration of growth in its core commercial real estate business and a slower-than-expected ramp of its residential business. However, we believe daily active users on its Homes.com platform should accelerate this year as its marketing investments begin to generate returns. Monthly active users have already reached 110 million and compare to Zillow's 250 million users. This is positive as CoStar is demonstrating that it can drive meaningful traffic growth to its platform. We believe the acceleration in investment over the past two years should drive organic growth on its Homes.com platform and expand the company's addressable market. We believe investors are currently attributing negative equity value to this. Over the next five years, we believe CoStar's residential investment could add at least \$1 billion to annualized revenue at a significantly accretive margin. This would result in a 33% increase in today's \$3 billion in revenue and an approximate 50% increase in EBITDA. Longer term, we believe this investment opportunity is several multiples of \$1 billion of revenue. CoStar continues to hire new people for its commercial real estate sales business and should begin to see a rebound in net new bookings this year with continued strength in its retention rates, despite implementing price increases across its suite of products. It continues to have a strong balance sheet, with \$2 billion of cash and just \$1 billion of debt. We are not concerned with its residential investment and believe it should generate strong returns over time.

Property and casualty (P&C) insurance software vendor Guidewire declined 12.6% in the fourth quarter and detracted 62 bps from performance. However, the company continues to do quite well and after a multi-year transition period, the company's cloud transition is substantially complete and insurers are upgrading to the cloud at an accelerated rate. We believe that cloud will be the sole path forward, with annual recurring revenue (ARR) benefiting from new customer wins and migrations of the existing customer base to the company's Insurance Suite Cloud. We also expect the company to shift R&D resources to product development from infrastructure investment, which should help drive cross-sales into its sticky installed base and potentially accelerate ARR over time. We are encouraged by Guidewire's subscription gross margin expansion, which improved by approximately 280 bps in its most

recently reported 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%.

Top contributors to performance for the quarter

	Year Acquired	Market Cap When Acquired (\$B)	Quarter End Market Cap (\$B)	Total Return (%)	Contribution to Return (%)
Space Exploration Technologies Corp.	2017	21.6	800.0	98.58	11.14
X.AI Holdings Corp.	2024	25.0	230.0	106.40	2.77
FIGS, Inc.	2022	1.5	1.9	69.79	1.61
Hyatt Hotels Corporation	2009	4.2	15.2	13.06	0.60
On Holding AG	2023	10.1	15.3	9.76	0.55

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 financing transactions.

X.AI Holdings Corp. was formed in early 2025 through the merger of X (formerly Twitter) and xAI, an AI company founded by Elon Musk in March 2023 with the mission to "understand the true nature of the universe." This strategic union paired xAI's large language models with X's real-time data and worldwide distribution, speeding Grok's development while providing X with transformative AI tools for search, personalization, and user engagement. Shortly after its founding, xAI released its AI model, Grok, which swiftly emerged as a top-tier contender. Fueling Grok's performance was the rapid deployment of xAI's data centers: Colossus 1 became operational in just 122 days with 100,000 GPUs, while Colossus 2's first 100,000 GPUs deployed even faster, positioning xAI to pioneer a 1-gigawatt training facility. The upcoming 5th version of Grok will use Colossus 2's expanded resources and is expected to mark further improvement in the model's capabilities. Such early results demonstrate xAI's innovation prowess and its prospects for enduring leadership in the highly competitive AI field. We value the stock based on material transaction in shares, leading to stock appreciation.

FIGS, Inc. designs and sells scrubwear for health care professionals through a digitally native, direct-to-consumer strategy. Shares rose after the company reported quarterly results that beat expectations and raised its outlook for revenue and profits for the remainder of the year. FIGS' revenue grew 8% due to robust customer demand for its health care apparel, supported by improving execution and normalizing industry trends. Demand for health care apparel remains largely non-discretionary and replenishment driven. The company also delivered stronger-than-expected profitability, benefiting from meaningful operating leverage while continuing to invest in the business. In addition, FIGS continues to expand its three key growth initiatives: international markets, TEAMS (its enterprise and group ordering business), and retail. Internationally, the company refined its growth strategy and is targeting 60 planned markets by year-end, up from 33. Within TEAMS, FIGS continues to add talent and develop new technology solutions to support growth. In retail, the company plans to open three stores (New York, Houston, and Chicago) with further expansion anticipated into 2026.

Top detractors from performance for the quarter

	Year Acquired	Market Cap When Acquired (\$B)	Quarter End Market Cap (\$B)	Total Return (%)	Contribution to Return (%)
Spotify Technology S.A.	2020	45.4	121.1	(16.80)	(1.30)
CoStar Group, Inc.	2014	6.2	28.5	(20.31)	(0.93)
Duolingo, Inc.	2025	16.5	8.9	(41.42)	(0.66)
Guidewire Software, Inc.	2013	2.7	17.1	(12.55)	(0.62)
Interactive Brokers Group, Inc.	2023	33.8	109.3	(6.42)	(0.41)

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 of Spotify fell as richly valued stocks across a similar peer basket broadly underperformed. In our view, the company's fundamentals remain intact. Despite recent price hikes, user growth has continued at a double-digit year-over-year pace, with engagement remaining high. Spotify has proven to be a sticky subscription product with relative resilience in times of consumer uncertainty. The company has been on a path to structurally increase gross margins on an annual basis, aided by its high-margin artist promotions marketplace, growing contribution from podcasts, and ongoing investments in advertising. Spotify also continues to innovate across its platform, improving advertising, expanding into video, developing a Super Premium tier, and taking more market share. We still view Spotify as a long-term winner in music streaming with potential to reach 1 billion-plus monthly active users.

CoStar Group, Inc. is the leading provider of information and marketing services to the commercial and residential real estate industries. Shares fell as the company's net new sales came in below expectations. The stock has been weighed down by significant growth investment in CoStar's residential product,

where sales performance has remained modest. That said, we are encouraged by improving momentum as the company builds out its dedicated residential sales force, enhances its customer targeting, and potentially benefits from changes in Multiple Listing Service practices. We also expect growth in CoStar's non-residential business to accelerate as sales productivity ramps and the sales team refocuses on core offerings, a trend likely to be amplified by 20% sales force growth in 2025 alone. We believe the value of CoStar's core non-residential business exceeds the current share price of the stock, suggesting that investors are ascribing little value to the long-term residential opportunity.

Duolingo, Inc. is the world's leading language-learning app, with over 135 million monthly active users. The company is known for its effective gamification strategy and high engagement. Shares declined during the quarter after the company guided to lower-than-expected bookings as it prioritized user experience. Although bookings and user growth appear unlikely to decelerate meaningfully from current levels, uncertainty around engagement metrics and the pace of monetization led us to exit the position and reallocate capital to other investment opportunities.

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 mitigate risk 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 80% as volatile as the market. This is due to the balanced nature of the portfolio as seen below with approximately 40% invested in high-growth disruptive 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 that have recurring revenue and earnings given the embedded nature of their products in the workflow of their customers; and the balance in core 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 December 31, 2025, the Fund owned 28 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 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 36.0% of net assets in this sector versus 11.7% for the Benchmark. The Fund has no exposure to Energy, Materials, 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 4.7% cumulative exposure to these sectors. The Fund also has lower exposure to Health Care stocks at 4.9% versus 23.3% 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 Net Assets (%)	Year Acquired	Cumulative Return Since Date Acquired (%)
Space Exploration Technologies Corp.	19.2	2017	2,944.4
Tesla, Inc.	8.1	2014	2,593.9
Spotify Technology S.A.	4.5	2020	142.7
On Holding AG	4.3	2023	45.8
X.AI Holdings Corp.	3.7	2024	530.4
Shopify Inc.	3.2	2022	362.4
FIGS, Inc.	2.8	2022	24.0
Samsara Inc.	1.5	2025	3.9
Figma, Inc.	0.2	2025	(67.6)
Neuralink Corp.	0.1	2025	0.0

Disruptive Growth firms accounted for 47.5% 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, are well financed with significant equity stakes by these founder-led companies, giving us further conviction in our investment.

Core Growth Investments

	Percent of Net Assets (%)	Year Acquired	Cumulative Return Since Date Acquired (%)
IDEXX Laboratories, Inc.	4.7	2022	53.3
Guidewire Software, Inc.	3.4	2013	334.9
Birkenstock Holding plc	3.4	2023	1.7
CoStar Group, Inc.	2.7	2014	214.2
Verisk Analytics, Inc.	2.3	2022	31.9
Live Nation Entertainment, Inc.	1.1	2024	1.6

Core Growth investments, steady growers that continually invest in their businesses for growth and return excess cash-flow to shareholders, represented 17.6% of net assets. An example would be **CoStar Group, Inc.**, a marketing and data analytics provider to 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 Net Assets (%)	Year Acquired	Cumulative Return Since Date Acquired (%)
Red Rock Resorts, Inc.	3.7	2017	261.4
Hyatt Hotels Corporation	3.7	2009	491.6
Vail Resorts, Inc.	3.3	2013	195.8
Choice Hotels International, Inc.	2.5	2010	382.6
Las Vegas Sands Corporation	1.7	2023	49.2
Airbnb, Inc.	1.5	2024	18.4
Toll Brothers, Inc.	1.1	2025	25.8

Companies that own what we believe are **Real/Irreplaceable Assets** represented 17.5% 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 Net Assets (%)	Year Acquired	Cumulative Return Since Date Acquired (%)
MSCI Inc.	4.3	2021	(8.2)
Interactive Brokers Group, Inc.	4.1	2023	226.5
FactSet Research Systems Inc.	2.8	2008	582.8
Arch Capital Group Ltd.	2.5	2003	2,670.2
Jefferies Financial Group Inc.	1.0	2023	118.2

Financials investments accounted for 14.7% 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 December 31, 2025, the Fund's top 10 holdings represented 60.1% 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.**, **IDEXX Laboratories, Inc.**, **Spotify Technology S.A.** and **MSCI 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 Acquired	Market Cap When Acquired (\$B)	Quarter End Market Cap (\$B)	Quarter End Investment Value (\$M)	Percent of Net Assets (%)
Space Exploration Technologies Corp.	2017	21.6	800.0	656.5	19.2
Tesla, Inc.	2014	31.2	1,495.7	276.6	8.1
IDEXX Laboratories, Inc.	2022	36.5	54.0	161.4	4.7
Spotify Technology S.A.	2020	45.4	121.1	152.1	4.5
MSCI Inc.	2021	53.9	43.1	146.3	4.3
On Holding AG	2023	10.1	15.3	145.5	4.3
Interactive Brokers Group, Inc.	2023	33.8	109.3	138.9	4.1
X.AI Holdings Corp.	2024	25.0	230.0	126.1	3.7
Red Rock Resorts, Inc.	2017	2.6	6.6	126.1	3.7
Hyatt Hotels Corporation	2009	4.2	15.2	125.3	3.7

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.

Sincerely,



Ronald Baron
CEO
Portfolio Manager



David Baron
Co-President
Portfolio Manager

- 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 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.
- ² 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.
- 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.

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. 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.

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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.

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