

BARON

September 30, 2013

PERSPECTIVE

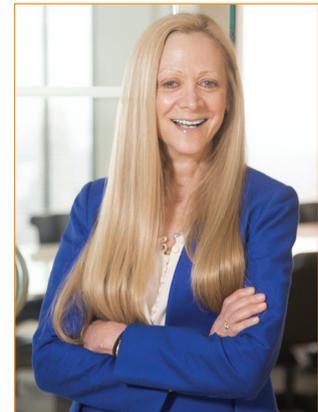
Conviction Driven Portfolio Management

All of our portfolios are constructed from the bottom up, stock by stock, based on research conviction about the future growth prospects of a business. Our conviction is a direct result of our research process. This letter is the third in a series that describes the Baron investment process. The first letter (March 2013) discussed how we find investment ideas. The second letter (June 2013) discussed our research process. This letter addresses the third step: how we construct and manage portfolios. We scout the prospects, assess them at the combine, and only then are we ready to consider adding them to the team.

Each Baron portfolio manager follows the same Baron investment philosophy and research process, and each uses the same portfolio construction framework. Yet, all our portfolios look different, reflecting both different investment strategies and the individuality of each portfolio manager. Based on their construction approaches, our portfolios can be divided into three categories: diversified, high conviction, and specialty, as shown in the table below.

The goal of our research process is to identify and monitor investments that we believe will deliver above average long-term risk-adjusted results. To be considered for investment, a stock has to meet our four criteria which are evaluated in the research process: (1) a significant opportunity for growth, (2) a sustainable competitive advantage, (3) strong, visionary management, and (4) an attractive valuation. These criteria are applied to both prospective and existing positions. New positions are assessed relative to existing investments. Existing positions are periodically reassessed to validate our investment thesis.

The next step in our investment process is portfolio construction and management, which include the investment decision, relative analysis, and position sizing. Much the way a football coach or baseball manager assesses his existing roster and considers replacing his older players with rookies (take note Joe Girardi and Brian Cashman!), our portfolio managers assess their portfolios.



LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

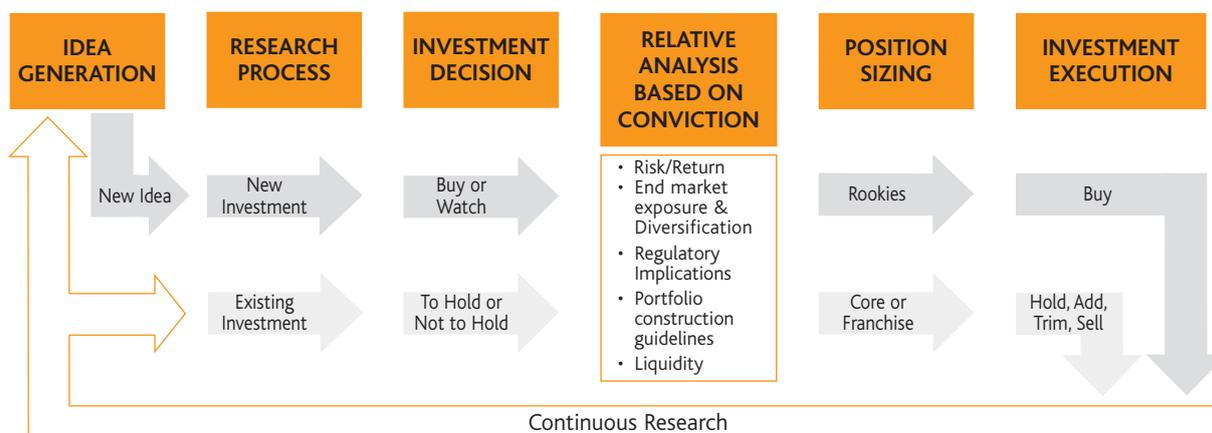
The Baron Funds: Same Process, Different Strategies

Fund Category	Fund Name	Portfolio Manager	Strategy Style	Optimal Number of Stocks
Diversified	Baron Small Cap Fund	Cliff Greenberg	Small-Cap Growth	90 – 100
	Baron Growth Fund	Ron Baron	Small-Cap Growth	95 – 105
	Baron Asset Fund	Andrew Peck	Mid-Cap Growth	60 – 80
	Baron Opportunity Fund	Michael Lippert	Mid-Cap High Growth	50 – 60
	Baron Emerging Markets Fund	Michael Kass	All-Cap Growth	65 – 75
	Baron International Growth Fund	Michael Kass	All-Cap Growth	65 – 75
High-Conviction	Baron Focused Growth Fund	Ron Baron	Small & Mid-Cap Growth	25 – 30
	Baron Partners Fund	Ron Baron	All-Cap Growth	18 – 25
	Baron Fifth Avenue Growth Fund	Alex Umansky	Large-Cap Growth	30 – 40
	Baron Global Advantage Fund	Alex Umansky	All-Cap Growth	40 – 50
Specialty	Baron Energy and Resources Fund	Jamie Stone	All-Capitalization	45 – 55
	Baron Real Estate Fund	Jeff Kolitch	All-Capitalization	45 – 55

Source: BAMCO, Inc.

The diagram below illustrates the standard Baron process for building and managing portfolios. Research is a continuous part of that process.

The Baron Portfolio Construction and Management Process



INVESTMENT DECISIONS

To Buy or Not to Buy

The first decision is whether the stock is starting-player quality or whether it should sit on the bench. Our portfolio managers maintain watch lists where they monitor stocks they are considering buying. A stock might be on the bench because its price is too high, or because we are assessing a management change, for example.

When buying a new stock, our portfolio managers typically start with "rookie" positions of around 1% of assets (in diversified portfolios) to test their investment premise. This smaller position size allows the portfolio manager to get to know the company better. As he becomes more knowledgeable about the company, and if his initial premise is confirmed, he will likely add to the position. Some companies become core players in a portfolio, and a select group become top 10 "franchise players." What role a stock plays in a portfolio is all determined by the portfolio manager's level of conviction and assessment of risk.

To Hold or Not to Hold

The decision to hold or sell a stock is often more difficult than the decision to buy a stock, but the decision to hold or to sell is critical. Great stock picks and prudently constructed portfolios are essential, but more is needed to generate long-term above average returns and positive alpha. We believe that the one key ingredient, often overlooked by investors, is the ability to hold stock picks.

At Baron, we invest for the long term and we maintain focus on the future. While many investors choose to follow the short-term signals of the market and its erratic behavior, we look at the market from a longer-term perspective. Our thorough research and continuous communication with the companies in which we invest enable us to determine what is market noise and what is material to a business. Our ability to understand and place information in the proper context means we don't hastily react

when a business doesn't meet the Street's quarterly earnings expectations. We try not to react emotionally to a decline in a stock price. As long as our investment thesis is intact and we continue to think the stock is attractively valued, we will continue to hold it without being influenced by what the market thinks about it. We question whether we believe the business is on track to deliver on our expectations and investment thesis. Other investors might not recognize a business' potential, but, over time, the value will become evident. Tom Brady was a *sixth round* draft pick, the 199th player picked overall. That same year the Jets picked Chad Pennington in the first round, as the 18th pick overall. Remember Chad? The delay may give us the chance to buy more of a good thing at what we believe is a bargain price.

The ability to hold relates to discipline, behavior, self-awareness, and experience. We analyze our actions, past mistakes, and successes. We try to be aware of our biases and avoid systematic errors. Experience helps our portfolio managers fight the urge to sell great companies. As Cliff Greenberg explains, "water your flowers and pull your weeds...before the world knows they are weeds."



Source: www.cartoonstock.com

Conviction Driven Portfolio Management

The ability to hold does not mean that we would stick to a stock indefinitely or at any cost. On the contrary – it helps us maintain a healthy sell discipline. Like buy decisions, sell decisions are based on conviction. When a portfolio manager loses conviction in a company, the sale is triggered. We use a checklist: Has the growth opportunity waned? Has the company's long-term earnings power deteriorated? Has the competitive advantage weakened? Is there an adverse change in management or strategy? Is the valuation still attractive? Those are the most common reasons for our portfolio managers to reduce or eliminate portfolio positions.

If a stock is 20% over his current estimate of intrinsic value, Alex Umansky will automatically sell the stock because there is no margin of safety and the risk has become too high. Other Baron portfolio managers use an upside return calculation. If they believe the company can't make a 15% annualized return, the position starts getting trimmed or completely sold. Of course, even when we do believe an investment can make a 15% annualized return, our investments don't always achieve these results.

Other reasons to sell include regulatory, economic, or industry-specific changes that we believe will negatively impact the growth prospects of a company. Another trigger is if a company no longer aligns its interests with those of its shareholders. Sales might also be made if we have higher conviction in another idea or if we conclude we have made a mistake.

We also may eliminate or reduce our position in a stock to re-balance portfolios. Sometimes a stock has been so successful it becomes too large a position in a portfolio. With market-cap restricted portfolios, a stock will be sold if the market cap gets too high.

RELATIVE ANALYSIS BASED ON CONVICTION

Holding and buying decisions go through a relative analysis process. Portfolio managers evaluate the expected returns and risks of a stock relative to stocks in the portfolio to determine the optimal position size. Position sizing is a critical part of the portfolio construction process. If we own too little of a good stock or too much of one that is not performing, our portfolio will not benefit. Relative analysis is performed by considering five key factors: (1) risk/return analysis, (2) end market exposures and diversification, (3) regulatory implications, (4) portfolio construction guidelines, and (5) liquidity.

1. Risk/Return Analysis

Identifying and understanding a company's sources of growth, risk, and mispricing is essential for our portfolio managers to establish a level of conviction in the stock. Our level of conviction in a company is determined by weighing the four Baron investment criteria: can the company take advantage of the opportunity for growth, can it sustain the competitive advantage, can the management team deliver, and is the price we pay at a sufficient discount to what we think the company can become. We tend to favor businesses with recurring revenues and solid balance sheets, because we can understand the long-term prospects better. The better we know a company, and the more knowledgeable we

are about that company's sector, the more confident we are about our prospects of that investment. The more confident we are in our assessment, the higher our conviction level. Against this, we weigh the risks that these companies can't achieve this success in the time frame we envision. We invest the most in the companies in which we have the highest level of conviction relative to our perception of their risk. Mariano Rivera may be the best closer ever to play baseball, but if you are the manager, you want him in the bullpen, not playing center field for you.

2. End-Market Exposure & Diversification

We are benchmark agnostic and do not use benchmark GICS sector weights to construct our portfolios. We are, however, aware of the composition of the relevant benchmarks. The emphasis we place on an industry is typically determined by a combination of our expertise in, and strategic view of, an industry. We build a portfolio to balance different types of underlying risks and to be consistent with the risk-return objectives of the strategy. With the exception of our high conviction and specialty Funds, our Funds are broadly diversified by industry, but all of our portfolio managers build portfolios to diversify risk.

Diversification starts at the stock level. Most of our portfolio managers consider the different end-market exposures of each business before they add it to the portfolio. A business that sources its revenue from multiple end-markets often has more risk buffers and a better balance of risks than a business that specializes in a single market. End-markets are considered at multiple levels including industry, geography, country, product lines, and consumer type. Understanding the end-market exposures at the stock level helps the managers to balance the various market risks on the portfolio level.

Our portfolio managers have different approaches to diversifying their portfolios. One thing they have in common is that no matter what the approach to diversification, picking the right stocks is critical.

Our international managers, Michael Kass (Baron International Growth Fund, Baron Emerging Markets Fund) and Alex Umansky (Baron Global Advantage Fund), focus on country, regional and political exposures, regulatory changes, and economic conditions.

Alex Umansky, who also manages our large-cap Baron Fifth Avenue Growth Fund, likes companies that have a variety of end-market exposures, and this Fund is comprised of many companies that have diversified businesses.

The smaller and mid-cap Baron Funds invest in companies that tend to be more narrowly focused in end-market exposure, and those portfolio managers select a variety of companies to create portfolios with a diversity of exposures.

Michael Lippert (Baron Opportunity Fund) diversifies based on underlying business drivers as well as end-market and customer exposures. Ron Baron (Baron Growth Fund, Baron Partners Fund, Baron Focused Growth Fund) and Andrew Peck (Baron Asset Fund) select companies with different business verticals whose growth drivers are minimally correlated, with the

aim of lowering the volatility of their portfolios. They look at the sensitivity of the stocks to micro- and macro-economic factors such as oil prices, interest rates, regulatory exposures, and patent expiration.

Cliff Greenberg (Baron Small Cap Fund) mixes classic growth stocks with special situations and "fallen angels."

Jamie Stone (Baron Energy and Resources Fund) diversifies our energy portfolio across different industries, including oilfield services, exploration and production, refining, midstream, and transportation. He will change his exposure to the industries depending on his assessment of the environment and the volatility he perceives inherent in the group. He also focuses on geographical exposures, both within and outside the U.S.

Jeff Kolitch (Baron Real Estate Fund) diversifies our real estate portfolio by investing across a variety of real estate-related industries. He looks at end-market exposures in terms of commercial and residential markets. The commercial market includes office buildings, apartment buildings, shopping centers, and self-storage businesses. The residential market includes businesses exposed to single family homes, existing homes, new homes, and repair and remodel. Depending on his view of what is happening with the economy, Jeff may increase or decrease his exposure to certain markets, including interest rate-sensitive REITs.

As a result of our approach, our Funds significantly differ from the benchmarks' GICS sector weights. The table below shows our active sector positions. We have excluded our specialty Funds, which focus on particular sectors.

The Baron Funds Differ Significantly From Their Benchmarks

Variation in Ending Weight vs Fund Benchmark* as of 9/30/2013

GICS Sector	Diversified						High-Conviction			
	Baron Small Cap Fund	Baron Growth Fund	Baron Asset Fund	Baron Opportunity Fund	Baron Emerging Markets Fund	Baron International Growth Fund	Baron Focused Growth Fund	Baron Partners Fund**	Baron Fifth Avenue Growth Fund	Baron Global Advantage Fund
Consumer Discretionary	6.1%	7.6%	1.8%	0.7%	12.0%	3.2%	20.6%	7.9%	17.1%	0.5%
Consumer Staples	-1.0%	0.3%	-6.8%	-7.6%	-7.2%	-16.2%	0.2%	-8.0%	-8.6%	-12.7%
Energy	4.0%	1.9%	-1.0%	-1.1%	-4.3%	0.7%	-1.6%	4.5%	-6.8%	4.5%
Financials	-1.1%	6.7%	3.9%	-6.2%	-10.4%	-0.2%	1.0%	14.6%	-6.4%	-1.9%
Health Care	-11.6%	-12.2%	-0.9%	-5.8%	7.2%	-3.2%	-13.1%	8.7%	-8.8%	-8.3%
Industrials	2.6%	-1.6%	6.1%	-2.9%	-0.3%	0.1%	1.0%	8.8%	-6.2%	-6.9%
Information Technology	-4.7%	-4.5%	0.0%	22.8%	4.5%	15.7%	-10.4%	-3.9%	21.3%	23.3%
Materials	-1.7%	-4.0%	-4.7%	-1.7%	-3.3%	-2.1%	-2.9%	-5.8%	0.5%	-2.4%
Telecommunication Services	3.5%	-0.7%	1.3%	1.1%	-1.0%	1.2%	-1.0%	-1.5%	-2.4%	1.8%
Utilities	0.3%	2.6%	-0.7%	-0.7%	-2.2%	-1.5%	4.3%	10.4%	-3.2%	-1.0%

Source: FactSet

* See table below for benchmark information.

** The Fund used leverage of 34.9% as of 9/30/2013.

An objective of diversification of exposures is to mitigate risk. Although our approach to diversification is different than that of a benchmark, our portfolios are well diversified, as indicated by their average intra-stock correlations. Correlation measures the degree to which returns on investments move together. It is computed using historical returns and it can vary between -100% and +100%. For example, correlation of 50% between two stocks indicates that historically when one stock went up the second also went up in 50% of the time. Similarly, correlation of -50% means that historically when one stock went up, the second went down 50% of the time. The less correlated the assets in a portfolio, the less risky the portfolio. The average pairwise correlations of the stocks in our portfolios versus the same statistic for their benchmarks shows that our portfolios are similarly diversified, although they contain a much lower number of stocks than their benchmarks.

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The Baron Funds Are Well Diversified as Measured by Intra-Stock Correlation As of 9/30/2013

Fund Category	Fund Name	Primary Benchmark Index	Number of Equity Securities		One-Year Average Intra-stock Correlation*	
			Fund	Benchmark	Fund	Benchmark
Diversified	Baron Small Cap Fund	Russell 2000 Growth	101	1,117	20.6%	17.9%
	Baron Growth Fund	Russell 2000 Growth	101	1,117	20.9%	17.9%
	Baron Asset Fund	Russell Midcap Growth	68	488	25.2%	26.5%
	Baron Opportunity Fund	Russell Midcap Growth	60	488	15.7%	26.5%
	Baron Emerging Markets Fund	MSCI EM (Emerging Markets) IMI Growth	73	1,429	7.1%	7.3%
	Baron International Growth Fund	MSCI ACWI ex USA IMI Growth	66	3,308	10.1%	7.5%
High-Conviction	Baron Focused Growth Fund	Russell 2500 Growth	28	1,410	22.3%	19.0%
	Baron Partners Fund	Russell Midcap Growth	26	488	23.2%	26.5%
	Baron Fifth Avenue Growth Fund	S&P 500	33	500	26.0%	31.8%
	Baron Global Advantage Fund	MSCI ACWI Growth	46	1,393	11.7%	11.6%
Specialty	Baron Energy and Resources Fund	S&P North American Natural Resources	54	141	24.0%	35.0%
	Baron Real Estate Fund	MSCI USA IMI Extended Real Estate	54	326	28.9%	31.8%

Source: FactSet

* Calculated using daily returns.

3. Regulatory Implications

While we do not try to make forecasts or predictions about the economy, we do think it is important to be knowledgeable about our economic, regulatory, and political environment. Changes in legislation and policies may cause financial loss for some businesses and create growth opportunities for others. Regulatory implications can arise from FDA rulings, healthcare reforms, financial sector regulations, education reforms, or legislation affecting intellectual property, to name a few. For example, portfolio manager Michael Kass saw an opportunity to invest in Kroton Educational SA, one of the largest private education companies in Brazil, when the Brazilian government introduced a new government student loan program in 2012. This is not unlike how the Steelers had to assess how the "helmet to helmet" rule would impact James Harrison's dominance on defense (personally, I think Colt McCoy needed to toughen up).

The expertise of our analysts in their industries extends beyond just understanding a particular business. Their knowledge allows them to understand the implications of economic, regulatory or political developments on the industry and on our investments. This enables us to understand the risk/reward balance in a particular stock better and allows the portfolio manager to manage his portfolio with a good understanding of those risks.

4. Portfolio Construction Guidelines

Baron has set certain firm-level and portfolio-level restrictions and guidelines that limit position and ownership sizes. For example, across all the accounts that Baron manages, we limit total ownership to under 10%

of the outstanding shares of a particular issuer. We also have limits that address the percentage of a portfolio's assets that can be invested in an industry group, in a sub-industry group, and in a single issuer.

5. Liquidity

Liquidity is also considered by our portfolio managers in portfolio construction and management. Maintaining a minimum level of liquidity gives us the flexibility to balance the positions in the portfolios and the ability to react quickly when there is a sudden change with respect to a company. Generally, the smaller a company, the less liquid its stock. Thus, liquidity is particularly important for our small-cap portfolios and is less of an issue for the larger cap portfolios. Prior to initiating a new position, our portfolio managers look at the share float (the number of shares available to public investors to trade) of each company and would typically avoid investing if they cannot establish a meaningful position without owning what they perceive to be a relatively illiquid position.

SIZING

Conviction is a result of our research process. The highest conviction stocks carry meaningful weights in our portfolios, much the same way a coach gives his best player the most playing time. Michael Jordan certainly saw more action than did Steve Kerr. Across our Funds, the combined share of the top 10 stocks by weight represents a significant portion of each portfolio. The average weight of a top 10 holding is substantially higher than the weight of the average portfolio holding.

The Top 10 Holdings Represent a Significant Portion of Each Portfolio

As of 9/30/2013

Fund Category	Fund Name	Number of Equity Securities	Average Portfolio Position Size	Average Top 10 Holding Size	Top 10 Holdings as % of Net Assets
Diversified	Baron Small Cap Fund	101	1.0%	2.4%	24%
	Baron Growth Fund	101	1.0%	2.6%	26%
	Baron Asset Fund	68	1.5%	3.1%	31%
	Baron Opportunity Fund	60	1.6%	3.0%	30%
	Baron Emerging Markets Fund	73	1.3%	2.5%	25%
	Baron International Growth Fund	66	1.5%	2.8%	28%
High-Conviction	Baron Focused Growth Fund	28	3.4%	4.9%	49%
	Baron Partners Fund*	26	5.2%	7.7%	77%
	Baron Fifth Avenue Growth Fund	33	2.9%	4.6%	46%
	Baron Global Advantage Fund	46	2.1%	3.9%	39%
Specialty	Baron Energy and Resources Fund	54	1.8%	3.6%	36%
	Baron Real Estate Fund	54	1.7%	3.8%	38%

Source: FactSet

* % of long positions.

The top 10 positions have been the largest drivers of our Funds' long-term performance. As shown in the following table, over the past ten years, the seasoned Baron Funds have invested in a total number of companies ranging from 128 for our high conviction Baron Focused Growth Fund to 450 for the diversified Baron Small Cap Fund. A small number of these companies represented the Funds' highest conviction positions over the entire period. The average holding period in these positions was at least five years. On average these positions more than doubled in value, exceeded the performance of the Funds' respective benchmarks, and contributed most significantly to the Funds' total and excess returns over the last 10 years. For example, Baron Growth Fund has invested in 380 companies over the past 10 years, of which 54 became the Fund's franchise players. The Fund, on average, has held these stocks for seven years. Also, on average, these franchise holdings in the Baron Growth Fund more than tripled in value during the period held and exceeded the performance of the Russell 2000 Growth Index. These positions in the Baron Growth Fund include all star players like AMERIGROUP Corp. and Equinix, Inc., which are no longer held in the portfolio, and Core Laboratories N.V., Genesee & Wyoming, Inc., and Under Armour, Inc., all of which generated more than a 381% return over the period held as of the end of September. The period analyzed in the following table also includes the 2008 financial crisis and heightened volatility.

We expect our performance over the long term to come primarily from stock selection, which represents the portion of the excess return attributable to the manager's stock picking skill rather than active sector weights. Over time, some sectors will perform better than others. Our active

The Highest Conviction Positions Drive the Funds' Performance

Aggregate Performance and Impact of Top 10 Fund Holdings 9/30/2003 - 9/30/2013

	Diversified				High-Conviction	
	Baron Small Cap Fund	Baron Growth Fund	Baron Asset Fund	Baron Opportunity Fund	Baron Focused Growth Fund	Baron Partners Fund
Number of Stocks Owned	450	380	242	362	128	188
Number of Top 10 Stocks*	55	54	36	69	63	47
Top 10 - Sum of Average Weights	46%	53%	55%	62%	85%	88%
Top 10 - Holding Period (years)**	6.6	7.2	7.7	5.5	5.0	6.2
Top 10 - Total Contribution to Return	142%	158%	141%	181%	303%	288%
Top 10 - Total Return**	392%	226%	268%	381%	120%	142%
Top 10 - Annualized Return**	18.1%	12.7%	14.5%	14.2%	13.5%	9.3%
Benchmark - Annualized Return	9.9%	9.9%	10.2%	10.2%	10.5%	10.2%
Benchmark	Russell 2000 Growth Index	Russell 2000 Growth Index	Russell Midcap Growth Index	Russell Midcap Growth Index	Russell 2500 Growth Index	Russell Midcap Growth Index

Source: FactSet, BAMCO, Inc.

* Measured quarterly.

** The statistics represent the weighted average of all top 10 positions held over the past 10 years.

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exposure to certain sectors will impact our returns, negatively or positively, but we expect more of our excess returns to result from selecting the best stocks within a sector. The table below shows that over the past 10 years our seasoned Funds have generated superior risk-adjusted returns and alpha relative to their respective peers. We believe these results are driven mostly by our research and portfolio management process.

The Baron Way of Investing Has Delivered Superior Long-Term Risk-Adjusted Performance

Performance Characteristics of the Baron Funds With a 10-year Track Record vs Their Peers 9/30/2003 - 9/30/2013

	Small Cap Growth Funds			Mid Cap Growth Funds				
	Baron Growth Fund	Baron Small Cap Fund	Morningstar US OE Small Growth Category	Baron Asset Fund	Baron Opportunity Fund	Baron Partners Fund	Baron Focused Growth Fund	Morningstar US OE Mid-Cap Growth Category
10-Year Return*	10.58%	9.94%	9.63%	10.14%	11.69%	12.90%	13.66%	9.26%
Standard Deviation*	16.88%	17.93%	19.24%	17.33%	20.06%	20.48%	18.99%	17.66%
Sharpe Ratio	0.53	0.47	0.36	0.49	0.50	0.55	0.64	0.39
Alpha*	2.47%	1.54%	-0.66%	0.84%	1.39%	2.40%	4.28%	-1.18%
Beta	0.79	0.83	0.94	0.91	1.03	1.05	0.88	0.97

Source: Morningstar Direct, FactSet

* Annualized

** The benchmark for Baron Growth Fund and Baron Small Cap Fund is the Russell 2000 Growth Index. The benchmark for Baron Asset Fund, Baron Opportunity Fund, and Baron Partners Fund is the Russell Midcap Growth Index. The benchmark for the Baron Focused Growth Fund is the Russell 2500 Growth Index.

Portfolio construction is about balancing opportunity with risk. We believe that a well-researched, knowledgeable effort coupled with a long-term investment horizon mitigates risk and enables us to overlook short-term noise. We think that intense research of businesses, expertise in industries, and knowledge of economic, regulatory and political developments gives us an advantage. We use that advantage in constructing our portfolios, using a methodology that we believe over time creates an improved risk-adjusted return.

Sports organizations build their teams player by player. They look for the individual potential of each individual player but they also look at how the players will work together as a team. They look for a balance – no one wants a football team consisting only of outside linebackers. At Baron we take a similar approach to building and managing our portfolios: stock by stock, balancing end market exposures, risks, and opportunities. We build our portfolios with a long-term horizon, recognizing that sometimes we will go three-and-out and sometimes we will score touchdowns every time we have a possession.

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 has reimbursed certain Fund expenses for Baron Opportunity and Focused Growth Funds (by contract as long as BAMCO, Inc. is the adviser to the Fund) and all the Funds' 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 www.BaronFunds.com or call 1-800-99BARON. 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 Fund. You may obtain one from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read it carefully before investing.

Baron Asset Fund's annualized returns as of September 30, 2013: 1-year, 27.17%; 5-year, 10.23%; 10-year, 10.14%. Annual expense ratio for the Retail Shares as of September 30, 2012 was 1.33%. **Baron Growth Fund's** annualized returns as of September 30, 2013: 1-year, 30.76%; 5-year, 13.19%; 10-year, 10.58%. Annual expense ratio for the Retail Shares as of September 30, 2012 was 1.32%. **Baron Small Cap Fund's** annualized returns as of September 30, 2013: 1-year, 29.56%; 5-year, 13.08%; 10-year, 9.94%. Annual expense ratio for the Retail Shares as of September 30, 2012 was 1.31%. **Baron Opportunity Fund's** annualized returns as of September 30, 2013: 1-year, 25.39%; 5-year, 14.60%; 10-year, 11.69%. Annual expense ratio for the Retail Shares as of September 30, 2012 was 1.39%. **Baron Partners Fund's** annualized returns as of September 30, 2013: 1-year, 37.61%; 5-year, 11.02%; 10-year, 12.90%. Annual expense ratio for the Retail Shares as of December 31, 2012 was 1.74% (comprised of operating expenses of 1.40% and interest expense of 0.34%). **Baron Focused Growth Fund's** annualized returns as of September 30, 2013: 1-year, 24.73%; 5-year, 10.14%; 10-year, 13.66%; As of the last fiscal year ended December 31, 2012, annual operating expense ratio for the Retail Shares was 1.48%, but the net annual expense ratio was 1.35% (net of the Adviser's fee waivers).

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For **Baron Partners Fund (BPF)** and **Baron Focused Growth Fund (BFGF)** the performance reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (BPF) or a 15% performance fee (BFGF) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee. The predecessor partnerships' performance is only for periods before the Funds' registration statements were effective (4/30/03 for BPF and 6/30/08 for BFGF). During those periods, the predecessor partnerships was not registered under the Investment Company Act of 1940 and were not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if they were, might have adversely affected their performance.

About Risk: The value of investments in equity securities is subject to unpredictable declines in the value of individual securities and periods of below average performance in individual securities and the equity market as a whole. Growth stocks are generally more sensitive to market movements than other types of stocks primarily because their stock prices are based heavily on future expectations. If our assessment of the prospects for a company's growth is wrong, or if our judgment of how other investors will value the company's growth is wrong, then the price of the company's stock may fall or not appreciate as we expect.

Baron Partners Fund, Baron Focused Growth Fund, Baron Real Estate Fund, and Baron Energy and Resources Fund are non-diversified funds, which means they may have a greater percentage of their assets in a single issuer than a diversified fund. Because of this, they may invest a greater percentage of their assets in fewer issues, and the performance of those issuers may have a greater effect on their performance versus a diversified fund. Non-diversified funds are more likely to experience significant fluctuations in value, exposing them to greater risk of loss in any given period.

As of 9/30/2013, Baron Growth Fund's position in Core Laboratories N.V., Genesee & Wyoming, Inc., and Under Armour, Inc. was 1.7%, 2.4% and 2.5%, respectively, and Baron International Growth Fund's and Baron Emerging Markets Fund's position in Kroton Educational SA was 1.5% and 2.1%, respectively (portfolio holdings as a percentage of net assets). Portfolio holdings may change over time. The Funds may not achieve their objectives.

The **Morningstar US OE Mid-Cap Growth Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth category. The **Morningstar US OE Small Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Small Growth category. Baron Asset, Baron Opportunity, Baron Partners, Baron Growth, and Baron Focused Growth Funds are in the Morningstar Mid-Cap Growth category. Baron Small Cap Fund is in the Small Growth category. Morningstar moved the Baron Growth Fund from the Small Growth category effective May 31, 2011 to the Mid-Cap Growth category. We intend to continue to provide comparative performance data for the Small Growth category because we strongly disagree with Morningstar's reclassification of the Fund. Baron Growth Fund's investment mandate has been and continues to be investing in small cap growth stocks for the long run. © 2013 Morningstar, Inc. All Rights Reserved. The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

The **Russell Midcap™ Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. The **Russell 2500™ Growth Index** measures the performance of small to medium-sized companies that are classified as growth. The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **MSCI USA IMI Extended Real Estate Index Net** is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The **Standard & Poor's (S&P) North American Natural Resources Sector Index** is a modified capitalization-weighted equity index of U.S.-traded natural resources-related stocks, including mining, energy, paper and forest products, and plantation owning companies. These indexes are unmanaged. These indexes and the Baron Small Cap, Growth, Asset, Opportunity, Focused Growth, Partners, Fifth Avenue Growth, and Energy and Resources Funds are with dividends, which positively impact the performance results. The **MSCI EM (Emerging Markets) IMI Growth Index Net USD** is unmanaged free float-adjusted market capitalization index designed to measure equity market performance of large-, mid- and small-cap securities in the emerging markets. It screens for growth-style securities. The **MSCI ACWI ex USA IMI Growth Index** is a unmanaged, free float-adjusted market capitalization weighted index and measures the performance of large, mid and small cap growth securities across developed and emerging markets, excluding the United States. The **MSCI ACWI Growth Index Net USD** measures the equity market performance of large and midcap growth securities across developed and emerging nations. The indexes and the Baron International Growth, Emerging Markets, Global Advantage Funds include reinvestment of dividends, net of withholding taxes, which positively impacts the performance results.

Industry sector or sub-industry group levels are provided from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"), unless otherwise stated that they have been reclassified or classified by the Adviser. All GICS data is provided "as is" with no warranties.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Standard Deviation** measures the degree to which a fund's performance has varied from its average performance over a particular time period. The greater the standard deviation, the greater a fund's volatility (risk). **Sharpe Ratio** is a risk-adjusted performance statistic that measures reward per unit of risk. The higher the Sharpe ratio, the better a fund's risk adjusted performance. **Beta** measures a fund's sensitivity to market movements. The beta of the market (measured by a fund's benchmark) is 1.00 by definition.

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