Dear Baron Asset Fund Shareholder:

Performance

Gains in broad market stock indexes during the quarter were driven by the *Magnificent Seven*, a group of mega-cap companies Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla. These stocks appreciated 17% during the quarter, accounting for all the gains in the NASDAQ Composite and S&P 500 Indexes. The remaining securities in these benchmarks modestly declined in the period, demonstrating these companies' outsized impact on the market.

Sector performance mirrored the lopsided market dynamic brought on by the Magnificent Seven, as Information Technology (IT) and Communication Services were among the few sectors that managed gains in the period. Semiconductors (NVIDIA), technology hardware storage & peripherals (Apple), and interactive media & services (Alphabet) were the leaders in these sectors. Other standouts were Utilities and Consumer Staples, helped by solid gains from electric utilities and tobacco stocks, respectively. Real Estate underperformed, as REITs were pressured by the prospect of interest rates staying higher for longer. Other laggards were cyclical and/or commodity-sensitive sectors, such as Materials, Industrials, Energy, Financials, and Consumer Discretionary, all of which fell in the quarter.

Mid-cap growth stocks declined in the period, trailing large-cap growth stocks (as measured by the Russell 1000 Growth Index) by 11.5%. This was a continuation of mid-caps' historic relative underperformance—during the past three years, mid-caps have underperformed by 11.4% annualized.

Baron Asset Fund's® (the Fund) relative performance has been challenged since the beginning of 2023. After declining 26.72% in 2022, the Russell Midcap Growth Index (the Index) rebounded 25.87% in 2023, while the Fund rose 17.35% (Institutional Shares). The Fund is trailing the Index this year, though by a more modest amount. We believe there are similarities between this period and the last time the Fund meaningfully trailed the Index, which was also in the aftermath of a rapid rebound from a bear market. After the Index declined 44.32% in 2008 (during the Great Financial Crisis), the Index rebounded 46.29% in 2009. The Fund rose 31.85% in 2009, lagging considerably behind the Index return. However, over the subsequent 10 years ended 12/31/2019, the Fund outperformed the Index by 11.65% on a cumulative basis, or 0.35% annualized.

ANDREW PECK

PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended June 30, 2024

	Baron Asset Fund Retail Shares[1,2]	Baron Asset Fund Institutional Shares[1,2,3]	Russell Midcap Growth Index[1]	Russell 3000 Index[1]
Three Months[5]	(3.57)%	(3.51)%	(3.21)%	3.22%
Six Months[5]	2.15%	2.28%	5.98%	13.56%
One Year	9.66%	9.94%	15.05%	23.13%
Three Years	(2.53)%	(2.28)%	(0.08)%	8.05%
Five Years	6.87%	7.15%	9.93%	14.14%
Ten Years	9.98%	10.27%	10.51%	12.15%
Fifteen Years	12.94%	13.24%	13.95%	14.49%
Since Inception (June 12, 1987)	11.16%	11.28%	10.23%[4]	10.36%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2023 was 1.30% and 1.05%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit BaronCapitalGroup.com or call 1-800-99-BARON.

1 The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. The **Russell 3000® Index** measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3,000 U.S. companies representing approximately 96% 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 Midcap® 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.

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

3 Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.

4 For the period December 31, 1987 to June 30, 2024.

5 Not annualized.

The Fund is a long-term investor in high quality companies with durable competitive advantages and growing, predictable earnings streams. We believe these types of companies have been out of favor relative to the more speculative companies that tend to outperform during sharp market rebounds. The Fund's underexposure to stocks with short-term momentum and idiosyncratic volatility have contributed to its underperformance during this period.

During the second quarter, the Fund declined 3.51%, performing similarly to the Index as moderately positive stock selection was offset by differences in sector weights.

Favorable stock selection in Industrials and Financials together with higher exposure to the better performing Information Technology sector and lack of exposure to the lagging Consumer Staples sector added the most value. Industrials benefitted from data and analytics vendor **Verisk Analytics, Inc.** and private rocket and spacecraft manufacturer **Space Exploration Technologies Corp.** (SpaceX). As discussed below, Verisk gained following strong quarterly earnings and management optimism about the state of its property and casualty (P&C) insurance end-market. SpaceX continued to record substantial growth in users of Starlink, its satellite- based broadband service. SpaceX also continued to make progress on developing Starship, the largest, most powerful rocket ever launched. We believe this next-generation vehicle represents a significant leap forward in rocket reusability and space exploration capabilities. Strength in Financials came from specialty insurer **Arch Capital Group Ltd.**, whose shares increased after the company's financial results exceeded expectations. Operating ROE reached 21% in the first quarter, while book value per share rose 40% due to strong underwriting profitability and higher investment income.

Entirely offsetting the above was disappointing stock selection in Real Estate and Consumer Discretionary combined with adverse impacts from the Fund's active weights in Energy, Health Care, and Communication Services. As discussed below, **CoStar Group, Inc.**, which provides marketing and data analytics services to the real estate industry, was impacted by concerns about near-term subscription trends in its residential brokerage segment.

Weakness in Consumer Discretionary was driven by global ski resort operator **Vail Resorts, Inc.**, whose shares were pressured by slowing season ticket sales and a disappointing ski season in Australia. We retain conviction. Vail has said that it believes skiers are delaying buying season passes given poor snow conditions for the past two seasons, and it still expects to generate almost $950 million in season pass revenue this year, representing close to a third of 2023 revenue. An 8% increase in prices combined with a favorable year-over-year comparison should result in a double-digit increase in EBITDA with strong free cash flow generation. The company is now trading at more than 6% free cash flow yield, all of which is being returned to shareholders through dividends and share buybacks.

Table II.
Top contributors to performance for the quarter ended June 30, 2024

	Year Acquired	Percent Impact
Verisk Analytics, Inc.	2009	0.73%
Guidewire Software, Inc.	2013	0.64
Fair Isaac Corporation	2020	0.61
Arch Capital Group Ltd.	2003	0.41
Space Exploration Technologies Corp.	2020	0.39

Verisk Analytics, Inc. is a leading provider of proprietary data and analytics to the property and casualty (P&C) insurance market. Its shares contributed to performance, as the company reported strong first quarter 2024 earnings, especially relative to investors' muted expectations. The CEO expressed optimism about the state of the P&C insurance end-market and Verisk's ability to continue to increase its pricing and expand its product offerings. We maintain conviction in the company's competitive positioning, as well as its prospects for long-term revenue growth, margin expansion, and capital deployment opportunities.

Guidewire Software, Inc. is a software vendor to the P&C insurance sector, and its shares contributed to quarterly performance. After a multi-year transition period, we believe the company's transition from an on-premise software provider to a cloud-based solution is substantially complete. We believe that cloud will be Guidewire's sole path forward, with annual recurring revenue (ARR) benefiting from new customer wins and migrations of the existing customer base to the company's InsuranceSuite Cloud. We also expect the company to shift R&D resources from infrastructure investment to product development, which will help to drive cross sales into its sticky installed base and potentially accelerate ARR over time. We are also encouraged by Guidewire's subscription gross margin expansion, which improved by more than 1,000 basis points in its most recently reported quarter. We believe that Guidewire will be the critical software vendor for the global P&C insurance industry, eventually capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%.

Fair Isaac Corporation (FICO) is a data and analytics company focused on predicting consumer behavior. It is probably best known for its FICO score, which is widely used to assess consumers' credit worthiness. Shares increased on reported solid second fiscal quarter 2024 earnings results and increased fiscal year 2024 guidance. The company also hosted its annual user conference in April where CEO Will Lansing expressed confidence that the business can perform well across different macroeconomic backdrops and optimism about the magnitude of the opportunity in its software business. There are some near-term areas of uncertainty, most notably the impact of interest rates on its FICO scores business and a potential Consumer Financial Protection Bureau investigation into Scores pricing. Long term, we believe FICO will be a steady earnings compounder, which should drive solid returns for the stock over a multi-year period.

Table III.
Top detractors from performance for the quarter ended June 30, 2024

	Year Acquired	Percent Impact
CoStar Group, Inc.	2016	–1.15%
IDEXX Laboratories, Inc.	2006	–0.65
Gartner, Inc.	2007	–0.63
Dayforce, Inc.	2018	–0.58
Vail Resorts, Inc.	1997	–0.53

CoStar Group, Inc. provides marketing and data analytics services to the real estate industry. Shares detracted from performance in the quarter, mirroring the broader software sector. We believe CoStar shares were impacted by concerns that the company's second quarter financial results will show a deceleration in net new sales of its residential product following outstanding first quarter performance. We remain encouraged by traction in CoStar's residential offering although recognize that progress may not be linear. CoStar began to monetize its new Homes.com platform in February. We believe early momentum can be amplified by the recent National Association of Realtors' class action settlement, which has the potential to disrupt the residential brokerage industry and enhance the return on investment for brokers advertising on Homes.com.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** detracted from performance. Foot traffic into U.S. veterinary clinics remained uneven, causing a modest headwind to the company's revenue growth. Despite this headwind, management has continued to deliver robust financial results. We believe IDEXX's competitive position remains outstanding, and we expect new proprietary tests and field sales force expansion to be meaningful contributors to growth in 2024. In addition, we see increasing evidence that long-term secular trends around pet ownership and pet care spending have been structurally accelerated, which should help support IDEXX's long-term growth rate.

Shares of **Gartner, Inc.**, a provider of syndicated research, detracted from performance in the quarter as the company's contract value fell modestly short of investor expectations. Despite this, Gartner's core subscription research businesses continue to compound at attractive rates, and we believe growth is poised to accelerate over the next several quarters. We believe Gartner will emerge as a critical decision support resource for every company evaluating the opportunities and risks of AI on its business. We expect this development to provide a tailwind to Gartner's volume growth and pricing realization over time. We expect Gartner's sustained revenue growth and focus on cost control to drive continued margin expansion and enhanced free cash flow generation. The company's balance sheet remains in excellent shape and can support ongoing share repurchases and bolt-on acquisitions.

Portfolio Structure

At June 30, 2024, Baron Asset Fund held 53 positions. The Fund's 10 largest holdings represented 48.5% of net assets, and the 20 largest represented 71.2%. The Fund's largest weighting was in the IT sector at 30.0% of net assets. This sector includes software companies, IT consulting firms, electronics components companies, and technology distributors. The Fund held 21.5% of its net assets in the Health Care sector, which includes investments in life sciences companies, and health care equipment, supplies, and technology companies. The Fund held 18.1% of its net assets in the Industrials sector, which includes investments in research and consulting companies, environmental firms, and construction & engineering companies. The Fund also had significant weightings in Financials at 13.4% and Consumer Discretionary at 7.5% of net assets.

As the chart below shows, the Fund's largest investments all have been owned for significant periods – 7 of the 10 largest holdings have been owned for longer than a decade. This is consistent with our approach of investing for the long term in companies benefitting from secular growth trends with significant competitive advantages and best-in-class management teams.

Table IV.
Top 10 holdings as of June 30, 2024

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$2.9	$34.9	$405.2	9.5%
IDEXX Laboratories, Inc.	2006	2.5	40.2	260.5	6.1
Verisk Analytics, Inc.	2009	4.0	38.5	234.8	5.5
Mettler-Toledo International Inc.	2008	2.4	29.8	212.6	5.0
Arch Capital Group Ltd.	2003	0.9	37.9	205.0	4.8
Guidewire Software, Inc.	2013	2.8	11.4	176.6	4.1
CoStar Group, Inc.	2016	$ 5.0	$ 30.3	$166.7	3.9%
Fair Isaac Corporation	2020	12.1	36.8	148.9	3.5
Roper Technologies, Inc.	2011	7.4	60.3	134.3	3.1
Space Exploration Technologies Corp.	2020	47.0	208.2	126.0	3.0

Recent Activity

Table V.
Top net purchases for the quarter ended June 30, 2024

	Quarter End Market Cap (billions)	Net Amount Purchased (millions)
X.AI Corp.	$24.0	$40.0
Vulcan Materials Company	32.9	10.1
Booz Allen Hamilton Holding Corporation	19.9	3.1
Procore Technologies, Inc.	9.7	2.2
Spotify Technology S.A.	62.5	1.4

The Fund participated in the recent multibillion dollar Series B fundraising round for **X.AI Corp.** Founded by Elon Musk, we believe X.AI is a promising investment opportunity in the rapidly evolving landscape of AI companies. X.AI's ambitious goal is to develop AI "to understand the true nature of the universe."

X.AI's growth potential is underpinned by the increasing demand for credible AI solutions and continuous product improvements. The company intends to revolutionize the market for AI models and applications. In the short period since its inception, X.AI launched its first AI model and product, Grok, which has shown impressive results compared with more established AI models. We believe this early demonstration, coupled with the ongoing development of two newer versions, showcases the company's ability to drive rapid innovation cycles. X.AI's new funding is expected to allow the company to purchase significant computational power and attract top engineering talent.

We believe that the company's leadership is a significant asset. Musk's track record in AI development spans many years, including co-founding OpenAI, developing related software and hardware capabilities at Tesla, and deploying AI to improve X.com's (formerly Twitter) functionality. Across his other businesses, Musk has demonstrated abilities as a capable leader who drives tremendous innovation in complex environments. The founding management team includes key figures from OpenAI, Google's DeepMind, Tesla, Microsoft, and Meta, bringing extensive and relevant experience.

We believe that X.AI's competitive position is enhanced by its access to differentiated data, computational power, software and hardware integration, and its distribution opportunities. The company has unique access to the data of X.com, which represents one of the largest and fastest-growing repositories of real time, multimodal, diverse, human to human interaction data sets. Nearly 600 million people use X.com's application each month, and its users spend 362 billion seconds and watch more than 8 billion videos each day on the platform. We believe that X.AI will expand its access to additional unique data assets.

On the computational front, X.AI is making bold moves and advancing rapidly. The company plans to deploy one of the world's largest, densest computing clusters, boasting 100,000 GPUs. These dense computing centers, though complex, can drive significant improvements in compute utilization and cost efficiencies. Musk recently noted that "it will be the most powerful training cluster in the world by a large margin." In just a few months, the company identified a location, secured power allocation, and started to deploy hardware with a goal to start utilizing this data center before the end of 2024. Considering most new data center development cycles take two to three years, we believe this is a tremendous achievement by the company.

By bringing more efficient computing resources online faster than its competitors, we believe X.AI can build and improve its products faster than others. The company's first data center will be followed by additional large data centers with the goal to deploy 300,000 even stronger GPUs by summer of 2025. The founding team's experience in chip development, related software, thermal, and energy management is expected to allow further hardware innovation. We believe that the integration of hardware and software expertise provides a unique advantage in the AI space, where computational efficiency is crucial.

X.AI also has substantial distribution opportunities. The company's collaboration with X.com provides immediate access to hundreds of millions of users, offering a valuable user base early in its development. Additionally, X.AI is well positioned to explore more traditional distribution channels, including business-to-business integrations and dedicated standalone consumer solutions.

Although these remain early days in the development of artificial intelligence, we are confident in the disruptive potential and value creation opportunities that lie ahead. We believe that X.AI's focused strategy, formidable talent, and innovative approach position it to become a significant player in shaping the future of AI.

We initiated an investment in **Vulcan Materials Company**. Vulcan is the largest producer of construction aggregates in the U.S. and generates approximately 90% of its gross profit from mining, processing, and transporting crushed stone, sand, and gravel (collectively, "aggregates") from its quarries. The balance of its gross profit is derived from strategically located ready-mix concrete and asphalt. Vulcan's products are utilized in infrastructure projects such as roads, highways, and bridges, as well as in residential and non-residential construction.

We believe the aggregates industry contains high barriers to entry and strong pricing power. The approval process for a new quarry typically takes 5 to 10 years. This limits new competition and constrains supply, placing companies with existing quarries in an advantaged position. In addition, a high weight-to-price ratio makes transportation expensive, limiting the distance that aggregates can be shipped economically. As a result, aggregates producers have historically enjoyed pricing power. During the past 30 years, aggregate prices have increased, on average, 4% annually. Pricing power has been exceptionally robust during the past several years in response to inflationary cost pressures, and we expect above-trend price growth to continue.

We believe the multi-year growth prospects for Vulcan are especially attractive. Infrastructure-related spending, which accounts for approximately 40% of Vulcan's aggregate shipments, is accelerating. It should remain elevated as the Infrastructure and Investment Jobs Act allocates significant sums from the federal government towards new and existing infrastructure projects. Outsized state-level infrastructure spending will also drive demand across the company's footprint. Private construction spending (residential and non-residential) may accelerate over the next few years as well. Residential construction may respond to an acute need for more new homes following a 15-year period of underbuilding relative to the demographic needs of our country. Non-residential spending may accelerate to meet the real estate needs in growing areas such as logistics warehouses, data centers, and manufacturing.

Table VI.
Top net sales for the quarter ended June 30, 2024

	Quarter End Market Cap or Market Cap When Sold (billions)	Net Amount Sold (millions)
VeriSign, Inc.	$17.8	$29.5
Fair Isaac Corporation	36.8	28.3
FactSet Research Systems Inc.	15.6	27.9
Repligen Corporation	6.9	22.8
T. Rowe Price Group, Inc.	25.8	17.8

We continued to reduce our position in **VeriSign, Inc.** as the company experienced an ongoing slowdown in new internet domain registrations. We reduced our position in **Fair Isaac Corporation** as its shares reached new all-time highs. We reduced our position in **FactSet Research Systems Inc.** as the sales environment became more challenging among its core financial services customers. We sold **T. Rowe Price Group, Inc.**, an asset management company, on concerns about a slowdown in its ability to attract additional investor assets.

Outlook

As discussed, returns of the broad equity market indexes have been disproportionately driven by a narrow group of mega-cap technology stocks. This has contributed to the unprecedented underperformance of mid-cap growth stocks relative to their large-cap peers. We do not believe that this phenomenon can continue indefinitely, and we believe this presents a compelling long-term opportunity for mid-cap growth stocks.

Since the end of the second quarter, inflation, as measured by the Consumer Price Index, has fallen, and the Federal Reserve appears poised to begin the process of reducing interest rates. This has been an important factor that has caused mid-cap and small-cap stocks to begin outperforming large caps. We are hopeful that this will continue. We believe that lower rates should result in the market ascribing a higher valuation to the future earnings streams of all companies. We believe this development would disproportionately benefit the types of businesses we favor—companies that benefit from long-term secular growth drivers with highly visible and growing earnings streams. In addition, we believe these types of companies have been out of favor relative to more speculative businesses, and we are optimistic that this trend will reverse.

Sincerely,

Andrew Peck
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting BaronCapitalGroup.com. Please read them carefully before investing.

Risks: Securities issued by medium-sized companies may be thinly traded and may be more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns.

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

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

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The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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