BARON INSIGHT
MAY 2012

Finding Growth Opportunities in Technology

LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

For the quarter ended March 31, 2012, the Information Technology (IT) sector led the performance of the U.S. and international stock markets. Despite the challenging economic environment, corporate IT spending continued to grow at a healthy pace, as companies honed in on the efficiency and productivity that technology offers. Consumers didn't seem to ease up either, and for days I saw people lined up outside the 24-hour Apple store downstairs patiently waiting for their opportunity to buy the latest Apple iPhone and iPad. (I note that Apple's profits for the quarter nearly doubled.)

Performance of our diversified Baron mutual fund portfolios also benefitted from our investments in IT stocks, which contributed significantly to the Funds' relative performance during the quarter and which have been a source of positive alpha over the long term.

The table below summarizes the performance of our IT investments over the past decade. Over the long term, our investments in IT outperformed and positively contributed to the Baron Funds'

BARON FUNDS' INFORMATION TECHNOLOGY INVESTMENTS: ALPHA GENERATORS OVER THE LONG TERM

Baron Diversified Funds As of March 31, 2012			IT Returns			Portfolio Returns	Sector Attribution
Fund Name	Benchmark	Period	Baron Funds IT Sector Return (%)	Benchmark IT Sector Return (%)	Excess Return (%)	Baron Funds Total Returns (%)	Selection Effect (%)
Baron Small Cap Fund	Russell 2000 Growth Index	1 Q 2012	17.39	14.27	3.12	13.39	0.55
		1 Year	6.47	(4.41)	10.88	1.40	1.77
		3 Year	144.02	136.18	7.84	101.81	0.05
		5 Year	109.43	38.86	70.57	19.77	2.89
		10 Year	333.40	39.82	293.58	111.78	10.10
Baron Growth Fund	Russell 2000 Growth Index	1 Q 2012	14.06	14.27	(0.21)	9.02	(0.03)
		1 Year	3.88	(4.41)	8.29	0.92	1.09
		3 Year	139.91	136.18	3.73	98.43	(0.70)
		5 Year	73.64	38.86	34.78	15.92	(0.80)
		10 Year	225.06	39.82	185.24	103.54	2.51
Baron Asset Fund	Russell Mid Cap Growth Index	1 Q 2012	26.06	18.50	7.56	14.31	0.99
		1 Year	11.95	0.40	11.55	3.77	1.75
		3 Year	140.49	114.55	25.94	98.09	1.21
		5 Year	82.87	28.87	54.00	12.40	2.81
		10 Year	187.76	45.82	141.94	82.15	3.49
Baron Opportunity Fund	Russell Mid Cap Growth Index	1 Q 2012	32.45	18.50	13.95	16.89	4.81
		1 Year	26.91	0.40	26.51	2.46	10.02
		3 Year	214.68	114.55	100.13	118.32	19.24
		5 Year	140.14	28.87	111.27	37.95	33.09
		10 Year	423.95	45.82	378.13	188.71	96.56
Baron Fifth Avenue Growth Fund	S&P 500 Index	1 Q 2012	31.43	21.46	9.97	22.69	3.04
		1 Year	37.17	20.21	16.96	15.85	3.99
		3 Year	142.71	112.51	30.20	90.35	3.88
		5 Year	84.21	47.99	36.22	10.73	5.58
		Since Inc (4/30/04)	113.83	75.98	37.85	46.60	5.55
Baron International Growth Fund	MSCI ACWI Ex USA IMI Growth Index	1 Q 2012	28.53	17.77	10.76	15.91	2.02
		1 Year	14.28	(6.34)	20.62	(3.21)	4.23
		3 Year	148.91	68.93	79.98	86.38	13.49
		Since Inc (12/31/08)	144.28	64.17	80.11	74.26	12.86
Baron Emerging Markets Fund	MSCI EM IMI Growth Index	1 Q 2012	28.20	20.71	7.49	15.34	1.36
		1 Year	14.02	(3.61)	17.63	(3.24)	2.21
		Since Inc (12/31/10)	6.96	(4.29)	11.25	(4.50)	2.32

Source: FactSet PA

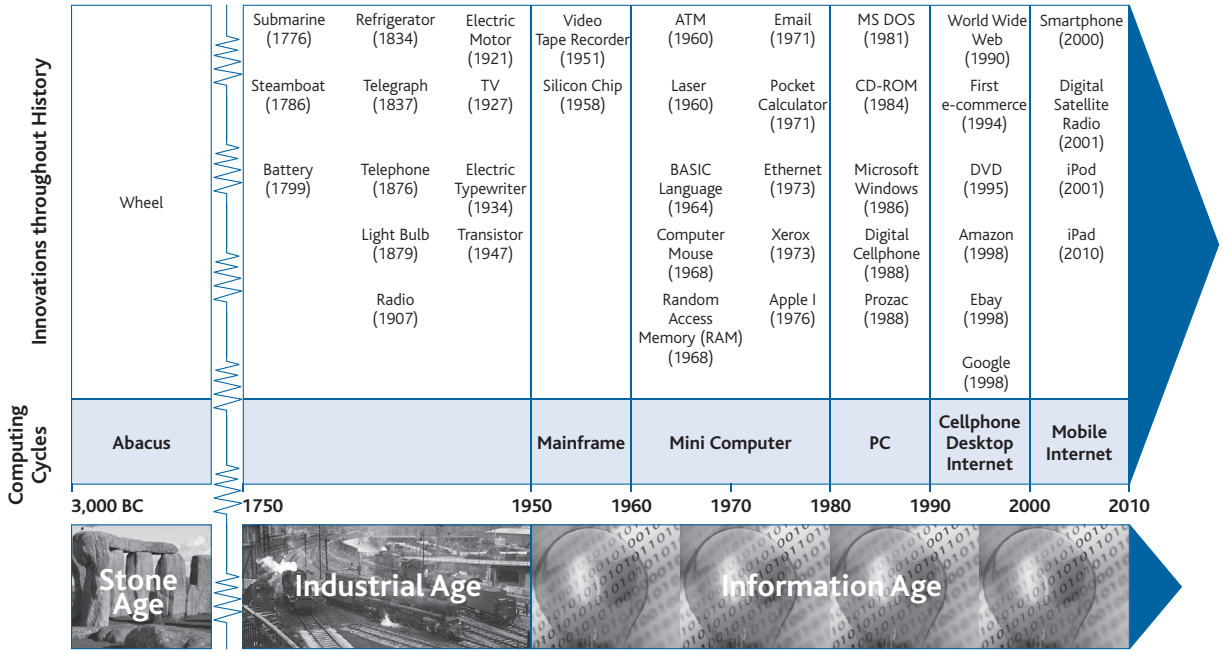
Sector Attribution: Selection Effect represents the value added by a portfolio manager within each sector of a portfolio. It determines the portion of a portfolio's excess return attributable to the portfolio manager's skill in selecting securities within a particular sector. Positive selection effect occurs when the portfolio manager puts more weight than a benchmark in a security that outperformed. For example, the portfolio manager's superior stock selection within the IT sector added 96.56% to the Baron Opportunity Fund's excess return over the past ten years.

BARON

relative performance, as evidenced by their positive selection effect over the past 10 years. While the Russell 3000 Growth IT sector was up slightly over 70% over the past decade, IT stocks in the diversified Baron Funds with at least a 10 year track record returned 188%–424%.

The 20th century saw rapid advances in technology. What a 60,000 pound computer could calculate in 1946 can now be computed several million times faster on a 4.9 ounce iPhone. Thirty years ago, most businesses didn't have technology departments. Enterprise IT spending was almost $2.6 trillion in 2011 and today global IT spending is approaching $4 trillion. Consumers used to think that technology was their hand-held calculator. In a recent Cisco survey[1], two-thirds of college students and young professionals said they would choose the Internet over a car and more than half cited a mobile device (laptop, smartphone, tablet) as "the most important technology in their lives." One-third said that the Internet is as important as food, water and air, and more than half said it was close to that important, responding that they could not live without the Internet.

TECHNOLOGICAL ADVANCES HAVE BEEN ACCELERATING



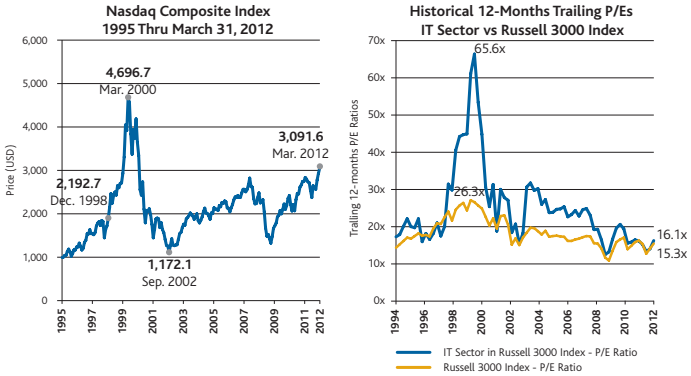
The communication protocols that were a precursor to the World Wide Web were originally developed by the U.S. government in conjunction with academia. The rapid evolution and increasing popularity of computers in the 1980s and the 1990s stimulated the development and expansion of the World Wide Web and the proliferation of companies offering hardware, software, support and services. Investors became confident that these new tech startup businesses had seemingly limitless opportunities. Venture capitalists were drawn to these businesses, then took them public, where eager investors over-looked traditional valuation metrics such as P/E ratios, balance sheets, and cash flows, and poured billions of dollars into hot new deals without applying much common sense. Between March 1999 and March 2000, the NASDAQ Composite Index, driven by the rapidly increasing prices of start-up Internet firms, doubled, and by the end of 1999 the market capitalization of the 10 largest IT companies was equal to almost 18% of U.S. GDP. Market valuations soared to unprecedented levels, heavily driven by the IT sector. Frenzied investors rushed to invest in these companies simply because their stock prices were increasing. The consequences of this reckless investment behavior were memorable. Many of the startups lacked a sustainable business model and burned through their cash. Before too long, companies started to fail, and many publicly traded technology companies shut down. Roughly $5 trillion in market value of technology companies was wiped out between 2000 and 2002 and the NASDAQ fell from about 5,000 to 1,200.

During the "dot-com" bubble, prices and valuations spiked, but in many cases earnings and cash flow didn't materialize. Some investors may think that the recent increase in the prices of tech stocks may be a repeat of the early 2000s. We disagree. We think tech stocks today are trading at their cheapest levels since 1995.

[1] *The Cisco Connected World Technology Report: "Employees Expectations, Demands, and Behavior of the Next Generation's workforce - Is Your Company Ready" Chapter 1. September 21, 2011.*

"We invest in people, not just buildings."

IT SECTOR: TRADING AT HISTORICALLY LOW P/Es



Source: FactSet PA, Compustat and Russell, Inc.

In 1998, stocks in the Information Technology sector, as classified by the Global Industry Classification Standard (GICS), represented less than 3% (approximately $156 million) of our mutual fund portfolios. Our lack of interest in technology companies was twofold: (1) we thought that computer hardware would quickly become obsolete and (2) the market valuations at that time were staggering, with many companies trading at 30 times earnings. Rapidly changing technology could not satisfy our stringent investment criteria for long-term growth opportunities. Would a leading chip or semiconductor manufacturer really have the leading chip or semiconductor product for the next five to ten years? We did not think so, and we did not invest in those companies. With great prescience, our quarterly shareholder letters in 1998 explained our reasons for avoiding these investments at that time.

Fast forward to 2012: the IT landscape looks very different. The earlier dot-com effect was a catalyst for change in the IT industry, but it wasn't the only one. Better and more affordable hardware and storage solutions, faster and more widely available broadband technologies, more appealing user interfaces, and the "consumerization" of technology also contributed to the transformation of the sector.

While in 2000 we struggled to find many IT stocks in which to invest, today we find plenty of businesses that we think have long-term growth opportunities, sustainable competitive barriers, strong balance sheets, and attractive valuations. We think much has changed since 2000 when we thought technology businesses were uncertain, risky and volatile. Today we see strong secular trends that have re-shaped the sector, including mobile, social, big data, and cloud computing. These trends are helping dampen volatility in IT spending, and are creating companies with sustainable barriers to entry.

According to a recent equity research report from Bank of America Merrill Lynch, IT was the only sector, other than Health Care, that grew earnings through every consecutive quarter of the recent recession. Earnings volatility for IT stocks has also significantly decreased over the last five years, compared to other less cyclical sectors like Utilities and Health Care.

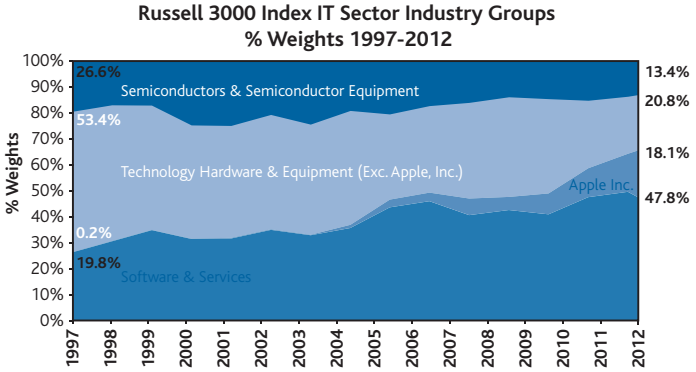
IT SECTOR EARNING GROWTH: LESS CYCLICAL THAN OTHER SECTORS

	Standard Deviation of EPS Growth 2001 to 2005	Standard Deviation of EPS Growth 2006 to 2011	Increase (+) Decrease (–) EPS Risk
Information Technology	110%	42%	–68%
Telecommunication Services	37%	13%	–24%
Utilities	20%	10%	–10%
Health Care	13%	5%	–8%
Consumer Staples	14%	7%	–7%
Industrials	24%	23%	–1%
Materials	67%	91%	24%
Financials	16%	232%	216%
Consumer Discretionary	33%	361%	329%
Energy	48%	395%	347%

Source: Bank of America Merrill Lynch US Equity & US Quant Strategy. "Tech – well loved but with good reason, 14 March 2012"

Today, holdings in the IT sector represent almost 20% ($2.9 billion) of the Baron Funds portfolios. In our view, the risk of obsolescence is still the greatest risk in investing in technology companies for the long term. But technology is no longer just hardware, chips, or semi-conductors. Technology is about computers, but it is also about production, storage, and communication. In 2012, software and services represent almost half of the IT sector in the Russell 3000 Index; and from 1997 to 2012 technology, hardware, and equipment has decreased from 53% to 21%, excluding Apple's 18% (since Apple may really be considered more of a consumer product company than a hardware company).

IT SECTOR: SHIFTING TOWARDS SOFTWARE AND SERVICES



Source: FactSet PA and Russell, Inc.

Many current strong secular growth trends are, directly or indirectly, driven by technology. We think that to ignore technology and its innovation would be to ignore significant growth investment opportunities. So how does a firm like Baron, with its emphasis on investing in well-managed businesses with sustainable competitive

advantages, strong balance sheets and the ability to grow significantly over the long term, invest in technology companies? We look at technology companies the same way we look at investments across other sectors to find exciting opportunities that meet our rigorous criteria. Our approach to investing in technology companies pays particular attention to our assessment of the sustainability of a business and the depth and quality of management's ability to innovate, incorporate technology into their business, compete, and grow the business.

We look at technology broadly and include companies outside the GICS IT sector where, without technology, the product or service would not be possible. Companies in this broader category may be found in other sectors, such as Health Care (Intuitive Surgical, Inc.), Financials (Charles Schwab Corp.), Energy (CARBO Ceramics, Inc.) or Consumer Discretionary (priceline.com, Inc.). These are companies that innovate, that are transformative, and that we think offer tremendous opportunities for growth.

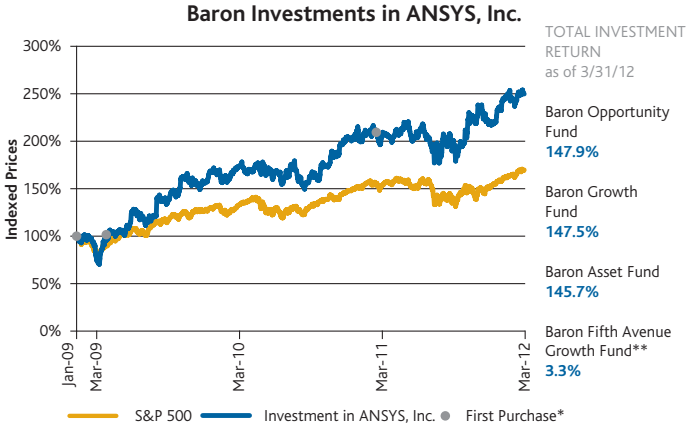
We think about which industries are transforming, and where we see the best opportunities for sustainable growth. We seek to identify broad trends that we think will have a positive impact on the businesses in which we invest. These trends include making businesses more efficient, most notably in the Software as a Service (SaaS) model, such as Ultimate Software Group, Inc., which provides human resources, payroll, and talent management software solutions; or RealPage, Inc., which sells property management software to the rental housing industry. Another trend is the explosive growth of the Internet, bringing change to every aspect of our lives. We shop online (Amazon.com, Inc.), we obtain information online (Google, Inc.), and we share information and communicate online (LinkedIn Corp.). We think that the growth associated with Internet businesses will accelerate as the younger, more technologically savvy generation demands more from it and uses it more. The increase in portable devices is also a revolutionary trend. Smartphones drive significant data usage, permit companies to provide advertising and services that are location sensitive and instantaneous, and provide consumers of all ages immediate access to information, e-commerce and services. An example is Synchronoss Technologies, Inc. which provides activation, backup and synch functionability to smart phones and other mobile devices. Consumer demand is another trend, driving e-commerce and social media (Amazon.com, Inc., LinkedIn Corp.), the demand for more broadband services (American Tower Corp., SBA Communications Corp.), better information (Google, Inc.) and better devices (Apple, Inc.). The growth of the digital world has created another strong secular trend, the need for moreconnectivity (Equinix, Inc.).

What are the important characteristics we look for in an investment? We discuss these below, and provide examples of IT investments we think define these important investment requirements. We think that companies that have these characteristics are more likely to have sustainable, growing businesses, and will be able to better withstand market volatility.

Strong Competitive Advantages

We think that businesses with strong competitive advantages enable them to ward off competitors while generating strong returns over an extended period of time. An example is ANSYS, Inc., the market leader in simulation-driven product development. ANSYS' proprietary simulation software is used by mechanical and electrical engineers to test designs without creating physical models, which helps to cut development costs and improve efficiency. Its products are deeply ingrained in the workflow of test engineers and are sticky, with retention rates at well over 90%. ANSYS' expertise and track record has been developed through 40 years of experience and tens of billions of dollars of aggregate R&D investment. About 75% of its revenue is recurring. Its next closest competitor is less than half the size of ANSYS.

ANSYS, INC.: INTELLECTUAL PROPERTY AND HIGH SWITCHING COSTS = SUSTAINABLE COMPETITIVE ADVANTAGES



Source: FactSet and Baron Capital

**First Purchase: Baron Opportunity Fund 1/09/2009, Baron Growth Fund on 1/09/2009, Baron Asset Fund on 4/23/2009 and Baron Fifth Avenue Growth Fund on 3/04/2011*

*** Baron Fifth Avenue Growth Fund completely sold its position in ANSYS, Inc. on 11/21/2011*

Strong Recurring Revenue Streams

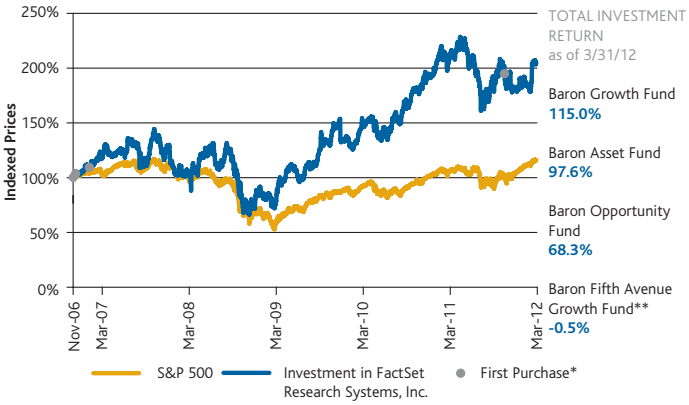
We look to invest in companies with steady revenue because we think it allows a company to use its strong free cash flow to invest in its own business for future growth. Companies that sell their products on a subscription basis benefit from strong recurring revenue streams, solid operating leverage, and strong free cash flow. Just like magazine publishers, these companies usually are paid at the beginning of the year and deliver their products over the next twelve months. As the service becomes part of a user's daily workflow, the renewal rates are high. Since the revenue is recurring, it can accurately match its cost base to its revenue and actively drive margin expansion.

FactSet Research Systems Inc., a supplier of financial intelligence to the global investment community, provides applications that help

investors perform data driven analysis on companies, industries and portfolios; provide screens; and monitor real-time news and market prices. FactSet's database and software are proprietary, developed by a staff of almost 2,000 R&D and data collection professionals. The company has generated high incremental margins and has reinvested profits back into its business to improve sales, R&D, and support functions. This has in turn provided market share gains, and FactSet's subscription volumes have grown significantly while its retention rates have been over 95% for the past 10 years.

FACTSET RESEARCH SYSTEMS, INC.: HIGH RENEWAL RATES = RECURRING REVENUES

Baron Investments in FactSet Research Systems, Inc.



Source: FactSet and Baron Capital

**First Purchase: Baron Growth Fund on 11/02/2006, Baron Asset Fund on 11/15/2006, Baron Opportunity Fund 4/23/2007 and Baron Fifth Avenue Growth Fund on 11/17/2011*

*** Baron Fifth Avenue Growth Fund completely sold its position in FactSet Research Systems, Inc. on 1/26/2012*

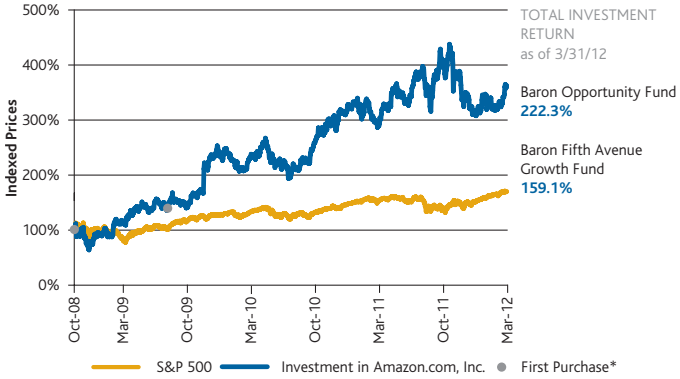
Strong Management

A key to Baron investing is "investing in people not just buildings." The management of a business is critical to us because strong executives set the course for future growth and then execute on that strategy. Without strong management, the vision and the implementation might not happen.

Amazon.com, Inc.'s Jeff Bezos is a great example of a strong CEO. Amazon started as an online book seller in 1994, and today, with Bezos still at the helm, Amazon's online retail platform sells pretty much everything. Amazon's selection is enormous, its prices are competitive, and its website is easy to navigate. The company's strong consumer traffic makes it attractive for third party vendors to want to sell on Amazon, which in turn increases traffic to Amazon's web site. We think Bezos has made Amazon into a company that excels in logistics.

AMAZON.COM, INC.: STRONG MANAGEMENT = DOMINANCE IN ONLINE RETAIL

Baron Investments in Amazon.com, Inc.



Source: FactSet and Baron Capital

**First Purchase: Baron Opportunity Fund 10/10/2008 and Baron Fifth Avenue Growth Fund on 7/06/09*

*** Baron Opportunity Fund completely sold its position in Amazon.com, Inc. on 2/1/2012*

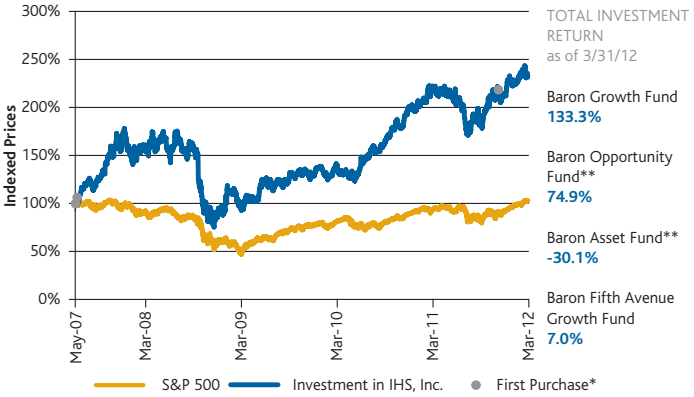
Scalability

We think that companies with scalable business models are attractive because they do not require large amounts of additional capital to grow, they can be flexible, and they can generate strong incremental margins.

IHS, Inc. provides proprietary technical information, decision-support tools and related services in a subscription model. The company provides technical information in a variety of areas including energy and natural resources, security, and product lifecycle. IHS has unique market niches in these areas for which its data and analytics offer the only market-based solution, giving it strong pricing power. Integration into customers' workflow and operating procedures leads to high levels of customer retention. We think there are no integrated competitors that can match IHS's breadth and depth. The company's recent acquisitions have allowed it to craft unique solutions to previously un-analyzable problems, expanding the size of its addressable market.

IHS, INC.: EXPANSIVE INFORMATION FRANCHISE = SCALABILITY

Baron Investments in IHS, Inc.



Source: FactSet and Baron Capital
**First Purchase: Baron Growth Fund 5/31/2007, Baron Opportunity Fund 5/31/2007, Baron Asset Fund 6/14/2007, and Baron Fifth Avenue Growth Fund on 11/17/2011*
*** Baron Asset Fund and Baron Opportunity Fund completely sold their positions in IHS, Inc on 11/13/2008 and 8/4/2011, respectively*

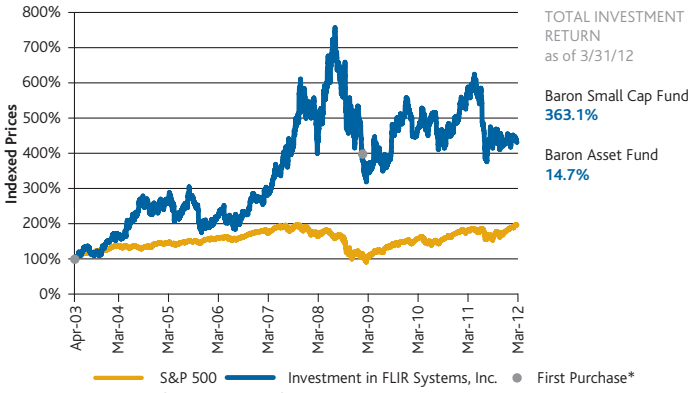
Market Leading Products

Companies that have market leading products have an edge against their competitors and can take market share from them as they continue to grow.

A little less well known than another of our holdings, Apple, Inc. (where two of our funds have each generated returns in excess of 1,500% since 2005), but also a market leader, is FLIR Systems, Inc., which makes infrared equipment for both commercial and military purposes. FLIR dominates the commercial infrared market with a 40% market share; and it has a massive worldwide distribution network, economies of scale of production, and a full range of products. Although FLIR has only 11% of the military market, we think it is making solid progress in increasing its share of the U.S. military, foreign military, and border protection markets.

FLIR SYSTEMS, INC: SUPERIOR CAPABILITIES AND DISTRIBUTION = MARKET LEADING PRODUCTS

Baron Investments in FLIR Systems, Inc.



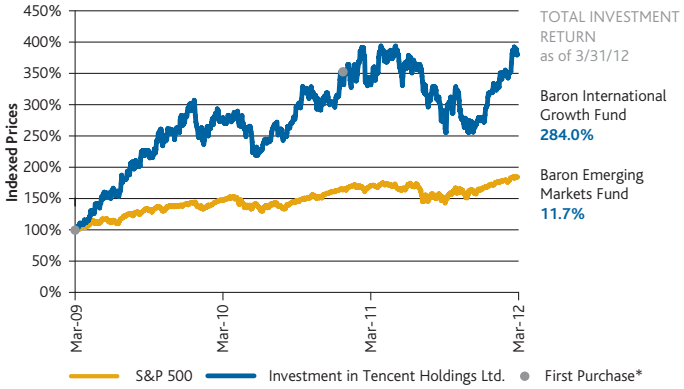
Source: FactSet and Baron Capital
**First Purchase: Baron Small Cap Fund on 4/9/2003 and Baron Asset Fund on 2/5/2009*

Global Growth Opportunities

Because we think about technology as a global opportunity, we also invest in international technology companies. Tencent Holdings, Ltd is one of the leading Internet companies in China and the world. Its competitive advantage lies in its vast user base, starting with its popular QQ instant messenger, which has 721 million active IM accounts (compared to 513 million Chinese Internet users). This makes QQ one of the most recognized Internet brands in China and allows Tencent to cross-sell services, extending its reach into areas such as web portals (where QQ.com is the #1 Internet portal in China), online gaming (where QQ Game is the #1 mini casual games portal in China), and social networking (where Qzone is the #1 social networking service). Tencent serves a large and growing addressable market, as Internet penetration is only 38% in China. We like Tencent's multi-platform strategy and think the company's sheer size ($4.5 billion in revenues in 2011) allows the company to spend more in R&D dollars than the competition.

TENCENT HOLDINGS, LTD.: INTERNET DOMINANCE = GROWTH IN A BIG AND EXPANDING MARKET

Baron Investments in Tencent Holdings Ltd.



Source: FactSet and Baron Capital
**First Purchase: Baron International Growth Fund on 3/27/2009 and Baron Emerging Markets Fund on 1/25/2011*

What has helped make identifying and understanding investment opportunities in technology possible is the addition of exceptional analysts to the Baron research team who follow technology, technology-enabled, and technology-driven businesses. The depth and quality of their research has made the difference for us in finding IT investments, just as other analysts have in other sectors, both domestically and internationally. In our view, the amount of due diligence our analysts perform does not compare to the typical equity analyst. They attend innumerable conferences, pay on-site company visits regularly, spend time with managements, and speak to customers, vendors, and suppliers. In addition, our very capable in-house IT department provides invaluable insight and industry knowledge to help our analysts understand the more technical aspects of some of these businesses.

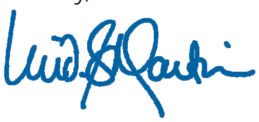
Our in-depth research in the IT space has resulted in outperformance of our IT investments over the long term. In particular, Baron Opportunity Fund, which invests primarily in high-growth mid-sized businesses

"We invest in people, not just buildings."

benefitting from innovation through development of pioneering, transformative or technologically advanced products and services, has benefitted the most from the secular trends discussed above. As of March 31, 2012 Baron Opportunity Fund has exhibited above-average performance over the 1, 3, 5 and 10 years.

The need for technology, by both businesses and consumers, has been expanding, and, we think, will continue to expand. Technology spending has increased, as measured by technology's share of total private capital investments, which has gone from roughly 7% in the late 1940s to almost 40% today, according to the Bureau of Economic Analysis. And technology spending is global, as U.S. technology businesses generate 60% of their revenues from overseas. We think there are many growth opportunities in technology and technology-related stocks. We think the companies in our portfolios were purchased at attractive valuations, their businesses are doing well, and their prospects for growth are strong. We think technology is about innovation, and we see innovation as the key driver of growth for the future.

Sincerely,



Linda S. Martinson
Chairman, President and COO
May 17, 2012.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The Baron Family of Funds described in prospectuses which contain this and other information about the Funds. You should carefully read the prospectus before investing. You can obtain a copy of the prospectus by contacting the Funds' distributor, Baron Capital, Inc., at 767 Fifth Avenue, New York, New York, 10153, or by calling 1-800-99BARON, or by going to our website at www.BaronFunds.com.

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. Current performance may be lower or higher than the performance data quoted above. For performance information current to the most recent month end, visit www.BaronFunds.com/performance or call 800-99BARON. The Adviser has reimbursed certain fund expenses for Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron International Growth Fund, and Baron Emerging Markets Fund and all Funds' transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower.

For the period ended March 31, 2012, the one-, five-, ten-year and since inception (6/12/87) annualized returns for the Retail Shares of the **Baron Asset Fund** were 3.77%, 2.37%, 6.18% and 11.00%, respectively; the one-, five-, ten-year and since inception (12/31/94) annualized returns for the Retail Shares of the **Baron Growth Fund** were 0.92%, 3.00%, 7.37% and 13.18%, respectively; the one-, five-, ten-year and since inception (9/30/97) annualized returns for the Retail Shares of the **Baron Small Cap Fund** were 1.40%, 3.67%, 7.79% and 9.25%, respectively; the one-, five-, ten-year and since inception (2/29/00) annualized returns for the Retail Shares of the **Baron Opportunity Fund** were 2.46%, 6.65%, 11.18% and 3.92%, respectively; the one-, five-year and since inception (4/30/04) annualized returns for the Retail Shares of the **Baron Fifth Avenue Growth Fund** were 15.85%, 2.06% and 4.95%, respectively; were 0.57%, 4.58%, 12.06% and 11.42%, respectively; the one-year and since inception (12/31/08) annualized returns for the Retail Shares of the **Baron International Growth Fund** were -3.21% and 18.64%, respectively; and the one-year and since inception (12/31/10) annualized returns for the Retail Shares of the **Baron Emerging Markets Fund** were -3.24% and -3.62%, respectively.

As of September 30, 2011, the annual expense ratios for the Retail Shares of the **Baron Asset Fund, Baron Growth Fund, Baron Small Cap Fund** and **Baron Opportunity Fund**, were 1.33%, 1.32%, 1.31%, and 1.41%, respectively and for the Retail Shares of **Baron Fifth Avenue Growth Fund**, the total operating expense ratio was 1.59%, but the net annual expense ratio was 1.30% (net of Adviser's fee waivers). For the Retail Shares of **Baron International Growth Fund**, the total expense ratio was 1.73%, but the net annual expense ratio was 1.50% (net of Adviser's fee waivers); and for the Retail Shares of **Baron Emerging Markets Fund** the total expense ratio was 4.49%, but the net annual expense ratio was 1.50% (net of Adviser's fee waivers).

As of 3/31/2012, certain Baron Funds held positions in the companies mentioned in Linda's letter. The Fund's percentage of net assets in each of these companies and the top ten holdings were as follows: **Baron Asset Fund** are: Gartner, Inc. 4.2%, IDEXX Laboratories, Inc. 3.8%, Equinix, Inc. 3.7%, Fastenal Co. 3.6%, Ralph Lauren Corp. 3.1%, Verisk Analytics, Inc. 3.1%, SBA Communications Corp. 3.0%, priceline.com, Inc. 2.8%, Mettler-Toledo International, Inc. 2.7%, Arch Capital Group Ltd. 2.7%, FactSet Research Systems, Inc. 2.5%, The Charles Schwab Corp. 2.4%, ANSYS, Inc. 2.1%, Intuitive Surgical, Inc. 1.6%, LinkedIn Corp. 1.0%, CARBO Ceramics, Inc. 0.9%, FLIR Systems, Inc. 0.7%. **Baron Growth Fund** are: Dick's Sporting Goods, Inc. 3.7%, Core Laboratories N.V. 2.8%, ITC Holdings Corp. 2.8%, FactSet Research Systems, Inc. 2.6%, AMERIGROUP Corp. 2.6%, Arch Capital Group Ltd. 2.5%, Mettler-Toledo International, Inc. 2.4%, MSCI, Inc. 2.4%, ANSYS, Inc. 2.3%, Equinix, Inc. 2.2%, CARBO Ceramics, Inc., 1.7%, SBA Communications Corp., 0.6%, IHS, Inc., 0.6%, Synchronoss Technologies, Inc., 0.5%, RealPage, Inc., 0.4%. **Baron Small Cap Fund** are: SBA Communications Corp. 3.4%, TransDigm Group, Inc. 3.4%, Equinix, Inc. 3.3%, Penn National Gaming, Inc. 3.2%, Liberty Media Corp. 2.7%, Fossil, Inc. 2.4, Gartner, Inc. 2.3%, Clean Harbors, Inc. 2.1%, Waste Connections, Inc. 2.0%, Intuitive Surgical, Inc. 2.0%, CARBO Ceramics, Inc. 1.4%, The Ultimate Software Group, Inc. 1.4%, RealPage, Inc. 1.3%, Synchronoss Technologies, Inc. 1.0%, FLIR Systems, Inc. 0.9%. **Baron Opportunity Fund** are: Equinix, Inc. 4.1%, Gartner, Inc. 3.4%, SBA Communications Corp. 3.0%, RealPage, Inc. 3.0%, CARBO Ceramics, Inc. 2.8%, CoStar Group, Inc. 2.8%, priceline.com, Inc. 2.7%, Polypore International, Inc. 2.6%, Velti plc 2.4%, ANSYS, Inc. 2.3%, Synchronoss Technologies, Inc. 2.2%, Apple, Inc. 2.0%, Intuitive Surgical, Inc. 1.5%, FactSet Research Systems, Inc. 1.1%, LinkedIn Corp. 0.9%. **Baron Fifth Avenue Growth Fund** are: Apple, Inc. 8.1%, Google, Inc. 4.7%, Amazon.com, Inc. 4.6%, Monsanto Co. 3.7%, Baidu, Inc. 3.6%, Visa, Inc. 3.2%, priceline.com, Inc. 3.1%, YUM! Brands, Inc. 3.1%, The CME Group, Inc. 3.0%, Wynn Resorts, Ltd. 3.0%., Equinix, Inc. 3.0%, Intuitive Surgical, Inc. 2.2%, IHS, Inc. 1.1%, LinkedIn Corp. 1.0%. **Baron Emerging Markets Fund** are: Bank Rakyat Indonesia (Persero) Tbk PT 2.3%, TOTVS SA 2.0%, 21Vianet Group, Inc. 2.0%, Universal Robina Corp. 2.0%, CFR Pharmaceuticals SA 1.9%, AsiaInfo Linkage, Inc. 1.9%, Itaú Unibanco Holdings SA 1.9%, Cia. Hering SA 1.9%, Redecard SA, 1.8%, Sarana Menara Nusantara Tbk PT 1.8%, Tencent Holdings, Ltd. 1.4%. **Baron International Growth Fund** are: Eurofins Scientific SE 4.0%, Opera Software ASA 2.7%, Velti plc 2.5%, Bridgestone Corp. 2.5%, Softbank Corp. 2.4%, Julius Baer Group Ltd. 2.3%, Compagnie Financière Richemont SA 2.3%, Ryanair Holdings plc 2.3%, FANUC Corp. 2.3%, bwin.party digital entertainment plc 2.3%. , Tencent Holdings, Ltd., 1.0%.

The indexes are unmanaged. The Russell 3000 Growth Index measures the performance of the largest 3000 U.S. companies that are classified as growth. The Russell 2000 Growth Index measures the performance of small-cap growth companies. The Russell Midcap Growth Index measures the performance of mid-sized growth companies. The S&P 500 Index measures the performance of the 500 largest U.S. companies. The MSCI ACWI ex USA IMI Growth Index Net USD is a free float-adjusted market capitalization index designed to measure the performance of large, mid and small cap growth securities across developed and emerging markets, excluding the United States. The MSCI EM (Emerging Markets) IMI Growth Index Net USD is a free float-adjusted market capitalization index designed to measure equity market performance of large-, mid- and small-cap securities in the emerging markets and screens for growth-style securities. The indexes and the Funds include reinvestment of dividends, which positively impacts the performance results. The MSCI indexes are net of withholding taxes.

Investing in the stock market is risky. Current and future portfolio holdings are subject to risk. The Funds may not achieve their objectives.

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*Mutual funds and sub-advisory services are managed by BAMCO, Inc., investment advisory affiliate of Baron Capital Management, Inc.

PRODUCTS WE OFFER

We offer twelve mutual funds* in Retail as well as Institutional Share Classes, Separately Managed Accounts, Sub-Advisory Services* and an Offshore Fund.

EQUITY GROWTH STRATEGIES

BARON ALL CAP GROWTH
BARON EMERGING MARKETS GROWTH
BARON ENERGY AND RESOURCES GROWTH
BARON FOCUSED GROWTH
BARON HIGH GROWTH
BARON INTERNATIONAL GROWTH
BARON LARGE CAP GROWTH
BARON MID CAP GROWTH
BARON REAL ESTATE
BARON SMALL CAP GROWTH
BARON SMID CAP GROWTH

MUTUAL FUNDS

BARON ASSET FUND (BARAX, BARIX)
BARON EMERGING MARKETS FUND (BEXFX, BEXIX)
BARON ENERGY AND RESOURCES FUND (BENFX, BENIX)
BARON FIFTH AVENUE GROWTH FUND (BFTHX, BFTIX)
BARON FOCUSED GROWTH FUND (BFGFX, BFGIX)
BARON GLOBAL ADVANTAGE FUND (BGAFX, BGAIX)
BARON GROWTH FUND (BGRFX, BGRIX)
BARON INTERNATIONAL GROWTH FUND (BIGFX, BINIX)
BARON OPPORTUNITY FUND (BIOPX, BIOIX)
BARON PARTNERS FUND (BPTRX, BPTIX)
BARON REAL ESTATE FUND (BREFX, BREIX)
BARON SMALL CAP FUND (BSCFX, BSFIX)

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