



QUARTERLY LETTER | JUNE 30, 2025

Baron Focused Growth Fund®

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

Dear Baron Focused Growth Fund Shareholder,

Performance

The strong relative performance of the first quarter continued in the second quarter. However, performance improved on an absolute basis as Baron Focused Growth Fund (the Fund) fully recovered its first quarter losses that were driven by economic concerns related to the initiation of reciprocal tariffs by the current administration.

While there is still apprehension related to these tariffs and what they could mean for the financial prospects of our portfolio holdings, most of our company management teams expect a minimal impact. They expect to share the additional costs with suppliers, wholesalers, and manufacturers with any impact being further mitigated through selective price increases that are expected to have a minimal effect on demand.

As a result of the tariff clarity, our portfolio of stocks outperformed in the second quarter with the Fund appreciating a strong 12.78% (Institutional Shares) compared to the Russell 2500 Growth Index (the Benchmark), which increased 11.31%.

While investors may be concerned with such a quick increase in the portfolio in one quarter as well as the S&P 500 Index and NASDAQ Composite Index hovering at record levels, we still believe our portfolio of investments remains quite attractive.

Despite the current macro uncertainty, over half of the portfolio is expected to see accelerated revenue growth next year. This is due to investments made over the past few years that have hurt current earnings but should accelerate growth starting next year.

In addition, over 70% of our portfolio company balance sheets continue to have financial leverage below their targeted levels giving them additional liquidity to pursue further investments,



David Baron
Co-President
Portfolio Manager

Ron Baron
CEO
Portfolio Manager

Annualized performance (%) for period ended June 30, 2025

	Fund Retail Shares ^{1,2,3}	Fund Institutional Shares ^{1,2,3,4}	Russell 2500 Growth Index ¹	Russell 3000 Index ¹
3 Months ⁵	12.71	12.78	11.31	10.99
6 Months ⁵	3.69	3.82	(0.71)	5.75
1 Year	32.51	32.86	8.81	15.30
3 Year	18.59	18.89	12.05	19.08
5 Year	22.59	22.91	7.50	15.96
10 Year	17.68	17.98	8.53	12.96
15 Year	16.64	16.93	12.08	14.46
Since Conversion (6/30/2008)	13.75	14.02	9.78	11.59
Since Inception (5/31/1996)	13.62	13.78	8.06	9.82

potential acquisitions, and buy back stock should there be a dislocation in the price.

However, despite these strong current balance sheets with earnings growth expected to accelerate, over 40% of our portfolio is still trading below historical valuations.

Hence, we believe there are still many ways to win with this portfolio either through accelerated earnings growth, robust balance sheets, or cheap valuations, especially compared to what we believe these companies can become over time.

As a result, despite the recent year-to-date outperformance, we continue to find the portfolio quite attractive and believe the risk/reward continues to skew positively.

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, 2035, 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.

SMALL/MID CAP

Our portfolio companies continue to generate strong financial results. While there continue to be concerns of a slowdown in consumer spending and capital investments due to higher interest rates, inflation, and Trump's tariff policies, the executives of our businesses are navigating it well. Their businesses have yet to experience material changes in customer demographics or spending habits. While inflation has impacted company operating expenses, including labor, insurance, and utilities, most of our portfolio companies have been able to offset these cost increases with higher prices without impacting demand.

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, a key pillar that gives us increased confidence in our investment theses for these companies and expected stock returns over time.

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 generate strong returns with less than market risk. Over the trailing 3, 5, and 10 years, the Fund has captured 90%, 122%, and 113%, respectively, of the upside when the market increased. When markets declined, the Fund lost less with 63%, 76%, and 82% downside capture, respectively. 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 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 respective periods including since its inception on May 31, 1996. **Since its inception as a private partnership over 29 years ago, the Fund has increased 13.78% annually. This compares to an 8.06% annualized return for the Benchmark and a 9.82% annualized return for the Russell 3000 Index that measures the performance of the largest 3,000 U.S. companies.**

The Fund's outperformance in the second quarter was primarily due to our **Disruptive Growth** investments. These businesses represented 40.8% of the Fund's net assets and gained 16.06%, adding 680 basis points to performance in the quarter. These companies continued to take market share from competitors as they further penetrated their large addressable market opportunities. Included in this category of investments are **Spotify Technology S.A., Tesla, Inc., and On Holding AG.**

Spotify increased 39.5% in the quarter and helped performance by 263 basis points. The company continues to improve its platform

by adding new products and making it more beneficial for the consumer. This has resulted in an increase in subscribers along with significant pricing power as the company now owns a third of the digital audio market. The company has started to institute more regular price increases, which is accelerating its revenue and margin growth. Further, the company has been able to increase prices without increasing its churn rate as it continues to improve the platform. Management believes they should be able to grow paying subscribers to a billion over the medium term from 250 million today as well as further accelerate its advertising revenue as its subscribers continue to increase. These pricing and subscriber increases should result in improved gross margins over time and generate strong top- and bottom-line growth. This should result in an increase in cash flow which we believe the company could use to initiate a return of capital program in the near future. We believe Spotify's valuation remains attractive despite its recent stock price increase. Founder & CEO Daniel Eck continues to own a 15% stake in the business, aligning his interest with ours and giving us further confidence in the company's prospects.

Tesla increased 22.6% in the quarter, adding 175 basis points 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 as they release new lower-cost models. In addition, the start of autonomous vehicles in Austin in June also helped increase sentiment in the 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 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, that 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.

Premium footwear and apparel brand On was up 18.6% in the period, contributing 112 bps to performance. The stock has been volatile this year amid tariff uncertainty and potential policy changes under President Trump that could impact both On's margin structure and broader consumer spending. Despite these headwinds, we believe On is well equipped to navigate a higher-tariff 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. We believe On has a long growth

runway, supported by expansions across categories, retail outlets, and geographies, including underserved markets such as Asia.

Our **Core Growth** investments, whose data and services are ingrained in their customer workflow and therefore have more recurring revenue and more predictable earnings also contributed to the excess returns in the quarter. Included in this category of investments are **Guidewire Software, Inc.** and **IDEXX Laboratories, Inc.**

Property and casualty (P&C) insurance software vendor Guidewire was up 25.7% for the quarter, adding 127 basis points to performance. 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 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 520 basis points 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%.

Veterinary diagnostics leader IDEXX appreciated 27.9% for the quarter, contributing 134 basis points to performance. The company reported better-than-expected financial results in the period. Foot traffic to veterinary clinics in the U.S. remains under pressure, which has continued to hamper aggregate revenue growth. Despite macroeconomic challenges, IDEXX's excellent execution has enabled the company to maintain strong performance. We believe competitive trends are outstanding, and we expect new proprietary innovations and field sales force expansion to be meaningful contributors to growth in 2025. We see increasing evidence that long-term secular trends around pet ownership and pet care spending have structurally accelerated, which should help support IDEXX's long-term growth rate.

Strength in Disruptive and Core Growth was held back somewhat by high single-digit gains in **Real/Irreplaceable Assets** and **Financials**. Our Real/Irreplaceable Assets holdings, which comprised 19.6% of net assets, trailed the Benchmark as many have a cyclical element to them and investors were concerned about a potential recession from the implementation of President Trump's tariffs. This combined with lowered expectations for the Federal Reserve to continue to lower interest rates over the next year given the inflationary impact of tariffs led to category underperformance. This included companies such as **Vail Resorts, Inc.** and **Choice Hotels International, Inc.**

Shares of global ski resort operator Vail declined modestly in the second quarter, hurting performance by 18 basis points. This was due to concerns about slowing visitation levels and the potential impact on early season pass sales for the upcoming ski season. The return of former CEO Rob Katz added uncertainty about the company's future strategic direction as well, further pressuring shares. We remain positive about Vail's prospects. The company continues to deliver consistent revenue and earnings, with roughly a third of revenue already secured in advance of the season, providing strong

financial visibility and enabling more effective operational and strategic planning. We view Katz's return positively and expect his emphasis on guest experience, pricing, and targeted acquisitions to reignite growth. The company continues to have significant pricing power, which, when combined with a new two-year, \$100 million cost-cutting plan from increased synergies within the business, should lead to strong growth over the coming years. Vail still has a well-covered mid-single-digit dividend yield and a strong balance sheet that supports strategic growth through M&A, reinvestment in the portfolio, and share repurchases. As a result, we see an attractive long-term opportunity in the stock with the potential for multiple expansion from multi-year lows. The CFO recently bought stock personally at current levels, giving us further confidence in our view that the stock is attractively valued.

Shares of Choice, a global franchisor of economy and midscale hotels across a portfolio of well-known brands declined 4.49% and hurt performance by 14 basis points. 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.

Within Financials, modest declines from specialty insurer **Arch Capital Group Ltd.** and investment management tools provider **FactSet Research Systems Inc.** weighed on performance, overshadowing strong performance from leading online brokerage house **Interactive Brokers Group, Inc.** Arch gave back some of its gains from earlier in the year, following slower growth and broader weakness across insurance stocks during the second quarter. In the first quarter, premium growth came in below forecasts and slowed relative to the prior quarter due to rising competition and lower pricing in certain business lines. Even so, earnings beat expectations due to stronger underwriting margins and lower tax rates. We continue to own the stock due to Arch's strong management team and our expectation of significant growth in earnings and book value over time.

FactSet's shares detracted from performance despite above-consensus fiscal Q3 earnings and upbeat commentary from management about prospects for the remainder of fiscal 2025. The stock experienced some volatility following the announcement that longtime CEO Phil Snow will retire later this year. However, remarks on a recent earnings call emphasized that this was a personal decision unrelated to company performance. 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.

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Total returns by investment type for the quarter

	Percent of Net Assets (%)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	40.8	16.04	6.80
Spotify Technology S.A.	7.9	39.51	2.63
FIGS, Inc.	1.9	22.88	0.35
Tesla, Inc.	7.6	22.57	1.75
Samsara Inc.	1.1	21.48	0.12
Shopify Inc.	3.0	20.81	0.61
On Holding AG	5.0	18.62	1.12
Iridium Communications Inc.	1.0	10.97	0.06
ANSYS, Inc.	1.4	10.95	0.16
Neuralink Corp.	0.2	—	—
Space Exploration Technologies Corp.	9.4	—	—
X.AI Holdings Corp.	2.4	—	—
Core Growth	22.2	14.82	3.43
IDEXX Laboratories, Inc.	5.0	27.91	1.34
Guidewire Software, Inc.	5.1	25.67	1.27
Live Nation Entertainment, Inc.	1.6	15.85	0.25
Birkenstock Holding plc	3.6	7.62	0.38
Verisk Analytics, Inc.	2.6	4.86	0.12
CoStar Group, Inc.	4.2	1.69	0.09
Krispy Kreme, Inc.	—	(13.53)	(0.02)
Russell 2500 Growth Index		11.31	
Real/Irreplaceable Assets	19.6	9.20	1.57
Red Rock Resorts, Inc.	4.1	23.08	0.84
Hyatt Hotels Corporation	4.3	14.18	0.61
Las Vegas Sands Corporation	1.5	13.55	0.35
Airbnb, Inc.	0.7	10.78	0.09
Toll Brothers, Inc.	1.2	6.78	0.08
Vail Resorts, Inc.	3.9	(0.34)	(0.18)
Choice Hotels International, Inc.	3.1	(4.41)	(0.14)
Douglas Emmett, Inc.	0.9	(4.81)	(0.09)
Financials	15.2	8.29	1.24
Interactive Brokers Group, Inc.	4.7	34.05	1.40
Jefferies Financial Group Inc.	1.0	4.09	0.07
MSCI Inc.	4.1	2.41	0.09
FactSet Research Systems Inc.	2.2	(1.38)	(0.07)
Arch Capital Group Ltd.	3.2	(5.33)	(0.25)
Cash and Cash Equivalents	2.2	—	0.02
Fees	—	(0.29)	(0.29)
Total	100.0*	12.77**	12.77**

* 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 Acquired	Market Cap When Acquired (\$B)	Quarter End Market Cap (\$B)	Total Return (%)	Contribution to Return (%)
Spotify Technology S.A.	2020	45.4	157.3	39.51	2.63
Tesla, Inc.	2014	31.2	1,023.2	22.57	1.75
Interactive Brokers Group, Inc.	2023	33.8	94.3	34.05	1.40
IDEXX Laboratories, Inc.	2022	36.5	43.1	27.91	1.34
Guidewire Software, Inc.	2013	2.7	19.8	25.67	1.27

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 were up, largely due to solid underlying results and the company's durability amid an unpredictable macroeconomic environment. Spotify has been on a path to structurally increase gross margins, aided by its high-margin artist promotions marketplace, growing contribution from podcasts, and structural investments in advertising. Users continued to grow at a double-digit pace despite recent price hikes. Spotify remains a sticky subscription product with relative resilience in times of consumer uncertainty. 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.

Tesla, Inc. designs, manufactures, and sells electric vehicles (EVs), solar products, and energy storage solutions, while also developing advanced real-world AI technologies. Despite ongoing macroeconomic challenges and regulatory complexities, shares climbed after Tesla completed a limited commercial rollout of its highly anticipated robotaxi business in Austin—following more than a decade of development and billions of dollars in investment. This milestone signals a potentially transformative shift in the automotive industry and opens up a sizable new market beyond the company's core operations. Investor sentiment also improved after Elon Musk stepped back from government-related engagements, boosting confidence in Tesla's near-term execution. Tesla introduced a refreshed Model Y globally, featuring design and performance upgrades, and outlined plans to unveil new mass-market models starting next quarter. Meanwhile, the company is progressing toward scaling production of its humanoid robot, adding another dimension to its long-term growth story.

Leading online brokerage house **Interactive Brokers Group, Inc.** contributed to performance, driven by strong quarterly results and a rebound in equity markets. The quarter began with considerable turbulence following Liberation Day in early April, when President Trump announced sweeping tariffs on most U.S. trading partners. This initially triggered recession fears and led to a selloff in capital markets stocks, including retail brokers and alternative asset

managers. However, as the quarter progressed, many of these tariffs were either paused or rolled back as the Trump administration pursued trade deals. Markets rebounded sharply in May and June, with the S&P 500 and NASDAQ Composite both ending the quarter at record highs. This recovery supported robust business momentum at Interactive Brokers, with continued growth in client accounts and assets under management, elevated trading volumes, and a rebound in margin balances. We continue to own the stock due to its long-term earnings potential and its consistent 30%-plus account growth rate.

Top detractors from performance for the quarter

	Year Acquired	Market Cap When Acquired (\$B)	Quarter End Market Cap (\$B)	Total Return (%)	Contribution to Return (%)
Arch Capital Group Ltd.	2003	0.9	34.1	(5.33)	(0.25)
Vail Resorts, Inc.	2013	2.3	5.8	(0.34)	(0.18)
Choice Hotels International, Inc.	2010	1.9	5.9	(4.41)	(0.14)
Douglas Emmett, Inc.	2022	2.8	2.5	(4.81)	(0.09)
FactSet Research Systems Inc.	2008	2.5	17.0	(1.38)	(0.07)

Specialty insurer **Arch Capital Group Ltd.** gave back some of its gains from earlier in the year, following slower growth and broader weakness across insurance stocks during the second quarter. In the first quarter, premium growth came in below forecasts and slowed relative to the prior quarter due to rising competition and lower pricing in certain business lines. Even so, earnings beat expectations due to stronger underwriting margins and a lower tax rate. We continue to own the stock due to Arch's strong management team and our expectation of significant growth in earnings and book value over time.

Global ski resort company **Vail Resorts, Inc.** detracted from performance on investor concerns about slowing visitation levels and the potential impact on early season pass sales for the upcoming ski season. The return of former CEO Rob Katz added uncertainty about the company's future strategic direction, further pressuring shares. We remain investors. Vail continues to deliver consistent revenue and earnings, with roughly a third of revenue already secured in advance of the season, providing strong financial visibility and enabling more effective operational and strategic planning. We view Katz's return positively and expect his emphasis on guest experience, pricing, and targeted acquisitions to reignite growth. Combined with a well-covered mid-single-digit dividend yield and a strong balance sheet that supports strategic growth through M&A, reinvestment in the portfolio, and share repurchases, we see an attractive long-term opportunity and the potential for multiple expansion from multi-year lows.

Choice Hotels International, Inc. is a global franchisor of economy and midscale hotels across a portfolio of well-known brands. Shares fell during the quarter as investors focused on slowing 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.

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 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 June 30, 2025, the Fund owned 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 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 36.9% of net assets in this sector versus 14.1% 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 4.5% cumulative exposure to these sectors. The Fund also has lower exposure to Health Care stocks at 5.2% versus 20.4% for the Benchmark. The performance of many stocks in the Health Care sector can change quickly due to exogenous events or binary

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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.	9.4	2017	1,237.8
Spotify Technology S.A.	7.9	2020	220.7
Tesla, Inc.	7.6	2014	1,802.8
On Holding AG	5.0	2023	63.2
Shopify Inc.	3.0	2022	231.4
X.AI Holdings Corp.	2.4	2024	205.4
FIGS, Inc.	1.9	2022	(38.4)
ANSYS, Inc.	1.4	2022	44.2
Samsara Inc.	1.1	2025	16.6
Iridium Communications Inc.	1.0	2014	361.0
Neuralink Corp.	0.2	2025	0.0

Disruptive Growth firms accounted for 40.8% 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 EV 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 (%)
Guidewire Software, Inc.	5.1	2013	409.4
IDEXX Laboratories, Inc.	5.0	2022	21.5
CoStar Group, Inc.	4.2	2014	275.7
Birkenstock Holding plc	3.6	2023	22.3
Verisk Analytics, Inc.	2.6	2022	83.0
Live Nation Entertainment, Inc.	1.6	2024	7.8

Core Growth investments, steady growers that continually invest in their businesses for growth and return excess free-cash-flow to shareholders, represented 22.2% 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 (%)
Hyatt Hotels Corporation	4.3	2009	414.3
Red Rock Resorts, Inc.	4.1	2017	201.0
Vail Resorts, Inc.	3.9	2013	239.3
Choice Hotels International, Inc.	3.1	2010	539.6
Las Vegas Sands Corporation	1.5	2023	(1.1)
Toll Brothers, Inc.	1.2	2025	5.7
Douglas Emmett, Inc.	0.9	2022	8.4
Airbnb, Inc.	0.7	2024	15.4

Companies that own what we believe are **Real/Irreplaceable Assets** represented 19.6% 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 (%)
Interactive Brokers Group, Inc.	4.7	2023	180.6
MSCI Inc.	4.1	2021	(8.3)
Arch Capital Group Ltd.	3.2	2003	2,529.5
FactSet Research Systems Inc.	2.2	2008	945.1
Jefferies Financial Group Inc.	1.0	2023	89.8

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 June 30, 2025, the Fund's top 10 holdings represented 57.2% 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.**, **Spotify Technology S.A.**, **Tesla, Inc.**, **Guidewire Software, Inc.**, and **IDEXX Laboratories, 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	349.1	240.5	9.4
Spotify Technology S.A.	2020	45.4	157.3	201.0	7.9
Tesla, Inc.	2014	31.2	1,023.2	195.4	7.6
Guidewire Software, Inc.	2013	2.7	19.8	131.0	5.1
IDEXX Laboratories, Inc.	2022	36.5	43.1	127.9	5.0
On Holding AG	2023	10.1	16.9	126.7	5.0
Interactive Brokers Group, Inc.	2023	33.8	94.3	119.7	4.7
Hyatt Hotels Corporation	2009	4.2	13.3	109.1	4.3
CoStar Group, Inc.	2014	6.2	33.9	107.5	4.2
Red Rock Resorts, Inc.	2017	2.6	5.5	104.1	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.

Respectfully,



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.

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.

Upside Capture explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **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. **Free cash flow (FCF) margin** is a measure of profitability for a business. FCF Margin takes the free cash flow that a business generates and compares it against the revenue they earned during the same period. **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. **Returns on invested capital (ROIC)** is a calculation used to determine how well a company allocates its capital to profitable projects or investments.

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).