DEAR BARON ASSET FUND SHAREHOLDER:

PERFORMANCE

Following a strong start to 2025, U.S. equities declined sharply in late February, and most broad market indexes finished the quarter down mid- to high single digits. Investors were initially enthusiastic about the prospects for the economy during President Trump's second term. Market sentiment began to shift, largely in response to Trump's plans to impose sweeping tariffs on major U.S. trade partners. In addition, higher-than-expected inflation data and softer economic readings stoked fears about possible stagflation. Lastly, investors moderated their enthusiasm for various perceived beneficiaries of AI, leading to a significant sell-off in the Magnificent Seven and other companies in the broader AI ecosystem.

Against this challenging market backdrop, Baron Asset Fund® (the Fund) generated solid outperformance, exceeding the Russell Midcap Growth Index (the Index) by 423 basis points (Institutional Shares) and recouping a meaningful portion of relative losses from the prior quarter. The Fund's outperformance stemmed from a combination of positive stock selection and style tailwinds, as investors gravitated to the types of businesses the Fund favors during this "risk off" environment. After driving notable gains in the Index last year, stocks with high measures of Beta and Residual Volatility suffered as the market turned sharply lower in the latter half of the quarter, and the Fund benefited from its meaningful underexposure to these securities.

Table I.
Performance
Annualized for periods ended March 31, 2025

	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]	(2.95)%	(2.89)%	(7.12)%	(4.72)%
One Year	1.22%	1.47%	3.57%	7.22%
Three Years	2.79%	3.06%	6.16%	8.22%
Five Years	11.03%	11.32%	14.86%	18.18%
Ten Years	9.60%	9.89%	10.14%	11.80%
Fifteen Years	11.36%	11.66%	12.20%	12.76%
Since Inception (June 12, 1987)	11.07%	11.19%	10.21%[4]	10.26%

ANDREW PECK

PORTFOLIO MANAGER

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

Favorable stock selection in Communications Services, Information Technology (IT), and Financials accounted for virtually all of the outperformance in the quarter. Strength in Communications Services was widespread, led by private AI model developer **X.AI Holdings Corp.**[6] and global digital music service **Spotify Technology S.A.** As discussed below, xAI shares were revalued higher after the company announced its acquisition of X, formerly Twitter. We expect the deal will generate growth and integration opportunities between the two companies. Spotify's stock was lifted by another impressive beat in gross margins and a healthy increase in operating margins driven by its high-margin artist promotions marketplace, growing contribution from podcasts, and structural investments in advertising. In addition, its users continue to grow at a double-digit pace despite price hikes.

Within IT, the Fund registered gains from property and casualty (P&C) insurance software vendor **Guidewire Software, Inc.** and **Roper**

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of January 28, 2025 was 1.30% and 1.04%, 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 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. 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 June 30, 1987 to March 31, 2025.

5 Not annualized.

6 On March 28, 2025, X.AI Holdings Corp. (X.AI Holdings) acquired social media platform X Holding Corp. (X) and artificial intelligence company X.AI Corp. (xAI) in an all-stock transaction. The deal valued X at $33 billion and xAI at $80 billion, making the combined X.AI Holdings entity worth $113 billion.

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Technologies, Inc., a diversified technology company. Guidewire's stock bounced back as the company's annual recurring revenue (ARR) benefited from additional new customer wins. Roper owns a portfolio of businesses with market-leading software and technology-enabled products. The company has a high percentage of recurring revenue and maintains high cash returns on investment in defensible niche businesses. Roper's shares increased as these characteristics proved desirable amid the market rotation into more defensive businesses driven by tariff-related concerns.

Strength in Financials came from specialty insurer **Arch Capital Group Ltd.** and brokerage firm **The Charles Schwab Corporation**. Arch's stock rebounded from weakness in the prior quarter due to favorable operating trends and the relative stability of insurance stocks in a "risk-off" market. The company reported better-than-expected earnings, and returns on equity remained strong in the high teens despite elevated catastrophe losses from Hurricane Milton. Schwab's shares outperformed for a second consecutive quarter, helped by an improved earnings outlook. After reaching trough levels last year, Schwab's cash balances continued to trend higher during the quarter. Investors believe Schwab will use these balances to pay down higher cost borrowings, which should drive net interest income and earnings higher.

Solid stock selection in Real Estate and Industrials also added value, with real estate data and marketing platform **CoStar Group, Inc.** and data and analytics vendor **Verisk Analytics, Inc.** accounting for most of the gains. CoStar's shares rose on signs that its core commercial real estate market is recovering, coupled with some favorable datapoints for Homes.com, its residential business. Verisk gained in response to solid quarterly results and upbeat commentary from CEO Lee Shavel about the company's growth potential in 2025. Somewhat offsetting these positive contributions to the Fund's performance were adverse stock selection in the Health Care and Consumer Discretionary sectors, along with lack of exposure to the top performing Energy sector. Weakness in Health Care was driven by sharp declines from pharmaceutical packaging manufacturer **West Pharmaceutical Services, Inc.** and life sciences tools developer **Bio-Techne Corporation**. As discussed below, West faced setbacks in two discrete areas of its business, leading management to issue 2025 earnings guidance that was materially below investor expectations. Bio-Techne's stock fell after the National Institutes of Health announced a new policy on funding for indirect costs for scientific research at academic laboratories that could have a negative impact on some of its customers.

Several holdings weighed on performance in Consumer Discretionary, led by sharp declines from global hotelier **Hyatt Hotels Corporation** and premium footwear and apparel brand **On Holding AG**. Hyatt's shares detracted as Trump's tariff policies generated heightened uncertainty around the near-term macroeconomic environment and its potential impact on global travel. On's shares fell in concert with the broad sell-off in higher growth stocks, coupled with concerns about the potential impact of tariffs on its Vietnamese manufacturing operations.

Table II.
Top contributors to performance for the quarter ended March 31, 2025

	Year Acquired	Contribution to Return (%)
X.AI Holdings Corp.	2024	1.29
Guidewire Software, Inc.	2013	0.48
Verisk Analytics, Inc.	2009	0.39
CoStar Group, Inc.	2016	0.38
Roper Technologies, Inc.	2011	0.35

X.AI Holdings Corp. is developing an AI model "to understand the true nature of the universe." In the short period since its inception, xAI launched the third version of its AI model, Grok 3. Grok demonstrated elevated user engagement and top scores in evaluation tests, surpassing other industry-leading AI models. The company also commenced using its Colossus data center, operating more than 100,000 Graphical Processing Units, considered the world's largest coherent training center. Grok 3 was the first model trained on xAI's own data center, leveraging more than 10 times the compute that was used to train Grok 2. These early achievements showcased xAI's ability to drive rapid innovation cycles and furthered our belief that the company will maintain a leadership position in the lucrative AI industry. In addition, xAI recently announced its acquisition of X, formerly Twitter. We expect the deal will generate growth and integration opportunities between the two companies, improving innovation and efficiencies. We value the stock based on recent share transactions, including its recently announced merger.

Shares of P&C insurance software vendor **Guidewire Software, Inc.** contributed to performance in the quarter. After a multi-year period, we believe Guidewire's cloud transition is substantially complete, and cloud architecture will be the sole product path going forward. We expect its ARR to continue benefiting from new customer wins and migrations of the existing customer base to InsuranceSuite Cloud. We also expect the company to shift R&D resources to product development from infrastructure investment, which will help drive cross-sales into its sticky installed base and potentially accelerate ARR over time. We are also encouraged by Guidewire's subscription-based gross margin expansion, which improved by more than 1,000 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%.

Shares of **Verisk Analytics, Inc.**, a leading data and analytics vendor, contributed to performance. The company reported solid quarterly results, including particularly strong organic revenue growth. CEO Lee Shavel also sounded upbeat about Verisk's growth potential in 2025. Verisk also benefited from the investor rotation into more defensive stocks driven by tariff-related uncertainty. We maintain conviction in the company's competitive positioning, long-term growth, margin expansion, and its ability to deploy capital accretively.

Table III.
Top detractors from performance for the quarter ended March 31, 2025

	Year Acquired	Contribution to Return (%)
Gartner, Inc.	2007	–1.23
The Trade Desk	2019	–0.69
West Pharmaceutical Services, Inc.	2014	–0.52
Dayforce, Inc.	2018	–0.47
Hyatt Hotels Corporation	2009	–0.42

Shares of **Gartner, Inc.**, a provider of syndicated research focused primarily on the technology sector, fell on uncertainty around the impact of government spending reductions on the business. We estimate U.S. federal customers comprise about 5% of Gartner's total research contract value, with about half from the Department of Defense and Intelligence organizations and half from civilian agencies. While Department of Government Efficiency-driven cost scrutiny is high, we believe Gartner's services deliver significant value to users, including the potential for hard dollar savings. The private sector business appears well positioned for sustained growth, and management is adept at exercising cost controls to sustain or enhance margins and free cash flow (FCF). The company's balance sheet is in excellent shape, and we expect management to take advantage of this share price drawdown with aggressive share repurchases.

The Trade Desk is the leading internet advertising demand-side platform, enabling agencies to efficiently purchase digital advertising across PC, mobile, and online video channels. Shares fell after the company missed earnings for the first time in 33 quarters. Since the most recent earnings report, we have done substantial research to test our investment thesis. We believe the miss was due largely to a company reorganization in December and delays in its Kokai platform rollout, both of which we believe have since improved. While we continue to watch the competitive landscape as Amazon enters the market more meaningfully, we believe Trade Desk still represents the best option for biddable Connected TV (CTV) inventory. We note Trade Desk gained share against the incumbent Google in the last five years, even when Google charged low/no fees, and major companies like Netflix, Disney, and Spotify have opened their ad inventory to Trade Desk. Its market remains large and underpenetrated, as the shift to CTV advertising is still in its early stages.

West Pharmaceutical Services, Inc. is a leading manufacturer of drug packaging components and delivery systems for injectable drugs. Although management expects the core business to perform well in 2025, shares fell on setbacks in two other areas of the business. First, West declined to renew two contracts in its contract manufacturing business due to unfavorable economics. We would note that, compared to the core business, the contract manufacturing business is low margin and low value. Second, some high margin 2024 revenue with a large customer for West's Smart Dose On-Body Delivery System will not repeat in 2025. As a result, 2025 earnings guidance was materially below investor expectations. While we are disappointed with the re-set, we think earnings can grow at a mid-teens rate from this new level.

Portfolio Structure

As of March 31, 2025, the Fund held 52 positions. The Fund's 10 largest holdings represented 50.6% of net assets, and the 20 largest represented 72.8%. The Fund's largest weighting was in the IT sector at 26.3% of net assets. This sector includes software companies, IT consulting firms, and electronic components companies. The Fund held 21.8% of its net assets in the Industrials sector, which includes investments in research and consulting companies, aerospace and defense firms, and human resources companies. The Fund held 16.2% of its net assets in the Health Care sector, which includes investments in life sciences companies, and health care equipment, technology, and supplies companies. The Fund also had significant weightings in Financials at 13.8% and Consumer Discretionary at 7.7%.

As the chart below shows, the Fund's largest investments have mostly 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 benefiting from secular growth trends with significant competitive advantages and best-in-class management teams.

Table IV.
Top 10 holdings as of March 31, 2025

	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	32.2	321.2	8.2
Verisk Analytics, Inc.	2009	4.0	41.7	224.2	5.7
IDEXX Laboratories, Inc.	2006	2.5	34.0	217.4	5.5
Guidewire Software, Inc.	2013	2.8	15.7	215.8	5.5
Space Exploration Technologies Corp.	2020	47.0	349.1	208.2	5.3
Arch Capital Group Ltd.	2003	0.9	36.1	191.1	4.9
Mettler-Toledo International Inc.	2008	2.4	24.6	173.7	4.4
CoStar Group, Inc.	2016	5.0	33.4	170.9	4.3
Fair Isaac Corporation	2020	12.1	45.0	136.5	3.5
Roper Technologies, Inc.	2011	7.4	63.3	134.5	3.4

Recent Activity

Table V.
Top net purchases for the quarter ended March 31, 2025

	Quarter End Market Cap ($ billions)	Net Amount Purchased ($ millions)
Vertiv Holdings Co	27.5	21.8
SailPoint, Inc.	10.4	12.3
DraftKings Inc.	16.3	10.6
The Trade Desk	27.1	2.2
Procore Technologies, Inc.	9.9	2.0

We took advantage of meaningful price weakness to initiate a position in **Vertiv Holdings Co** during the quarter. Vertiv is a global leader providing critical data infrastructure solutions for data centers, communication networks, and commercial and industrial businesses. The company's core competency is providing solutions to cool and power data centers. These tasks are technically complex and integral to the successful construction of data centers, and we expect building trends to remain robust because of the continued rapid adoption of AI.

Vertiv has a portfolio of both air and liquid cooling solutions. The company's equipment is required as rack density in AI data centers is expected to increase from 5-10/kW per rack to potentially upwards of 900-1,000+/kW per rack over the next five years due to the adoption of advanced semiconductor chips. Higher energy density racks generate more heat and will require liquid cooling, as water has a heat carrying capacity 3,500 times higher than that of air. We think Vertiv is well positioned to maintain its leadership in this burgeoning market opportunity because of its technology, its strategic partnership with NVIDIA (the largest manufacturer of AI chips), its strong service network, and its ability to scale manufacturing quickly and reliably to meet its customers' global needs.

At its most recent investor event in November 2024, Vertiv gave long-term revenue growth guidance that implies a 12% to 14% CAGR through 2029, and we think this figure could prove conservative. While data centers are approximately 80% of Vertiv's total revenue, McKinsey has estimated global data center demand to grow at a 20% CAGR in its base case scenario or potentially up to 30% CAGR through 2030 in its accelerated scenario. Given uncertainty regarding future tariff policy, we are reassured that a small percentage of the company's manufacturing inputs are sourced from China. With healthy revenue growth and continued margin expansion, we believe that Vertiv has the potential to grow its EBITDA at a mid to high teens rate into the foreseeable future.

DraftKings Inc. is a dominant player in the domestic online sports betting industry, which is evolving towards a favorable duopoly market structure. Jason Robbins, the company's CEO and founder, built a culture of technological and marketing innovation to create a top sports betting product while competing against international peers with a large head start in the category. We believe the company is positioned to capitalize on the rapid growth of the U.S. sports betting market. We expect online betting to expand at a 15% to 17% same-state growth rate over the next several years. Approximately half the U.S. population does not have access to sports betting, and future legalization of large states (such as Texas or Florida) could extend the growth runway of the industry into the 2030s.

DraftKings's financial model is inflecting positively because it has been operating in many states for more than three years. As a result of this maturation, the company has been able to rationalize its customer acquisition costs, which allows for high incremental margins to flow through its income statement. Promotions that are paid to acquire new customers have declined, and the company is recognizing economies of scale from national advertising campaigns. The stock has been under pressure because of concerns about potential state tax rate increases, macroeconomic uncertainty, and possibly unfavorable recent betting results. We believe investors have overestimated the impact of these factors. We expect the company to earn margins in line with management estimates under most tax scenarios. We expect a 30%-plus CAGR in FCF over the next several years as FCF margin expands from low single digits to over 20%. In addition, the company has an excellent balance sheet, and it has recently prioritized returning capital to shareholders through buybacks.

Table VI.
Top net sales for the quarter ended March 31, 2025

	Quarter End Market Cap or Market Cap When Sold ($ billions)	Net Amount Sold ($ millions)
ANSYS, Inc.	28.5	56.8
Gartner, Inc.	32.2	28.2
Verisk Analytics, Inc.	41.7	24.8
Fair Isaac Corporation	45.0	12.9
Guidewire Software, Inc.	15.7	12.7

We exited our position in simulation software company **ANSYS, Inc.** as it neared an expected acquisition by Synopsys, Inc., a large-cap leader in electronic design automation and semiconductor intellectual property. We managed down our positions in IT research firm **Gartner, Inc.**, our largest holding, and **Verisk Analytics, Inc.**, **Fair Isaac Corporation**, and **Guidewire Software, Inc.**

Outlook

As of the date of this letter, global markets have trended lower as investors try to make sense of the Trump administration's shifting economic policies. After last year's election, investors were optimistic that the prospect of deregulation, lower taxes, enhanced domestic energy production and laxer antitrust policies would lead to buoyant equity markets. Instead, issues including the unknown implications of higher tariffs, a potential trade war with both our enemies and allies, rising interest rates and a weakening dollar have given investors pause. As a result, the stock market has pulled back considerably after a two-year period when many broad market indexes gained more than 50%.

The stocks that led the market on the way up included many that were among the more speculative, including those with the most extended near-term valuations, high measures of beta and volatility, and perceived beneficiaries of AI expenditures. Many of these same stocks have recently led the market on the way down. The shift in market dynamics bolstered the Fund's performance during the past quarter, and we are optimistic that these trends are poised to continue.

Although we do not make investments predicated on our view of changing macroeconomic or political developments, we do believe the future policies of the Trump administration are likely to remain volatile. We believe that the types of businesses we favor – high-quality companies that benefit from long-term secular growth drivers with highly visible and growing earnings streams – will continue to perform well in this climate, and we believe they are likely to be favored by investors.

Thank you for your ongoing confidence.

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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Beta explains common variation in stock returns due to different stock sensitivities to market or systematic risk that cannot be explained by the US Country factor. Positive exposure indicates high beta stock. Negative exposure indicates low beta stock. 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. **Residual Volatility** factor captures the volatility of the stock specific return component of a security. The stock specific return component tries to describe the idiosyncratic behavior of a company's stock price movements that is not attributable to other factors in the Barra risk model.

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