

Part 2A of Form ADV: *Firm Brochure*

February 28, 2020



Baron Capital Management, Inc.

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This brochure provides information about the qualifications and business practices of Baron Capital Management, Inc. (“BCM”). If you have any questions about the contents of this brochure, please contact us at (212) 583-2000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about BCM is also available on the SEC’s website at www.adviserinfo.sec.gov.

BCM is an investment adviser registered with the SEC. Registration does not imply a certain level of skill or training.

Material Changes

As of February 12, 2020, Clifford Greenberg and Andrew Peck were named Co-Chief Investment Officers of BCM.

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Advisory Business

BCM provides advisory services to high net worth individuals, pension and profit sharing plans, charitable organizations, corporations, wrap fee programs, and other entities. It also offers several co-mingled strategies. These include Baron USA Partners Fund, Ltd. (“Baron USA”), an offshore fund designed for non-U.S. investors and U.S. tax-exempt entities; Baron Atlas Fund, LP (“Atlas Fund”) a concentrated private partnership fund; Castle Advisers, LP (“Castle”), a private limited partnership that invests primarily in hedge funds; and Baron Emerging Markets Fund, Ltd., another offshore fund. All such advisory accounts are managed for capital appreciation with income incidental to that objective. BCM manages principally long-only investment portfolios.

BCM is a New York corporation and wholly owned subsidiary of Baron Capital Group, Inc. (“BCG”). BCM has four affiliates, BAMCO, Inc. (“BAMCO”) and Baron Capital, Inc. (“BCI”), Baron Capital Management GP, LLC (“BCM GP LLC”) and Baron Capital Management UK Limited (“BCM UK Limited”). BCM and BAMCO are investment advisers registered with the SEC. BCI is a limited purpose broker-dealer that distributes Baron Funds®, registered with the SEC and a member of the Financial Industry Regulatory Authority (“FINRA”). BCM GP, LLC, a subsidiary of BCM, is the General Partner of Castle Advisers, L.P. and Baron Atlas Fund, LP, Delaware limited partnerships. BCM UK Limited is a private limited company incorporated in England and Wales. None of the entities mentioned above is publicly traded. Clifford Greenberg and Andrew Peck are Co-CIO’s of BCM. Ronald Baron, Chairman and CEO of BCM, along with his family, are the principal owners of BCG.

BCM’s services are tailored to the investment objectives of the particular Client. Prospective Clients indicate their investment objective during the request for proposal process or while negotiating an investment advisory agreement. Clients may impose certain restrictions on investing in certain securities or types of securities. BCM regularly communicates with its Clients to understand their objectives.

BCM has been providing investment advisory services since 1982. As of February 28, 2020 BCM, managed 77 accounts, all on a discretionary basis, totaling \$1,937,896,382.

Fees and Compensation

Advisory fees are charged based on a percentage of assets under management. The advisory fees vary with the inception date of a Client’s account, the initial or potential size of the account, the product/strategy, the entirety of the Client’s or any of its affiliates’ relationship with BAMCO, BCM or BCI, and other factors that BCM deems relevant. All advisory fees are subject to negotiation but typically range from .35% to 1.15%. For separately managed accounts and accounts that are managed by reference to a model or representative account, fees typically decrease as asset levels increase. BCM reserves the right, in its sole discretion, to negotiate and charge different advisory fees for different accounts.

BCM Clients who have uninvested cash balances swept into money market funds at their custodian broker-dealers or custodian banks may pay two fees, to the extent that the money market funds charge a fee and deduct expenses. BCM’s fees are based on total assets under management, which may include the cash swept into money market funds by the custodian.

Fees are generally payable quarterly, after the end of each quarter investment advisory services are provided. When an account is terminated, the fee is determined on the basis of the net asset value of the account for the number of days BCM has provided investment advisory services in the quarter during which the account is terminated, including the date of termination. Clients may select whether fees are deducted from their assets or billed on a quarterly basis. Generally, BCM's Clients do not pay advisory fees in advance.

BCM's clients pay brokerage commissions to the executing broker-dealer for portfolio security transactions that typically range from \$0.04 per share to less than \$0.01 per share for stocks traded on exchanges in the U.S. Additional information about brokerage and transaction costs can be found under "Brokerage Practices" below.

Performance-Based Fees and Side-By-Side Management

Baron Atlas Fund charges a performance-based fee. BCM has trade allocation and portfolio dispersion review procedures in place to ensure that all BCM accounts are treated equitably.

Types of Clients

BCM provides advisory services to high net worth individuals, pension and profit sharing plans, charitable organizations, corporations, wrap fee programs, and other entities. BCM offers separately managed accounts and accounts that are managed by reference to a model portfolio or representative account. BCM markets the following investment strategies and requires the corresponding new account minimums:

<u>Strategy</u>	<u>New Account Minimum*</u>
Baron Small to Mid Cap Growth	\$ 50 million
Baron Mid Cap Growth	\$ 10 million
Baron Large Cap Growth	\$ 10 million
Baron All Cap Growth	\$ 10 million
Baron International Growth	\$ 100 million
Baron Emerging Markets	\$ 100 million
Baron Real Estate	\$ 25 million
Baron Real Estate Income	\$ 10 million
Baron High Growth	\$ 10 million
Baron Global Advantage	\$ 10 million
Baron Durable Advantage	\$ 10 million
Baron Focused Select	\$ 25 million
Baron Focused Growth	\$ 10 million
Baron Discovery	\$ 25 million
Baron Focused High Growth	\$ 10 million
Baron Healthcare	\$ 10 million
Baron Atlas	\$ 10 million

*BCM may waive the account minimum or require a higher minimum at its discretion

Security Analysis

Our investment professionals are focused on fundamental analyses of businesses. Our primary objective is to understand the key drivers of growth and profitability of each company in which we invest. We perform exhaustive proprietary due diligence to evaluate opportunities and affirm our investment theses.

We analyze the following financial information: income statement, cash flow statement, balance sheet, turnover and ROE metrics, unit economics, and other company-specific data. This information is filtered through our valuation models, which we use to extrapolate long-term trends. We continually monitor these metrics to confirm that a company's performance is meeting our objectives and that it can sustain its growth and competitive advantages.

We evaluate a company to determine the:

- Business opportunities and growth prospects
- Business model
- Uniqueness of the company's products or services
- Predictability of revenue and earnings growth
- Appropriateness of the company's use of capital
- Barriers to replication
- Regulatory environment

Meeting with management

Meeting with management is a critical element of our research process, and we maintain contact with management teams throughout the life of an investment. These meetings help our investment professionals understand a company's business model, its product or service, how difficult it is for others to do what they do, the costs it incurs to grow, and the relevant regulatory environment. On-site research is particularly important during the phase when analysts are testing and verifying their investment theses.

We assess management's:

- Character
- Vision
- Competence
- Business practices
- Management style
- Ownership
- Experience and track record

Valuation Models

We build five-year proprietary valuation models to quantify a company’s opportunities and risks, and to estimate the intrinsic value of its business. Each financial model includes five years of historical data and five years of forward looking estimates. The models project revenues, earnings, and free cash flow.

We consider the following factors, among others:

Key revenue growth drivers <ul style="list-style-type: none"> • Unit growth • Pricing power 	Cost Structure <ul style="list-style-type: none"> • Fixed and variable costs • Incremental profitability
Profitability <ul style="list-style-type: none"> • Return on invested capital • Free cash flow generation • Earnings growth 	Capital Structure <ul style="list-style-type: none"> • Capital allocation decisions • Financing activities

Investment Strategies and Risk of Loss

BCM employs 15 portfolio managers who are responsible for managing assets in more than 17 investment strategies.

An account managed by BCM is not a balanced investment plan. BCM invests on behalf of Clients in growth businesses for capital appreciation potential. Each portfolio manager’s ability to choose appropriate investments for an account has a significant impact on our ability to achieve an account’s investment objective.

All accounts invest primarily in common stocks. Over time, common stocks have shown greater growth than other types of securities. In the short-term, however, stock prices may fluctuate in response to company, market, economic or other news. Certain accounts may have a higher percentage of their total assets invested in a particular region, sector, or industry, changes affecting that region, sector or industry may have a significant impact on the performance of such accounts.

Set forth below are descriptions of BCM’s marketed investment strategies. These descriptions of specific strategies and investments should not be deemed to limit BCM’s investment activities. BCM may engage in any investment strategy and make any investment, including any not described in this Brochure, that BCM considers appropriate, subject to each Client’s investment objectives as agreed with BCM. There can be no assurance that the investment objectives of any Client will be achieved. Investing in equity securities involves risk of loss that Clients should be prepared to bear.

Focused Growth

This is a focused Strategy that invests mainly in small- and mid-sized U.S. companies with significant growth potential. A substantial percentage of the Strategy’s assets are in its top 10 holdings. Non-diversified. Specific risks associated with a non-diversified strategy includes increased volatility of returns with exposure to greater potential loss in any given period. Securities of small- and mid-sized companies may be thinly traded and more difficult to sell during market downturns.

Small to Mid Cap Growth

The Strategy invests mainly in small- and mid-sized U.S. companies with significant growth opportunities. Diversified. Specific risks associated with investing in securities of small- and mid-sized companies include that the securities may be thinly traded and more difficult to sell during market downturns.

Mid Cap Growth

The Strategy invests mainly in mid-sized U.S. companies that have matured beyond their start-up phase and have significant secular growth opportunities. Diversified. Specific risks associated with investing in securities of mid-sized companies include that the securities may be thinly traded and more difficult to sell during market downturns.

Large Cap Growth

The Strategy invests mainly in large-sized U.S. companies with significant growth potential and competitive advantages. Diversified. Specific risks associated with investing in securities of large companies include that they are subject to price fluctuations in the stock market. Even though the accounts in the Strategy are diversified, they may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Strategy's returns.

All Cap Growth

The Strategy invests mainly in U.S. companies of all sizes with significant growth potential and secular growth opportunities. Diversified. Specific risks associated with investing in companies of all sizes, including small- and mid-sized companies, the securities of which may be thinly traded and more difficult to sell during market downturns, and they are subject to price fluctuations in the stock market.

International Growth

The Strategy invests mainly in non-U.S. companies of any size with significant growth potential. The Strategy invests principally in companies in developed countries. Diversified. Specific risks associated with investing in non-U.S. companies include that they may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility.

Emerging Markets

The Strategy invests primarily in emerging market companies of all sizes with significant growth potential. The Strategy may invest up to 20% in companies in developed and frontier countries. Diversified. In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Strategy invests in companies of all sizes, including small- and medium-sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

Real Estate

The Strategy invests broadly in real estate businesses with significant growth potential. It maintains exposure across different industries and all capitalization ranges. Diversified. In addition to general

market conditions, the Strategy will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues, and economic conditions. The Strategy invests in companies of all sizes, including small-and medium-sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

Real Estate Income

The Strategy invests primarily in income-producing real estate businesses of any size. It maintains significant exposure to REITs. Non-diversified. In addition to general market conditions, the value of the Strategy will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Strategy invests in debt securities which are affected by changes in prevailing interest rates and the perceived credit quality of the issuer. The Strategy invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

High Growth

The Strategy invests primarily in high-growth businesses of any market capitalization benefiting from innovation through development of pioneering, transformative or technologically advanced products and services. Diversified. Specific risks associated with companies propelled by innovation, including technology advances and new business models, are that they present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. Even though the accounts in the Strategy are diversified, they may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Strategy's returns.

Global Advantage

The Strategy invests mainly in growth companies of all sizes located throughout the world. Diversified. Specific risks associated with investing in growth companies include that the stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small-and mid-sized companies may be thinly traded and more difficult to sell.

Durable Advantage

The Strategy invests mainly in large-sized U.S. companies with competitive advantages. The Strategy emphasizes businesses with excess free cash flow that can be returned to shareholders. Diversified.

Focused Select

This is a focused Strategy that invests in small- and mid-sized U.S. companies with significant growth potential. A substantial percentage of the Strategy's assets are in its top 10 holdings. Non-diversified. Specific risks associated with a non-diversified strategy include increased volatility of returns with exposure to greater potential loss in any given period. Securities of small- and mid-sized companies may be thinly traded and more difficult to sell during market downturns.

Discovery

The Strategy invests primarily in small-sized U.S. companies. It invests in a select number of high growth businesses that tend to be in an early phase of their lifecycles. Diversified. Specific risks

associated with investing in securities of smaller companies include that the securities may be thinly traded and more difficult to sell during market downturns.

Focused High Growth

This is a focused Strategy that invests primarily in high growth businesses of any market capitalization benefiting from innovation through development of pioneering, transformative or technologically advanced products and services. A significant percentage of the portfolio's assets are in its top 10 holdings. Non-diversified. Specific risks associated with companies propelled by innovation, including technology advances and new business models, are that they present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. Additionally, a non-diversified strategy has increased volatility of returns with exposure to greater potential loss in any given period.

Baron Health Care

The Strategy invests in companies engaged in the research, development, production, sale, delivery, or distribution of products and services related to the health care industry. The Strategy may purchase securities of companies of any market capitalization. Non-diversified.

Baron Atlas

This is a focused private strategy that invests in companies of all sizes located throughout the world. A substantial percentage of the portfolio's assets are in its top 10 holdings and in the Consumer Discretionary, Information Technology, and Communications Services sectors. Non-diversified. For qualified purchasers and accredited investors only.

In addition to the strategies described above, BCM manages non-diversified accounts, focused accounts, and accounts that use leverage. Those strategies increase volatility of the accounts' returns and may expose them to greater loss in any given period.

Disciplinary Information

BCM has no disciplinary history to report.

Other Financial Industry Activities and Affiliations

BCM is wholly owned by BCG, as described in more detail within the section of this brochure entitled "Advisory Business." BCG also wholly owns BCM GP, LLC, a subsidiary of BCM, the General Partner of Castle Advisers, L.P. and Baron Atlas Fund, LP, Delaware limited partnerships, BCM UK Limited, a private limited company incorporated in England and Wales and BCI, a limited purpose broker-dealer. The sole function of BCI is to serve as the distributor of Baron mutual funds (the "Baron Funds"). BCI does not engage in the execution of securities transactions for BCM or any other entity. Certain employees of BCM, including certain of its management persons, are licensed registered representatives of BCI for the purpose of offering and selling Baron Funds.

BCG also wholly owns BAMCO, an SEC-registered investment adviser. BCM and BAMCO share investment research and jointly develop investment advice. BCM and BAMCO may aggregate brokerage orders together as described in more detail in the section of this brochure entitled “Brokerage Practices.”

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

BCM’s Code of Ethics (the “Code”) establishes standards of conduct and reinforces fiduciary principles that govern the actions of BCM and its employees. It is designed to ensure that BCM treats all of its accounts fairly. It prohibits access persons from engaging in certain types of securities transactions that are deemed to create potential conflicts of interest between BCM and its investment advisory Clients, and establishes reporting requirements and enforcement procedures.

The Code sets forth three guiding principles: (1) the interests of Clients must be placed first at all times, (2) all personal securities transactions must be conducted consistent with this Code and in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility, and (3) persons subject to the Code should not take inappropriate advantage of their positions.

Access persons are prohibited from buying individual equities but are allowed to sell positions they already hold with prior written approval. Under limited circumstances, BCM or its affiliate, BAMCO, may seek an exception from the prohibition against buying securities issued by publicly traded companies for the Adviser’s proprietary account(s). Such requests will be made to the Board of the Baron Funds and the Adviser’s Board and will be subject to strict compliance procedures to ensure that any conflicts of interest between BCM or BAMCO and their Clients are appropriately managed. In addition, prior written approval is required for the purchase of all other securities as defined in Section 2(a)(36) of the Investment Company Act of 1940. Prior written approval is not required for security transactions in managed accounts, where the employee has no discretion over the account and does not instruct the party that has discretion, and where the employee is purchasing or selling U.S. government bonds or open-end mutual funds (“Exempt Transactions”). Access persons must also have copies of their trade confirmations and account statements sent to BCM. The Code further provides that, with the exception of exempt transactions, if any transaction in a security on behalf of a BCM Client occurs within seven days of an access person’s transaction in that security, the Client must receive the better price or the equivalent thereof. Employees are also required to certify annually compliance with the Code and certify quarterly transactions reports and initial and annual holdings reports. These reports are reviewed by the Legal and Compliance Department for compliance with the Code. The Code also contains provisions relating to giving, receiving, and reporting of gifts and business entertainment, outside business activities, and political contributions. A copy of the Code is available upon request. It is also available at www.BaronFunds.com.

Brokerage Practices

BCM generally has discretion to direct the execution of trades for its Clients' accounts. Pursuant to its discretionary authority, BCM determines which securities are bought and sold for the account, the amount of each purchase and sale, the broker-dealers to be used, and the commission rates to be paid. BCM's authority may be subject to conditions imposed by the Client, such as Client-imposed restrictions on transactions in certain securities or types of securities and the use of specific broker-dealers.

The Firm has a duty to seek the most favorable terms "reasonably available" under the circumstances for its customers' transactions. The predominant elements for best execution are price and liquidity based on the size of the order and characteristics of the security. The Firm's traders receive market information from brokers throughout the course of the day on particular securities, which provides them with the information on the natural liquidity of a stock. They also use different algorithmic trading systems to locate liquidity.

The Firm's Trading and Client Commission Committee reviews trade executions each quarter using analysis provided by Global Trading Analytics, LLC ("GTA"), an independent third party, and the assessments of the traders. The vendor takes into account trading algorithms, lag momentum, sector, and order start time. The results from GTA's quarterly reports have shown that BCM generally has excellent trade executions, based on both the volume weighted average price over the implementation time of the order and the vendor's proprietary benchmarks created to evaluate executions based on anticipated costs of the trade.

Research Products and Brokerage Services Received by BCM

To the extent more than one broker-dealer is capable of providing best execution based on the factors listed above, BCM may take into account whether the broker-dealer provides BCM or its affiliate with research and the value of such research. BCM may compensate a broker-dealer for providing certain brokerage and research services by paying commissions that may be more than would have been paid to another broker-dealer for execution only. Commissions paid on these trades are known as "soft dollars." BCM and BAMCO generate proprietary research, and they may obtain supplemental research from other broker-dealers, if consistent with a Client's policies, by paying higher commissions, even though the particular Client may not be the beneficiary of such services. Such supplemental research is primarily in the form of access to company management and access to industry conferences but may also include the broker-dealer's proprietary research or third party research obtained through commission sharing arrangements with the broker-dealers and independent research providers. Research and information may be used by BAMCO or BCM in serving their other discretionary Clients. When BCM directs commission business to these brokerage firms, BCM receives a benefit because it does not have to produce or pay for the research, which we believe would be otherwise unavailable to BCM. BCM's selection of broker-dealers to execute trades in exchange for research, which could possibly reduce BCM's cost of paying for research directly, presents a potential conflict of interest. BCM may have an incentive to select or recommend a broker-dealer based on its interest in receiving research, rather than Clients' interests in paying the lowest possible commission. In order to monitor these

potential conflicts, BCM's Trading and Client Commission Committee reviews trade execution analysis reports prepared by an independent third party on a quarterly basis.

As stated above, the vast majority of the research we receive from broker-dealers is access to management of companies with which they have relationships and access to conferences and seminars that provide substantive content relating to issuers and industries. In addition, BCM and BAMCO also may receive research reports (including reports that are specific to issuers, industries, and/or geographic regions); investment ideas; access to the broker-dealer's traders and analysts; subscriptions to financial publications and research compilations that are not targeted to a wide, public audience; access to groups of professionals with expertise in particular industries and/or subject matter areas; and reports of macroeconomic developments.

BCM does not seek to allocate soft dollar benefits among Client accounts proportionally to the commissions paid. As permitted under Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), brokerage and research services provided by broker-dealers may be used by BCM in servicing other accounts it manages and not all of the research services it uses will necessarily be used in connection with any one account. It is BCM's policy that all research or brokerage services obtained from broker-dealers in connection with transactions be consistent with Section 28(e) of the Exchange Act.

BCM performs periodic reviews to determine that the commissions paid on soft dollars are reasonable in relation to the value of the brokerage and research services provided. At least twice a year, BCM reviews its research needs and creates a target soft dollar commissions report based on these reviews. This target commission report is reviewed by the Director of Research and Head Trader. The results are then presented to the Trading and Client Commission Committee.

Trade Processing and Allocation

Securities considered for investment in a Client account or group of Client accounts may also be appropriate for one or more other Clients. If the purchase or sale of a security is considered at or about the same time for more than one Client, BCM will seek to allocate transactions in the security among such Clients in a manner considered by BCM to be fair, equitable, and consistent with allocation procedures adopted by BCM. BCM believes that the aggregation of trades generally results in lower commissions, more advantageous prices and/or more efficient execution of transactions. BCM may purchase or sell a block of a security and allocate the shares or proceeds among its Clients and/or BAMCO's Clients. Block purchases or sales will result in an average price that may be higher or lower than if orders were entered for each account individually. Clients that are allocated part of the block will receive an average price per share but may not receive an average commission per share.

BCM and BAMCO have adopted joint trading procedures for aggregated orders that require that: (a) the aggregation be consistent with the duty to seek best execution and with the terms of the advisory agreements of the Clients for which the trades are being aggregated; (b) no advisory Client be favored over any other advisory Client, with each Client participating in an aggregated order also participating in the average share price for all of BCM's and BAMCO's transactions in a security with a single broker-dealer on a given business day; (c) the Clients participating in the aggregated orders be placed in the

order management system, which constitutes a written allocation statement; (d) partially filled orders generally be allocated on a pro rata basis and any allocation done other than pursuant to the previously written allocation statement be approved by the President and COO and receive fair and equitable treatment; and (e) the procedures be reviewed annually.

From time to time, BCM may decide not to aggregate small orders with its larger orders or with BAMCO in order to reduce multiple ticket charges for small orders. If, at a later time, additional Clients seek to purchase or sell the same security, BCM will close the existing order and place a new order in its order management system, and the Clients participating in the new order will receive the average price at which the new order is executed.

BCM may direct the trading of certain securities between certain customer accounts (“cross trades”). BCM does not receive a fee or other remuneration for such transactions. Where appropriate and permitted by law, BCM or any person controlling, controlled by or under common control with BCM may act as investment adviser for the party or parties on both sides of a cross trade.

BCM allocates new issue offerings in conjunction with its affiliate, BAMCO, based on an assessment of all of the following factors: (a) investment objectives and guidelines of the account; (b) money flows in and out of each account; (c) cash position in the account; (d) consideration of the diversification needs of each account; (e) estimated size of the likely allocation; (f) if the transaction is a secondary offering, the size of a Client’s existing position; and (g) if the transaction is an Initial Public Offering, whether the Client is eligible to participate. Portfolio positions may be sold to raise cash for the purchase of a new issue if the portfolio manager believes it is in the best interests of the Client to do so.

Directed Brokerage

Upon the request of a Client, BCM may also direct commissions to broker-dealers that may furnish other services to the Client. Clients that direct their trades through particular broker-dealers will not be aggregated with other Client orders or included in the average price per share for trades. Directed trades may be at prices higher or lower than the average price per share of aggregated orders.

Although any benefits derived from directed brokerage will inure to the benefit of the Client directing the brokerage, Clients should understand that directing brokerage for execution eliminates BCM’s discretion to select broker-dealers to execute Client transactions. While BCM exercises its best judgment in determining whether Clients that have directed brokerage should execute portfolio transactions simultaneously with, prior to, or after transactions executed with broker-dealers selected by BCM, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the Client receiving a price that is less favorable than the price obtained for the aggregated order. Under these circumstances, even if the Client has not waived BCM’s duty to seek best execution, the direction by a Client to use a particular broker-dealer to execute transactions may result in higher commissions, greater spreads or less favorable prices than might be the case if BCM could negotiate commission rates or spreads freely, or select executing broker-dealers based on its judgment regarding best execution.

In certain cases, depending on the nature of the direction, BCM may instead use “step-outs” to allow such Clients to participate in aggregated trades. “Step-outs” allow BCM to instruct the broker-dealer that executes a transaction to allocate, or “step-out” a portion of such transaction to another broker-dealer. The broker-dealers to which the executing broker has “stepped out” would then settle and complete the designated portion of the transaction, and the executing broker-dealer would settle and complete the remaining portion of the transaction. Each broker-dealer would receive a commission or brokerage fee with respect to the portion of the transaction that it settles and completes.

As with directed brokerage, BCM does not have discretion to select brokers-dealers with respect to wrap fee programs in which it serves as an investment adviser and, therefore, generally executes orders for wrap accounts relationships separately from transactions for non-wrap accounts. Wrap, directed and non-directed accounts may trade the same securities at the same time. However, due to the number of broker-dealers executing transactions for wrap or other directed relationships, execution may be completed at different times for Clients in these relationships than for BCM’s non-directed accounts. As a consequence, different Clients may receive different prices over time even while trading in the same securities.

Wrap fee Clients are not charged separate commissions on each trade as long as the sponsoring broker-dealer executes the trade, and a portion of the wrap fee is generally considered to include commissions. In light of this feature, BCM considers the Client’s choice to participate in a wrap fee program sponsored by a particular broker-dealer as being a direction to BCM to use that broker-dealer, unless the Client specifies otherwise. In addition, in the event that a broker-dealer other than the sponsoring broker-dealer is used to execute at a better price for a security, wrap fee program Clients would be required to pay the other broker-dealer’s commission charges, which would not otherwise have to be paid. Thus, the non-wrap fee sponsor broker-dealer would need to offer a combined price and commission charge that was better than the price including commission that the sponsoring broker-dealer could offer, which in most cases would be unlikely.

Wrap fee Clients and other Clients directing BCM to use a specific broker-dealer should satisfy themselves that the broker-dealer they have selected is providing adequate price and execution. The Client should evaluate the fee charged by the wrap fee sponsor or directed broker, the amount of portfolio activity in their account, the value of custodial and other services provided under the arrangement, and other factors, to determine whether the fee is justified. A conflict of interest may exist between BCM’s duty to obtain best execution and its receipt of future Client referrals from the Client’s broker-dealer or wrap fee program sponsor, but BCM believes it has procedures in place to mitigate this conflict, including BCM’s Best Execution Policy which requires traders to seek best execution for all trades and its Client Commissions Policy which provides for the selection of brokers based on the value of research provided.

Review of Accounts

Portfolio managers are responsible for reviewing Client accounts and continually assessing the securities held by Clients. Client accounts are reviewed by the respective portfolio managers and/or other senior personnel. With the exception of the wrap fee accounts, which are reviewed and reconciled daily, all other accounts are reviewed monthly by BCM’s accounting staff and reconciled with brokerage and/or

bank statements. In addition, BCM's traders continually review the portfolios of each investment advisory account. Oversight of Client investment activity is also conducted by the Compliance Department through a range of different methods, including automated pre-trade and post-trade testing and manual reviews. Additional reviews may be performed periodically by relevant professionals, including client service personnel, risk analytics personnel or senior management, depending on account needs and market conditions. Reviews may be undertaken because of changes in market conditions, security positions, objectives, at a Client's request, or as part of a regularly scheduled review.

Periodic reports are provided to Clients in BCM's standard format unless the Client requests other information. A standard report includes BCM's market outlook, performance, sector breakdowns, portfolio appraisal, and transaction detail. BCM may also provide similar information to Clients through in-person meetings and conference calls. More frequent reports can be provided upon request.

Client Referrals and Other Compensation

BCM does not receive economic benefits for providing investment advice or other advisory services to its Clients from parties other than its Clients. As explained in "Brokerage Practices" above, BCM may receive certain research or brokerage services in connection with the execution of securities transactions for Client accounts, which it may use to the benefit of other advisory Clients.

BCM may compensate solicitors for Client referrals pursuant to agreements that comply with the relevant provisions of the Investment Advisers Act. BCM Clients may retain investment consultants to assist with the selection of investment managers, but such investment consultants are compensated by the Clients, not BCM.

Custody

As the parent of Castle's and Baron Atlas Fund's general partner, BCM is deemed to have custody of Castle's and Baron Atlas Fund's assets. BCM does not maintain, and will not accept, custody of any other Client funds or securities, and will take such actions as are necessary to avoid being deemed to have custody of Client funds or securities. Unaffiliated third parties serve as custodians for these accounts. An independent public accountant audits Castle and Baron Atlas Fund annually, and the audited financial statements are distributed to its investors.

Investment Discretion

As explained in "Brokerage Practices" above, BCM has full discretion and authority to determine the securities bought or sold, the amount of such securities, the broker-dealer to be used, the commission rate paid, and the prices at which the securities are to be bought or sold. BCM requires that each Client enter into a written agreement with BCM granting it discretionary authority. A Client may, with BCM's

consent, impose limited restrictions on investments in certain securities or types of securities in its account.

Voting Client Securities

BCM is generally granted full Investment discretion to vote proxies, although Clients that have granted BCM full discretion may direct their vote on particular matters by contacting BCM. Clients may also retain proxy voting authority for themselves.

BCM will vote Client proxies as part of its fiduciary duty and its authority to manage, acquire, and dispose of account assets. When voting proxies for Client accounts, BCM's primary objective is to make voting decisions solely in the best interests of its Clients. In certain situations, a Client or its fiduciary may provide BCM with a statement of proxy voting policy. In these situations, BCM seeks to comply with such policy to the extent it would be consistent with applicable regulations or its fiduciary duty.

Where the cost of voting a proxy, in the opinion of BCM, would exceed the expected benefits to the Client, BCM may decide not to vote a particular proxy. This may be particularly true in the case of non-U.S. securities. While the proxy voting process is well established in the United States and other developed markets, voting proxies of non-U.S. companies located in certain jurisdictions, particularly in developing countries, may have a detrimental effect on BCM's ability to trade in such securities during the proxy period. In those cases, BCM may conduct a cost-benefit analysis in determining whether to vote its Clients' shares at a non-U.S. company's meeting, and if it is determined that the cost associated with exercising its vote outweighs the benefit to its Clients, BCM may decide not to vote.

It is the policy of BCM in voting proxies to consider and vote each proposal with the objective of maximizing long-term investment returns for its Clients. To ensure consistency in voting proxies on behalf of its Clients, BCM utilizes its Proxy Voting Policy and Procedures (the "Proxy Policy"). BCM is also a signatory to the Principles for Responsible Investment. In developing the Proxy Policy, BCM considered environmental, social and corporate governance issues in light of its fiduciary obligation to vote proxies in the best long-term economic interest of its clients.

BCM's Proxy Policy is intended to address any potential material conflicts of interest on the part of BCM or its affiliates that are likely to arise in connection with the voting of Client proxies. In voting Client proxies, BCM will avoid material conflicts of interests between it and its affiliates on the one hand, and its Clients on the other. BCM recognizes that it may have a material conflict of interest in voting a Client proxy where it or its affiliate (i) manages assets for a company whose management is soliciting proxies; (ii) manages money for an employee group that is the proponent of a proxy proposal; (iii) has a personal relationship with participants in a proxy solicitation or a director or candidate for director; or (iv) otherwise has a personal interest in the outcome in a particular matter before shareholders. Notwithstanding the above categories, BCM understands that the determination of whether a "material conflict" exists depends on all of the facts and circumstances of the particular situation.

If a portfolio manager wishes to recommend voting against the Proxy Voting Guidelines, he or his designee must provide rationale for that request to the General Counsel in writing. The President, in

consultation with the General Counsel, will make the final decision with respect to how the matter will be voted. If it is determined that there is a material conflict of interest between the interests of the Advisers' and the interests of a Client, the Proxy Review Committee will review the matter and may either (i) request that the Client consent to the Advisers' vote, (ii) vote in accordance with the published recommendations of an independent proxy voting service or (iii) appoint an independent third party to vote.

Clients may obtain a copy of BCM's Proxy Policy or information on how proxies were voted on securities held in the Client's account by contacting BCM's Client Service Department. BCM's Proxy Policy is also available at www.BaronFunds.com.

Financial Information

BCM does not require or solicit prepayment of investment advisory fees from its Clients. BCM is not aware of anything that is reasonably likely to impair its ability to meet its contractual commitments to Clients, nor has BCM been the subject of a bankruptcy petition at any time during the past 10 years.