Baron Funds®

March 31, 2018

Quarterly Report

"If you have trouble imagining a 20% loss in the stock market, you shouldn't invest in stocks." John Bogle. Vanguard's Founder. 2017.

Following President Trump's inauguration on January 20, 2017, United States stock markets continued their unusually consistent and steep ascent that began on November 9, 2016, the day after the Presidential election. Remarkably, during 2017 there were only 8 days when U.S. equity markets closed up or down more than 1%! There are usually 50 such days in a year. Further, U.S. equity markets advanced every month during 2017. They normally advance about 62% of the time. The lack of volatility was noteworthy given the seismic political changes America is now experiencing.

That quiescent period ended in 2018's first quarter. In just the past three months, there were 23 days when the stock market closed up or down more than 1%! Volatility emanated from the President's tweets threatening a trade war with China (despite his fondness for Chinese President Xi); the implications of former FBI Director Mueller's investigation of Russia interference in the 2016 U.S. Presidential election; numerous indictments by Mueller of Trump campaign associates; tensions with North Korea; potential greater regulation of technology businesses; higher oil prices; 10-year government interest rates approaching 3%; the saga of Stormy Daniels' silence purchased by Michael Cohen, the President's personal attorney…and the FBI seizure of possibly damning evidence from Cohen. The biggest question in my mind? How is it possible we are not shareholders in Twitter?

Recently my wife and I had dinner with a friend and her husband. He asked me, "what do you think about 'the market?'" He said his wealth advisor, an asset allocator at a large brokerage firm, had just sold a portion of his index funds and ETFs to "reduce risk" and purchased muni bonds with the proceeds. "Wow," I answered. "You're 75. You must have paid a lot of capital gains taxes. That's good for New York and the federal government. It sure doesn't sound very good for you, though."

I then noted that, from time to time, we have incurred significant losses in the short term but have so far have always recovered…as has the market. I explained this is because the U.S. economy and stock markets are inextricably linked over the long term. Historically, our economy has grown on average 6-7% nominally per year, doubling every ten or twelve years, and stock markets have reflected that growth. (U.S. GDP was $520 billion in 1960. It is now nearly $20 trillion. The Dow was 600 in 1960. It is now over 24,000!). Accordingly, my family continues to invest in Baron mutual funds and in our fund management business…virtually every single year. This is even though we already have many hundreds of millions of dollars invested in Baron mutual funds.

RONALD BARON
CEO AND CHIEF INVESTMENT OFFICER

I began my career in 1970 and in 1982, we founded Baron Capital Group, a privately owned, family controlled, investment management company. The Dow Jones Industrial Average was then *800!* Since 1993, my family, Baron Capital and I made almost all our equity investments in Baron mutual funds. This is because I wanted our clients to know that our investment performance would be virtually identical to theirs. There have been only three exceptions.

In 1993, the Dow Jones Industrial Average closed the year at *3754*. During the next 25 years through March 31, 2018, the Dow increased over 6 times to 24,000. In 1993, Baron Capital invested a total of $678,000 in Choice Hotels, Charles Schwab and Alexanders and, exception number one, in Robert Half in 1995. Those investments have a current market value of $16.1 million, about 24 times their cost! Those investments have also paid us more than $2.6 million dividends! (See Table I – page 4.)

In 2002, Baron was planning to launch Baron Fifth Avenue Growth Fund, a large-cap growth fund. The Dow Jones Industrial Average was around *8,300*. The Dow has since increased about 3 times. To benchmark the performance of our new fund, exception number two, Baron then invested $475,000 in Home Depot, Tiffany, JM Smucker, Procter and Gamble, Berkshire Hathaway, T. Rowe Price, Charles Schwab, Goldman Sachs and Qualcomm. Those investments are now worth $2.2 million, 4.7 times their cost! (See Table II – page 4.)

The last exception to my "invest only in Baron Funds" rule is Tesla. We purchased Tesla shares for Baron clients and Baron mutual funds, principally Baron Partners Fund and Baron Focused Growth Fund, from 2014-2016. Although Tesla represents about 12% of each of those two focused funds' assets, on March 31, 2018 Tesla represented 1.62% of our entire firm's assets under management. Tesla, a $45 billion market cap business, was not an appropriate investment for Baron's diversified, small-cap, mid-cap, international, emerging markets and real estate growth funds. After we purchased 1.43 million shares of Tesla for an average cost of $217 per share for Baron mutual funds and clients, we purchased 225,000 shares of Tesla at an average cost of $236 per share for Baron Capital Group, our privately owned management company.

The performance we have achieved for our firm's investments and for Baron Funds during my career is an important reason we have been less concerned by near-term market volatility than many others. Volatility and turbulence have led to opportunity for us in the past, and we expect that to continue to be the case, although we cannot guarantee it.

You would have earned outstanding returns relative to inflation during my career by "buying and holding" passive index investments and, as Billy Joel would say, "Keeping the

BARON FUNDS 1987

Faith." If you had invested with Baron Funds, you would have done even better.

As of March 31, 2018, **98.80%** of Baron mutual fund assets net of fees and expenses have outperformed their benchmarks since inception; **96.56%** of Baron mutual fund assets rank in the top *12%* of their Morningstar categories; and **36.84%** rank in the top *1%* of their categories. Further, as of March 31, 2018, our firm's assets under management approximated $27.1 billion and, since 1992, Baron has earned more than $25 billion in realized and unrealized profits for our investors. Our firm managed approximately $100 million in 1992.

The charts on pages 13-18 illustrate the relative performance of Baron Funds compared to their benchmark indexes from those Funds' inceptions. You can learn *why* nearly all our funds have outperformed by reading the Baron Funds' shareholder letters and studying our Funds' portfolio holdings.

We believe the appreciation we have achieved for you is the result of Baron's investment process and us continuing to invest in our business for the long term, whether times are good or not so good. Because we have never had a layoff and have established a culture that puts clients and employees above the short-term profitability of our management company, we continue to attract, train and retain exceptional individuals to manage money for you….and us.

Why do I expect Baron to do as well in the future as we have in the past? It is because Baron has hired, trained and retained an outstanding group of 36 analysts and portfolio managers in addition to me…that continues to expand every year…and that I believe becomes increasingly skilled every year. I am certain that if you visit us at baronfunds.com you will find the curriculum vitae of our investment professionals impressive. All of our investment professionals are younger or much younger than I am and virtually all have spent either their entire careers or the vast majority of their careers working with me at Baron Capital. They also sure make it fun for me to keep working here. As do the 110 other individuals who provide the risk management, IT, legal, compliance, accounting, customer service and trading infrastructure that allow our investment professionals to be successful. Our track record and reputation as careful, thoughtful, long-term growth investors speak for themselves, we believe.

One more thing. When I was discussing the worry professional and non-professional investors alike experience when markets are volatile with our senior trader, David Schneider, he shared with me a story about his dad. David told me his dad had purchased a number of stocks over the years and still holds them all. Among them are Air Products, Abbott Labs, AbbVie and AT&T. His dad's friends were shaken out of the market when the market crashed in 1987, during the Long Term Capital crisis in 1998, when the Internet Bubble burst in 2000 or at the bottom of the Financial Panic in March 2009...and they never bought stocks again. David said many of his dad's friends were much wealthier than he was when his dad was younger. His dad has since passed them all. I told David I was pleased for his dad but the reason for his success is so obvious. "He figured out a great strategy. He invested only in stocks whose name began with the first letter of the alphabet!…and he wasn't afraid."

"Some people see things as they are and ask 'why?' I see things that never were and ask, 'Why not?'" Senator Robert F. Kennedy. 1968.

To be a really successful business "innovator" or "disruptor," you must imagine a task that has not been accomplished previously...and invent the means to perform it better, at a much lower cost, with a very attractive rate of return. Like Jeff Bezos has done with Amazon; Steve Jobs with Apple; Reed Hastings with NetFlix; Mark Zuckerberg with Facebook; Larry Page and Sergey Brin with Google; and, we believe, like Elon Musk will soon achieve with Tesla and SpaceX.

One disruptive idea of Elon Musk and of Jeff Bezos, with his Blue Origin as well, is Musk's effort to develop a SpaceX rocket that can travel into space, return safely and be used over and over again in future missions. That would make space flight dramatically more affordable.

For example, just think how much it would cost for a 747 airline ticket to London if after each flight the airline had to throw away the airplane it used...which happens to be what America and other nations have been doing since the 1960s with orbital rockets! Since then the United States and the rest of the world have been launching rockets and discarding them after only one space flight! The rockets we and everyone else use were designed more than 50 years ago; cost hundreds of millions of dollars each to build; and, remarkably, burn only several hundred thousand dollars worth of fuel for each trip.

Elon Musk founded PayPal in 1999 and, at the request of PayPal's other shareholders, sold that business to eBay in October 2002 for $1.5 billion. (PayPal is now worth $90 billion!) Soon after Elon sold PayPal, he told his friend, venture capitalist Peter Thiel, that he planned to invest $100 million of the $160 million proceeds Elon had received as his share of the PayPal sale to found SpaceX...and to invest the balance in Tesla, a startup electric car manufacturer! When Elon informed Thiel of his plan to design a reusable rocket ship for SpaceX, Thiel was skeptical. "Rocket reusability was just inconceivable. It would be more difficult than dropping a pencil and expecting it to land upright on its eraser," Thiel thought. Nevertheless, Thiel became an early investor in SpaceX. "I've known Elon for 18 years, and you never want to bet against him," he concluded.

According to several of his friends, Elon does not have a "fear gene." Musk invested in SpaceX knowing that it would cost hundreds of millions more than his initial investment to complete the design of a Falcon rocketship. In the midst of Musk's SpaceX design efforts, NASA awarded his privately owned SpaceX a $300 million contract to design the Falcon I rocket! SpaceX then won a follow on $1.6 billion contract to service the International Space Station! Musk's newest Falcon Block 5 reusable launch vehicle represents another milestone in commercial space exploration. According to Musk, "The rocket can be reflown with zero hardware changes. The only thing that changes is you reload the propellant. The rocket can be reflown at least 100 times."

"Elon Musk Impresses China" proclaimed The Wall Street Journal's editorial column on February 19, 2018.

That editorial expression of admiration for Musk's remarkable success with his February 6, 2018 SpaceX Falcon Heavy rocket launch and return to Earth was an unusual compliment. Not just by the Editorial Board of *The Journal* but, its Editors wrote, SpaceX's success was so remarkable that it even "captured considerable interest and some envy from the Chinese."

An article in the China state-run *Global Times*, which typically takes a nationalist line, also complimented SpaceX's technology. Remarkably, it regretted that "we (China) are almost ten years behind; more importantly, what our country has to desperately catch up with is actually a private U.S. enterprise!" If you want to see for yourself why China and others find the achievement of a reusable rocket so remarkable, you can watch that mission on YouTube or on the SpaceX web site.

We believe the opportunity for SpaceX is large. Baron currently has $134 million invested in SpaceX, approximately 0.49% of our firm's $27.1 billion assets under management. Were SpaceX a publicly traded business we believe it would be valued more highly and Baron Funds would become a much larger shareholder. Our present investment is relatively small since, while SpaceX is valued at $28 billion in private markets, it is a privately owned company. At the present time, SpaceX is one of only two privately owned businesses in which Baron Funds has invested.

One more thing. When Tesla announced it planned to begin producing a large, electric powered, semi-truck in 2019, a senior Mercedes Benz engineer scoffed after reviewing its specifications that, "It defies the laws of physics." Tesla, soon after demonstrating its prototype semi, began to receive small orders from numerous shippers, logistics providers and trucking companies. Included among those who want to be the first to test a Tesla semi are Walmart, Pepsi, FedEx, Sysco, UPS, DHL, Midwest supermarket chain Meijer, beer company Miller Brewing, food distributor Asko, the Norwegian Post Office Posten Norge and logistics and trucking companies Ryder and J.B. Hunt. We would be surprised if large truck manufacturers who believed such a vehicle could not be manufactured had not placed orders as well ...presumably to disassemble Tesla's semi-truck in order to try to reverse engineer that vehicle. There are approximately 1.5 million semi-trucks sold per year globally. Prices for the Tesla semi will range from $150,000 to $180,000.

"People reveal themselves." Warren Buffett. New York City. December 2017.

We believe this to be so, as does Buffett. Buffett invests in people, just like we do. He looks at people through an investor's eyes. "How will they behave when they have billions and Berkshire owns their businesses?" he wants to know. We are certain his understanding of personalities also helps him with his hobby, bridge, where he has become a very good player. Just like studying people helps my good friend, Jack Nusbaum, Wilkie Farr Gallagher's managing partner and an exceptional attorney, and Alex Umansky, a Baron portfolio manager and an exceptional investor, win at poker.

Baron's mission statement is "we invest in people." Introducing the individuals who manage the businesses in which we invest to Baron Funds' shareholders and giving you a chance to meet and judge them and us is the rationale that underlies the annual fall Baron Investment Conference. We want Baron shareholders to listen to executives describe their businesses' prospects and their long-term competitive advantages...and to step into our shoes for a day and judge those executives' character...as well as their skill, leadership and principles.

And, it's not just about business savvy and making money. Character is as important. BlackRock's Chairman, CEO and Founder Larry Fink recently wrote to his fellow shareholders that "society is demanding that companies, both public and private, serve a social purpose." "Corporations need to contribute to society if they want to receive BlackRock's support."

We agree with Chairman Fink. Further, we believe being a good citizen is good for business. Businesses with good reputations that mirror employees' personal values attract and retain the best employees...which enables them to provide even better services to their clients and shareholders.

"We are going to be very rich." Warren Buffett. 1952. Honeymooning with his wife Suzie at the Flamingo Hotel in Las Vegas and taking note of the enormous crowds in the desert.

In December, I attended a dinner for institutional investors hosted by J. P. Morgan's Chairman, Jamie Dimon. The fun part of the evening was when Dimon interviewed Warren Buffett. After Buffett answered Dimon's questions for about 40 minutes, he turned to the audience and asked for our questions. His answers were thought provoking and offered common sense wisdom leavened with folksy humor. He left most asking, "How on earth does he think of that stuff?"

While virtually everything Buffett said that evening was worth passing on, I thought you would find a few of his remarks especially pertinent.

Regarding the #MeToo movement, Warren noted, "*America's Constitution states 'all men are created equal'...but it wasn't until 1920 that we got around to taking care of women by providing suffrage.*" He thinks we still have a long way to go.

Relative to America's currently divisive politics, Buffett pointed out "*the crosses in Normandy were not from arbitrageurs.*" He believes America "needs to transform the opinions of individuals in red states who feel left behind..." Trade and technology are two issues among several most responsible for the division between red and blue states.

"We need an educator in chief to explain why trade is good for the country. While it might be bad for an individual, we cannot destroy his life."

"Technology also takes away jobs...that is what it is supposed to do." 2% of our population produces all our food. One hundred years ago it was 80%. "*If horses voted, tractors would have been outlawed.*"

Buffett's solution is "supplemental income when individuals' skills are no longer rewarded by the market."

Buffett closed with a story about his honeymoon with his wife Suzie at the Las Vegas' Flamingo Hotel in 1952. Buffett was startled by the enormous crowds where he and his wife were staying. "We're going to be very rich," he told her. "Mathematically, the house always wins. When people come here from thousands of miles away to do something that is demonstrably not intelligent, how can I not become rich?"

Thank you for joining us as fellow shareholders of Baron Funds...and for your long-term support. We will continue to work hard to justify your confidence.

Respectfully,

Ronald Baron

Ronald Baron
CEO and Chief Investment Officer
April 23, 2018

Table I.
Baron Capital Management, Inc. Investments 1993-1995

The Dow Jones Industrial Average in 1993 was about 3,800. It is now over 24,000.

Security	Cost Per Share	Current Market Price
Choice Hotels International, Inc.	$3.26	$80.15
The Charles Schwab Corp.	1.09	52.22
Alexander's, Inc.	51.56	381.23
Robert Half, International, Inc.	3.71	57.89

Table II.
BAMCO, Inc. Investments 2001-2002

The Dow Jones Industrial Average in 2002 was about 8,300. It is now over 24,000.

Security	Cost Per Share	Current Market Price
Home Depot, Inc.	$30.68	$178.24
Tiffany & Co.	21.80	97.66
The J.M. Smucker Co.	19.88	124.01
The Procter & Gamble Co.	32.49	79.28
Berkshire Hathaway Inc.	72,200.00	299,100.00
T. Rowe Price Group, Inc.	12.81	107.97
The Charles Schwab Corp.	11.05	52.22
Goldman Sachs Group, Inc.	65.00	251.86
Qualcomm, Inc.	13.60	55.41

Fund (Institutional Shares) and Benchmark Performance 3/31/2018

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns				Annual Expense Ratio	Net Assets
					1-Year	5-Year	10-Year	15-Year		
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	13.13%	8.16%	12/31/1994	18.20%	11.24%	10.01%	11.59%	1.04%[3]	$6.14 billion
Baron Small Cap Fund	Russell 2000 Growth Index	10.20%	6.23%	9/30/1997	20.77%	11.40%	10.10%	11.58%	1.05%[3]	$4.22 billion
Baron Discovery Fund†	Russell 2000 Growth Index	14.69%	10.50%	9/30/2013	20.07%	N/A	N/A	N/A	1.23%/1.10%[3][4]	$225.80 million
SMALL/MID CAP										
Baron Focused Growth Fund	Russell 2500 Growth Index	10.96%[1]	8.06%	5/31/1996	17.89%	8.05%	7.59%[1]	12.97%[1]	1.12%/1.10%[5][6]	$195.25 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.59%	10.13%[2]	6/12/1987	20.19%	13.58%	10.10%	12.32%	1.04%[3]	$3.18 billion
Baron Partners Fund	Russell Midcap Growth Index	12.95%[1]	9.77%	1/31/1992	21.74%	13.87%	10.12%	14.21%[1]	1.53%[5][7]	$2.01 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	9.19%	9.65%	4/30/2004	31.46%	17.33%	10.58%	N/A	0.84%/0.75%[3][8]	$226.55 million
ALL CAP										
Baron Opportunity Fund†	Russell 3000 Growth Index	6.58%	4.12%	2/29/2000	33.67%	13.20%	10.98%	14.13%	1.14%[3]	$332.04 million
INTERNATIONAL										
Baron Emerging Markets Fund†	MSCI EM Index	6.73%	2.67%	12/31/2010	25.48%	8.92%	N/A	N/A	1.10%[5]	$5.63 billion
Baron Global Advantage Fund†	MSCI ACWI Growth Index	14.53%	10.91%	4/30/2012	36.85%	15.96%	N/A	N/A	1.59%/0.90%[5][9]	$71.69 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	12.92%	8.77%	12/31/2008	27.03%	11.09%	N/A	N/A	1.13%/0.95%[5][10]	$196.59 million
SPECIALTY										
Baron Energy and Resources Fund†	S&P North American Natural Resources Sector Index	-3.17%	0.20%	12/30/2011	-9.93%	-5.04%	N/A	N/A	1.42%/1.10%[5][11]	$55.77 million
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	15.07%	12.57%	12/31/2009	15.40%	8.97%	N/A	N/A	1.06%[5]	$1.02 billion

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) 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.
(2) For the period June 30, 1987 to March 31, 2018.
(3) As of 9/30/2017.
(4) Annual expense ratio was 1.23%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(5) As of 12/31/2017.
(6) Annual expense ratio was 1.13%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(7) Comprised of operating expenses of 1.08% and interest expenses of 0.45%.
(8) Annual expense ratio was 0.84%, but the net annual expense ratio was 0.75% (restated to reflect current fee waivers).
(9) Annual expense ratio was 1.59%, but the net annual expense ratio was 0.90% (restated to reflect management fee reduction from 1.00% to 0.85% and current fee waivers).
(10) Annual expense ratio was 1.13%, but the net annual expense ratio was 0.95% (restated to reflect management fee reduction from 1.00% to 0.88% and current fee waivers).
(11) Annual expense ratio was 1.42%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

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 (by contract as long as BAMCO, Inc. is the adviser to the Fund) and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

Portfolio Holdings
As a Percentage of Net Assets
As of March 31, 2018

	Baron Asset Fund	Baron Growth Fund	Baron Opportunity Fund	Baron Partners Fund	Baron Fifth Avenue Growth Fund	Baron Focused Growth Fund	Baron Real Estate Fund	Baron Energy and Resources Fund	Baron Global Advantage Fund	Baron Durable Advantage Fund
AbbVie Inc.										2.2
Alphabet Inc.			4.5		5.5				4.0	3.9
Apple, Inc.			3.4		2.7					3.8
Amazon.com, Inc.			6.5	1.5*	16.0				5.0	
Netflix, Inc.			1.8							
Facebook, Inc.			1.4		4.2				2.4	
Tesla, Inc.			3.0	11.8*	1.0	12.3		6.7	0.7	
Space Exporation Technologies Corp.				3.6*		4.4				
Choice Hotels International, Inc.	1.3	3.9				6.2				
The Charles Schwab Corp.	3.6		1.9	6.1*	3.0					
Alexander's, Inc.	0.7	0.6								
Home Depot, Inc.							4.4			3.0
Tiffany & Co.	0.8									
T.Rowe Price Group, Inc.	1.1									

* % of Long Positions.

At March 31, 2018, Baron Small Cap Fund, Baron International Growth Fund, Baron Emerging Markets Fund, Baron Discovery Fund and Baron Real Estate Income Fund did not own any of the securities listed above.

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The discussion of market trends and companies are not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change any time based on market and other conditions, and we have no obligation to update them.

Letter from Ron

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

Ranking information provided is calculated for Institutional Share Class and is as of 3/31/2018.

For Baron Growth Fund in the Morningstar US Fund Mid-Cap Growth Category, as well as all Funds' since inception or since conversion time periods, the number of share classes in each category may vary depending on the date that Baron made the calculation.

Morningstar moved Baron Growth Fund from the **Small Growth Category** effective 5/31/2011 to the **Mid-Cap Growth Category**. The Fund's investment mandate has been, and continues to be, to invest in small-cap growth stocks for the long term. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment. As a result, we provide comparative performance data for the Morningstar Mid-Cap Growth Category and the Baron-Adjusted Morningstar Small Growth Category, created to include Baron Growth Fund's Retail, Institutional, and R6 shares.

Morningstar calculates its category averages using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The **Morningstar US Fund Mid-Cap Growth Category** consisted of 613, 485 and 352 funds for the 1-, 5-, and 10-year periods. Morningstar ranked **Baron Asset Fund** in the 35th, 19th, 34th and 12th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (6/12/1987) periods (consisted of 18 share classes). Morningstar ranked **Baron Growth Fund** in the 50th, 66th, 36th and 7th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (12/31/1994) periods (consisted of 57 share classes). Morningstar ranked **Baron Opportunity Fund** in the 2nd, 24th, 17th and 47th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (2/29/2000) periods (consisted of 135 share classes). Morningstar ranked **Baron Partners Fund** in the 23rd, 16th, 34th and 1st percentiles, respectively, in the category for the 1-, 5-, 10-year and since conversion (4/30/2003) periods (consisted of 246 share classes). Morningstar ranked **Baron Focused Growth Fund** in the 53rd, 96th and 77th percentiles, respectively, in the category for the 1-, 5-year and since conversion (6/30/2008) periods (consisted of 360 share classes).

The **Morningstar US Fund Small Growth Category** consisted of 684, 531 and 402 share classes for the 1-, 5- and 10-year time periods. Morningstar ranked **Baron Small Cap Fund** in the 32nd, 59th, 53rd and 12th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (9/30/1997) periods (consisted of 118 share classes). Morningstar ranked **Baron Discovery Fund** in the 38th and 2nd percentiles, respectively, in the category for the 1-year and since inception (9/30/2013) periods (consisted of 541 share classes).

The **Baron-Adjusted Morningstar Small Growth Category** consisted of 687, 534, 405 and 59 share classes for the 1-, 5-, 10-year and since inception periods. Morningstar ranked **Baron Growth Fund** in the 46th, 62nd, 55th and 7th percentiles, respectively.

The **Morningstar US Fund Large Growth Category** consisted of 1,376, 1,099, 779 and 597 share classes for the 1-, 5-, 10-year and since inception (4/30/2004) periods. Morningstar ranked **Baron Fifth Avenue Growth Fund** in the 3rd, 7th, 36th and 41st percentiles, respectively, in the category.

The **Morningstar US Fund Foreign Large Growth Category** consisted of 409, 293, and 235 share classes for the 1-year, 5- year, and since inception (12/31/2008) periods. Morningstar ranked **Baron International Growth Fund** in the 11th, 6th, and 6th percentiles, respectively, in the category.

The **Morningstar US Fund Real Estate Category** consisted of 261, 198 and 157 share classes for the 1-year, 5- year and since inception (12/31/2009) periods. Morningstar ranked **Baron Real Estate Fund** in the 1st, 1st, and 1st percentiles, respectively, in the category.

The **Morningstar US Fund Diversified Emerging Markets Category** consisted of 815, 474 and 307 share classes for the 1-year, 5-year and since inception (12/31/2010) periods. Morningstar ranked **Baron Emerging Markets Fund** in the 34th, 3rd and 1st percentiles, respectively, in the category.

The **Morningstar US Fund Equity Energy Category** consisted of 102, 70 and 64 share classes for the 1-year, 5-year and since inception (12/30/2011) periods. Morningstar ranked **Baron Energy and Resources Fund** in the 69th, 49th and 52nd percentiles, respectively, in the category.

The **Morningstar US Fund World Large Stock Category** consisted of 873, 591 and 522 share classes for the 1-year, 5-year and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund** in the 1st , 1st and 3rd percentiles, respectively, in the category.

Index performance is not fund performance; one cannot invest directly into an index.

Definitions (provided by BAMCO, Inc.): **The Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell 2000® Growth Index** is an unmanaged index that measures the performance of small-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 3000® Growth Index** measures the performance of the broad growth 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. The **Russell Midcap® Growth Index** is an unmanaged index of those Russell Midcap medium-sized companies that are classified as growth companies. **MSCI ACWI Growth Index** is unmanaged free float-adjusted market capitalization weighted index designed to measure the performance of large- and mid-cap securities classified as growth in the developed and emerging markets. The **MSCI USA IMI Extended Real Estate Index** 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. The **MSCI EM (Emerging Markets) 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. The MSCI EM IMI Growth Index Net screens for growth-style securities. The index returns reflect the reinvestment of dividends and other earnings, which positively impact performance results. **MSCI ACWI ex USA Index Net USD** is an unmanaged, free float-adjusted market capitalization weighted index. It measures the performance of large and mid-cap securities across developed and developed and emerging markets, excluding the U.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.