

March 31, 2018  
Institutional Shares (BARIX)

# Baron Asset Fund Fact Sheet

BAMCO, Inc., Registered Investment Adviser



The Fund may not achieve its objectives. Portfolio holdings may change over time.

Prior to February 15, 2007, the Fund's strategy was to invest primarily in small and mid-sized growth companies. Since then, the Fund's investment strategy has shifted to mid-sized companies.

Definitions (provided by BAMCO, Inc.): The indexes are unmanaged. The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth, and the **S&P 500 Index** of 500 widely held large-cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. Morningstar calculates the **Morningstar US Mid-Cap Growth Category Average** using its Fractional Weighting methodology. The Fund's Institutional Shares have been included in the category since May 29, 2009 and the Fund's Retail Shares since April 1, 1999. © 2018 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. **Standard Deviation (Std. Dev.):** 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. **Alpha:** measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta:** measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. **R-Squared:** measures how closely a fund's performance correlates to the performance of the benchmark index, and thus is a measurement of what portion of its performance can be explained by the performance of the index. Values for R-Squared range from 0 to 100, where 0 indicates no correlation and 100 indicates perfect correlation. **Tracking Error:** measures how closely a fund's return follows the benchmark index returns. It is calculated as the annualized standard deviation of the difference between the

fund and the index returns. **Information Ratio:** measures the excess return of a fund divided by the amount of risk the fund takes relative to the benchmark index. The higher the information ratio, the higher the excess return expected of the fund, given the amount of risk involved. **Upside Capture:** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture:** explains how well a fund performs in time periods where the benchmark's returns are less than zero. **Active Share:** a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management. **EPS Growth Rate (3-5 year forecast):** indicates the long-term forecasted EPS growth of the companies in the portfolio, calculated using the weighted average of the available 3-to-5 year forecasted growth rates for each of the stocks in the portfolio provided by FactSet Estimates. The EPS Growth rate does not forecast the Fund's performance. **Price/ Earnings Ratio (trailing 12-months):** is a valuation ratio of a company's current share price compared to its actual earnings per share over the last twelve months. **Price/Book Ratio:** is a ratio used to compare a company's stock price to its tangible assets, and it is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. **Price/Sales Ratio:** is a valuation ratio of a stock's price relative to its past performance. It represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. Price/Sales is calculated by dividing a stock's current price by its revenue per share for the last 12 months. Historical portfolio characteristics are provided by Compustat and FactSet Fundamentals. **Weighted Harmonic Average:** is a calculation that reduces the impact of extreme observations on the aggregate calculation by weighting them based on their size in the fund.

This information does not constitute an offer to sell or a solicitation of any offer to buy securities by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation. This information is only for the intended recipient and may not be distributed to any third party.

Not bank guaranteed, may lose value, not FDIC insured



## Portfolio Facts and Characteristics

	Fund	Russell Midcap Growth Index
# of Equity Securities / % of Net Assets	57/98.8%	-
Turnover (3 Year Average)	11.60%	-
Active Share (%)	85.2	0
Median Market Cap†	\$11.13 billion	\$8.92 billion
Weighted Average Market Cap†	\$17.30 billion	\$16.30 billion
EPS Growth (3-5 year forecast)†	15.9%	16.6%
Price/Earnings Ratio (trailing 12-month)*†	32.9	24.9
Price/Book Ratio*†	4.9	5.0
Price/Sales Ratio*†	4.5	2.3

\* Weighted Harmonic Average

† Source: FactSet PA – Compustat, FactSet and BAMCO. Internal valuations metrics may differ.

R6 Shares are also available for this Fund.

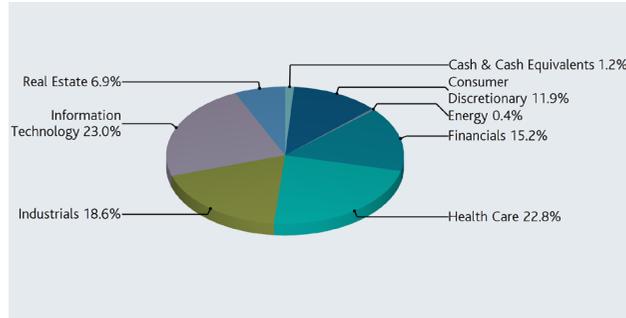
## Performance Based Characteristics<sup>2</sup>

	3 Years	5 Years	10 Years
Std. Dev. (%) - Annualized	11.75	11.39	17.36
Sharpe Ratio	0.89	1.17	0.56
Alpha (%) - Annualized	1.66	0.46	0.20
Beta	1.01	0.99	0.93
R-Squared (%)	88.52	89.25	92.60
Tracking Error (%)	3.98	3.74	4.86
Information Ratio	0.44	0.07	-0.10
Upside Capture (%)	103.20	100.07	96.57
Downside Capture (%)	90.17	97.62	97.35

## Top 10 Holdings

	% of Net Assets
IDEXX Laboratories, Inc.	6.5
Gartner, Inc.	5.7
Vail Resorts, Inc.	4.7
Mettler-Toledo International, Inc.	4.5
Verisk Analytics, Inc.	4.2
The Charles Schwab Corp.	3.6
Guidewire Software, Inc.	3.2
ANSYS, Inc.	2.7
Arch Capital Group Ltd.	2.7
FactSet Research Systems, Inc.	2.6
<b>Total</b>	<b>40.4</b>

## GICS Sector Breakdown<sup>1</sup>



## Top 15 GICS Sub-Industry Breakdown<sup>1</sup>



Colors of Sub-Industry bars correspond to sector chart above.

## Investment Strategy

The Fund invests mainly in mid-sized U.S. companies that have matured beyond their start-up phase and have significant secular growth opportunities. Diversified.

## Portfolio Manager

Andrew Peck joined Baron in 1998 as a research analyst and was named portfolio manager in 2003. He has 22 years of research experience. From 1992 to 1994, Andrew worked at Salomon Brothers as an analyst in the Equity Capital Markets group. Andrew graduated magna cum laude from Yale College with a B.A. in History in 1991 and from Stanford Law School and Graduate School of Business with a J.D. and M.B.A. in 1998.

## Investment Principles

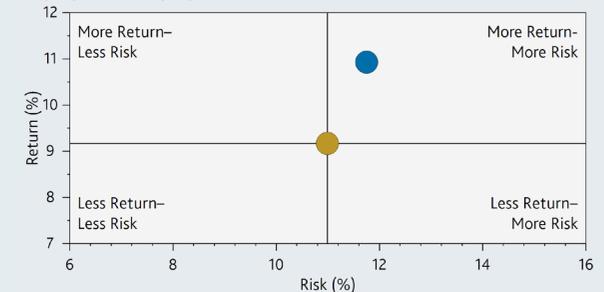
- Long-term perspective allows us to think like an owner of a business
- Independent and exhaustive research is essential to understanding the long-term fundamental growth prospects of a business
- We seek appropriately capitalized open-ended growth opportunities, exceptional leadership, and sustainable competitive advantages
- Purchase price and risk management are integral to our investment process

## Fund Facts

Inception Date	June 12, 1987
Net Assets	\$3.18 billion
<b>Institutional Shares</b>	
CUSIP	068278605
Expense Ratio (as of FYE 09/17)	1.04%

## Risk/Return Comparison<sup>2</sup>

03/31/2015 - 03/31/2018



- Baron Asset Fund - I
- Russell Midcap Growth Index

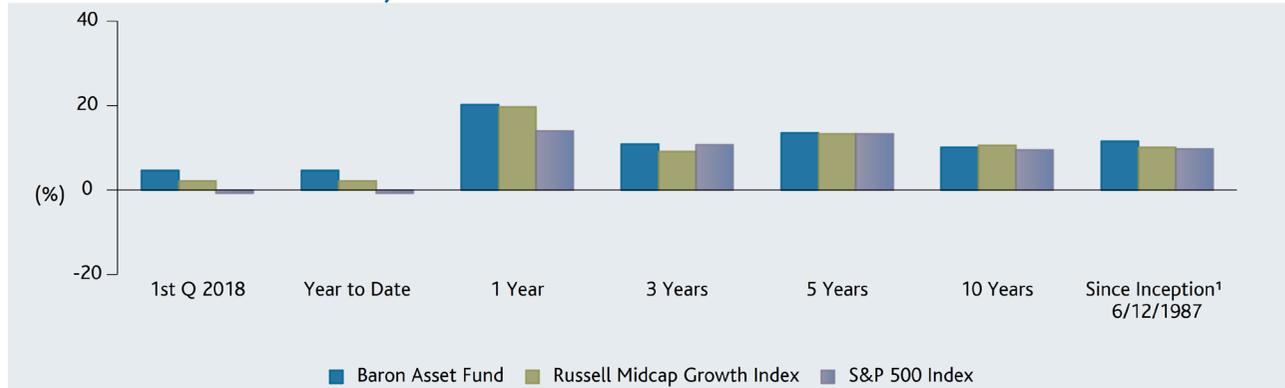
Securities issued by medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns.

1 - 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"). All GICS data is provided "as is" with no warranties. The Adviser may have reclassified/classified certain securities in or out of a sub-industry. Such reclassifications are not supported by S&P or MSCI.

2 - Source: FactSet SPAR. Except for Standard Deviation and Sharpe Ratio, the performance based characteristics above were calculated relative to the Fund's benchmark.



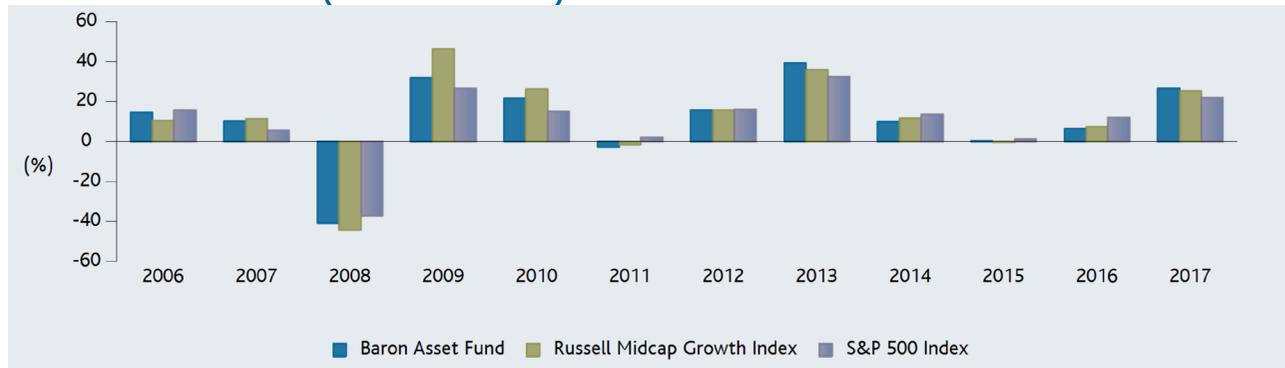
## Performance as of March 31, 2018



	Total Returns(%)				Annualized Returns(%)									
	1st Q 2018		Year to Date		1 Year		3 Years		5 Years		10 Years		Since Inception <sup>1</sup> 6/12/1987	
	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -
BARIX - Institutional Shares	4.68		4.68		20.19		10.93		13.58		10.10		11.59	
Russell Midcap Growth Index	2.17	2.51	2.17	2.51	19.74	0.45	9.17	1.76	13.31	0.27	10.61	-0.51	10.13	1.46
S&P 500 Index	-0.76	5.44	-0.76	5.44	13.99	6.20	10.78	0.15	13.31	0.27	9.49	0.61	9.73	1.86
Morningstar Mid-Cap Growth Category Average	2.15	2.53	2.15	2.53	18.34	1.85	8.28	2.65	11.94	1.64	9.39	0.71	N/A	

The blue shading represents Fund outperformance vs. the corresponding benchmark. The yellow shading represents underperformance.

## Historical Performance(Calendar Year %)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BARIX - Institutional Shares	14.64	10.13	-40.75	31.85	21.66	-2.68	15.63	39.25	9.77	0.20	6.51	26.49
Russell Midcap Growth Index	10.66	11.43	-44.32	46.29	26.38	-1.65	15.81	35.74	11.90	-0.20	7.33	25.27
S&P 500 Index	15.79	5.49	-37.00	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit [www.BaronFunds.com](http://www.BaronFunds.com) or call 1-800-99BARON. You should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. The prospectus and summary prospectus contain this and other information about the Fund and can be obtained from the Fund's distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting [www.BaronFunds.com](http://www.BaronFunds.com). Please read them carefully before investing.

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

1 - For this report, the Since Inception date for Russell Midcap Growth Index is 6/30/1987.



## Review and Outlook

U.S. equity indexes were mixed during the first quarter. The year commenced with rapid market gains, which reversed in late January as the prospect of faster inflation coupled with rising interest rates spooked investors. Volatility persisted throughout the remainder of the quarter, as various political developments, most notably the prospect of a "trade war," further unsettled the markets. Within this environment, growth stocks generally outperformed value stocks, and small- and mid-cap growth indexes outperformed large-cap indexes.

Baron Asset Fund increased in the quarter. Positive performance was led by holdings in Information Technology (IT), Health Care, and Industrials. No sector detracted during the period. Investments in the internet software & services and application software sub-industries drove gains in IT, led respectively by second largest contributor CoStar Group, Inc. and third largest contributor SS&C Technologies Holdings, Inc. CoStar was moved from IT to Industrials during the quarter. Zillow Group, Inc. was another contributor of note within internet software & services. Shares of this leading real estate website operator appreciated on strong earnings results and positive management guidance. Application software company Guidewire Software, Inc. also contributed as the company has emerged as the leader among core systems vendors. Health Care benefited from top contributor IDEXX Laboratories, Inc. Bio-Techne Corporation was another solid performer in the sector. Shares of the company, which makes high-quality purified proteins for biomedical researchers and clinical research laboratories, increased after it reported its best organic revenue growth in years. Industrials benefited from gains in 10 out of 13 investments, led by top five contributor Verisk Analytics, Inc. Shares of this leading data and analytics vendor increased on strong Q4 earnings results, which saw impressive growth in Insurance, improved results in Financial Services, and accelerating growth in Energy.

We remain optimistic about the environment for U.S. equities, despite the more volatile market conditions experienced thus far in 2018. The global economy continues to grow in concert across nearly all geographies, which bodes well for continued improvements in corporate earnings. Although interest rates have moved modestly higher, inflation remains tame. And we have seen several takeovers of mid-sized companies at attractive premiums, particularly in the IT and Health Care sectors.

We think that our portfolio of what we believe are well-managed, competitively advantaged, fast growing companies will continue to perform well in this environment, although we cannot guarantee that they will.

## Top Contributors/Detractors to Performance for the Quarter Ended March 31, 2018

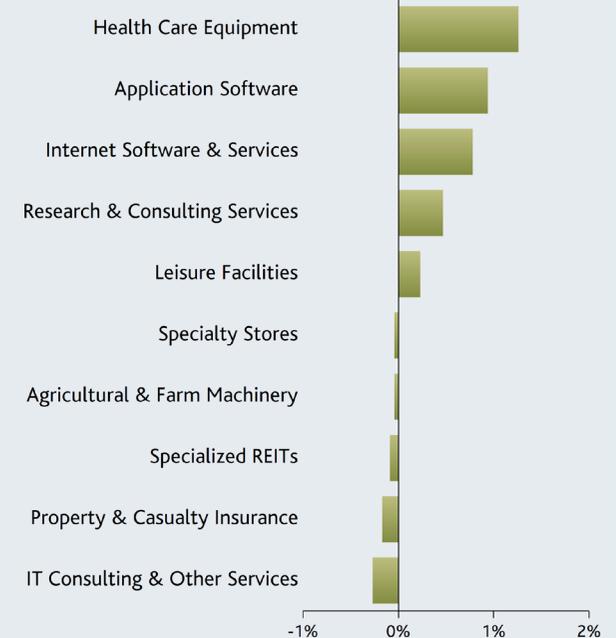
### Contributors

- Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance. Competitive trends are strong, highlighted by instrument installed base growth of 20%, domestic lab growth more than twice that of competitor VCA, improving sales productivity, and acceleration in rapid assays. We believe the launch of its SDMA test for kidney disease and fecal antigen testing at the point of care will boost organic revenue and earnings growth over time. Margins are moving significantly higher, and we believe they can approach 30% over the next several years.
- Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, contributed to performance. Business trends are excellent, with the company announcing that Q4 sales jumped approximately 50% year-over-year. We are excited about the upsell of Loopnet Premium Searcher customers to the flagship CoStar product, which we believe can contribute an incremental \$150 million to \$200 million of recurring revenue. We think CoStar has an even larger opportunity to optimize its Premium Lister product, and we expect the recent acquisition of ForRent to be meaningfully accretive.
- Shares of financial technology vendor **SS&C Technologies Holdings, Inc.** contributed to performance as the company announced the acquisition of DST Systems, a key player in long-only portfolio administration. SS&C has a strong M&A track record, and investors believe there will be meaningful synergies from the deal. SS&C reported solid Q4 earnings with a positive 2018 outlook. We believe the company will generate attractive revenue growth through market share gains, cross-sales of its expanded services portfolio, and new product introductions.

### Detractors

- Shares of **Mettler-Toledo International, Inc.** detracted from performance in Q1. Mettler is the world's largest provider of weighing instruments for use in laboratory, industrial and food retailing applications. Although the company reported strong Q4 results, Mettler faces difficult comparisons in 2018 after an exceptionally strong 2017, leading management to forecast more normalized growth in 2018. We continue to believe Mettler is an exceptionally well-managed business that can compound earnings at attractive rates.
- Shares of **Gartner, Inc.**, a provider of syndicated research, detracted from performance. The integration of CEB is proceeding ahead of schedule, and the company is choosing to increase investment to pursue this large opportunity. The decision will reduce margins in the near term, but we believe it will ultimately drive faster growth. Moreover, we believe key forward-looking metrics in Gartner's traditional research business are solid, with contract value growth and productivity both improving.
- Shares of **West Pharmaceutical Services, Inc.**, a designer and manufacturer of pharmaceutical packaging and delivery systems, detracted from performance in Q1. West reported a weak Q4 due to several temporary factors, including the decision to exit the Venezuela market and lost sales due to power outages at a plant in Puerto Rico impacted by recent hurricanes. We continue to believe West has a competitively advantaged business that can grow 6-8% per year on the top line and see growth in the mid-teens on the bottom line driven by volume, price and product mix shift.

## Contribution to Return<sup>1</sup> By Sub-Industry



## By Holdings

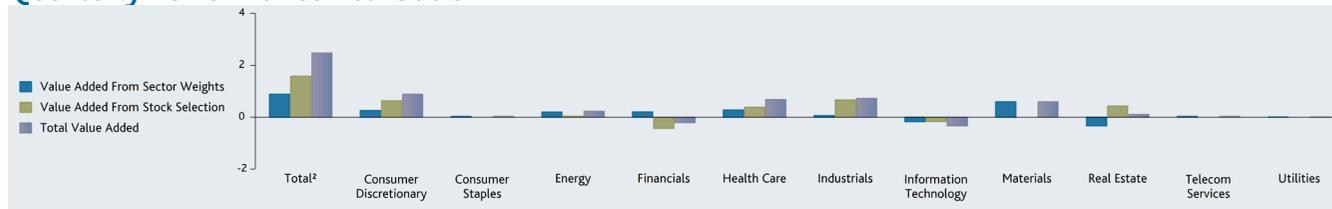
Top Contributors	Average Weight(%)	Contribution(%)
IDEXX Laboratories, Inc.	6.34	1.23
CoStar Group, Inc.	2.14	0.42
SS&C Technologies Holdings, Inc.	1.41	0.39
Zillow Group, Inc.	1.32	0.36
Verisk Analytics, Inc.	4.03	0.33

Top Detractors	Average Weight(%)	Contribution(%)
Mettler-Toledo International, Inc.	4.89	-0.36
Gartner, Inc.	6.02	-0.27
West Pharmaceutical Services, Inc.	1.78	-0.20
Arch Capital Group Ltd.	2.94	-0.17
Equinix, Inc.	1.85	-0.16

1 - Source: FactSet PA.

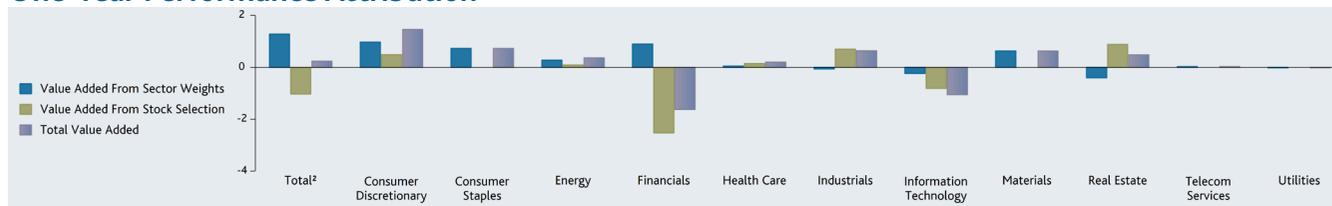


## Quarterly Performance Attribution<sup>1</sup>



Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities
Baron Asset Fund	12.35	-	0.36	15.67	22.59	16.62	23.96	-	7.16	-	-
Russell Midcap Growth Index	17.20	4.08	2.38	7.31	13.48	17.20	28.96	6.06	3.06	0.21	0.05
Over/Underweight	-4.85	-4.08	-2.02	8.36	9.11	-0.58	-5.00	-6.06	4.10	-0.21	-0.05
<b>Total Return(%)</b>											
Baron Asset Fund	3.56	-	0.07	1.91	7.25	5.14	6.93	-	1.55	-	-
Russell Midcap Growth Index	-2.19	2.20	-6.85	4.67	5.42	0.96	7.24	-7.37	-4.15	-7.17	7.32
Relative Return	5.75	-2.20	6.92	-2.76	1.84	4.17	-0.31	7.37	5.70	7.17	-7.32

## One-Year Performance Attribution<sup>1</sup>



Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities
Baron Asset Fund	12.74	-	0.39	16.34	22.37	15.55	23.34	-	7.72	-	-
Russell Midcap Growth Index	18.48	4.75	2.11	6.72	14.63	16.30	26.97	6.06	3.74	0.21	0.04
Over/Underweight	-5.74	-4.75	-1.72	9.62	7.74	-0.75	-3.63	-6.06	3.98	-0.21	-0.04
<b>Total Return(%)</b>											
Baron Asset Fund	12.49	-	14.94	14.19	21.81	23.11	31.54	-	23.78	-	-
Russell Midcap Growth Index	7.96	6.82	-6.33	31.74	21.40	18.09	35.06	8.12	10.76	3.82	76.20
Relative Return	4.53	-6.82	21.27	-17.55	0.42	5.02	-3.52	-8.12	13.02	-3.82	-76.20

Return calculations for the Portfolio are transaction based and are calculated from the underlying security-level data; they may not correspond with published performance information based on NAV per share.

1 - Attribution analysis for other periods or versus another index will be provided upon request. Source: FactSet PA.

2 - Fund total returns include cash, fees and unassigned securities.

When reviewing performance attribution on our portfolio, please be aware that we construct the portfolio from the bottom up, one stock at a time. Each stock is included in the portfolio if it meets our rigorous investment criteria. To help manage risk, we are aware of our sector and security weights, but we do not include a holding to achieve a target sector allocation or to approximate an index. Our exposure to any given sector is purely a result of our stock selection process.

## Quarterly Analysis

Baron Asset Fund increased 4.68% in the first quarter, outperforming the Russell Midcap Growth Index by 251 basis points due to both stock selection and relative sector weights.

Investments in Consumer Discretionary, Industrials, and Health Care and lack of or minimal exposure to the lagging Materials and Energy sectors added the most value. Favorable stock selection in Consumer Discretionary was mostly attributable to the outperformance of online hotel travel agency Booking Holdings, Inc. and ski resort operator Vail Resorts, Inc. Shares of Booking were up based on strong Q4 results and a robust outlook for revenue per available room and earnings growth in Q1. Vail's stock price increased as EBITDA growth surpassed Street expectations despite a tough ski season that saw the worst snowfall in decades at its resorts in Colorado, Utah, and Tahoe. The company also increased its dividend by 40% due to strong season pass sales, and demonstrated consistency in its earnings and free cash flow. Lack of exposure to homebuilders, general merchandising stores, and apparel retailers, which were down in the index, also lifted relative results. Strength in Industrials was mainly due to data and analytics vendor Verisk Analytics, Inc. and engineered industrial and technology solutions supplier IDEX Corporation. Verisk's shares rose on strong Q4 earnings results, which saw impressive growth in Insurance, improved results in Financial Services, and accelerating growth in Energy. IDEX's stock price was up after reporting outstanding Q4 results driven by broad-based strength across its industrial portfolio. Within Health Care, outperformance of IDEXX Laboratories, Inc. and Bio-Techne Corporation and meaningfully higher exposure to this better-performing sector added value. IDEXX was the largest contributor on an absolute basis. Shares of Bio-Techne, a leading developer and manufacturer of high-quality purified proteins, increased after reporting its best organic revenue growth in years.

Information Technology (IT) and Financials investments weighed the most on relative performance. Within IT, lack of exposure to outperforming systems software and semiconductor stocks detracted 47 basis points from relative results. Weakness in IT was also due to the underperformance of the Fund's largest position in the sector, syndicated research provider Gartner, Inc. The company was the second largest detractor from absolute results. Negative stock selection in Financials, owing largely to the underperformance of Arch Capital Group Ltd., was partly offset by higher exposure to this outperforming sector. Shares of specialty insurance and reinsurance company Arch lagged despite reporting solid Q4 results, highlighted by book value per share growth of 10%.



## Top 10 Holdings as of March 31, 2018

Company	Investment Premise	Company	Investment Premise
<b>IDEXX Laboratories, Inc. (IDXX)</b> is the leading provider of diagnostics to the veterinary industry.	IDEXX has continued to benefit from secular growth spending on pets, due to a growing human-animal bond, favorable demographics, increased use of diagnostics, and enhanced focus on preventative care. We think IDEXX has the best menu of diagnostics, which it has continuously improved by spending six times more on R&D annually than all its competitors combined. The company's products are sold via a razor/razorblade model, which creates high retention rates and incremental margins. IDEXX generates strong cash flow, which it has returned to shareholders via repurchases.	<b>The Charles Schwab Corp. (SCHW)</b> is a discount brokerage firm offering securities brokerage and other financial services to individual investors directly and through independent financial advisors.	Schwab's emphasis on earning customer trust has made it a sterling brand in financial services, in our view. Schwab's stability stands out, given the credit-related struggles of some of its traditional and discount-brokerage competitors. We believe the company's Investor Services division is well positioned to take share from traditional brokerages. Its institutional business has continued to gain RIA relationships. We expect organic growth to hold above 10% once interest rates normalize.
<b>Gartner, Inc. (IT)</b> is the leading independent provider of research and analysis on the information technology industry.	Gartner has a vast addressable market, which management estimates exceeds \$70 billion annually, implying a penetration rate of less than 3%. IT is rapidly changing and growing in strategic importance, leading users to turn to third-party providers for insight into trends. The low price of Gartner's research relative to its value has created strong renewal trends, with retention rates running above 100%. We think management can improve results with its recent acquisition of CEB, accelerating growth towards 15% over the next 3 years.	<b>Guidewire Software, Inc. (GWRE)</b> is a leading provider of core systems software to the global P&C insurance industry.	Guidewire is a small player in a vast addressable market and has been benefiting from the inevitable need for P&C insurers to upgrade 30-year-old systems. The company offers best-in-class functionality, as evidenced by its growing installed base and 100% retention rates, and we believe it has a significant amount of off-balance sheet revenue. We think the company's launch of data and digital applications meaningfully expand the total addressable market, and growing demand for cloud deployments could increase prices by two to three times.
<b>Vail Resorts, Inc. (MTN)</b> is the largest operator of ski resorts in the U.S. It owns 14 resorts, including Vail and three others in Colorado; two in Utah; three in Lake Tahoe, California; Whistler Blackstone in Canada; Perisher in Australia; and Stowe in Vermont.	Most of Vail's revenues come from its ski resorts. The company has been upgrading its properties to offer new and higher quality services and amenities and summer recreational activities, which we believe should help attract more visitors and allow it to raise ski ticket prices. Vail is also focused on increasing season-pass sales and has been acquiring resorts to enhance the attractiveness of its multi-resort season pass. The company generates strong free cash flow that it is using for increased dividends and debt reduction.	<b>ANSYS, Inc. (ANSS)</b> is the market leader in simulation-driven product development. Engineers use its simulation software to test the effects of real-world forces on a design without a physical model.	ANSYS's software allows engineers to test a broad range of designs, enabling lower development costs, reduced time to market, and optimized products. The company has high recurring revenue and customer retention rates in excess of 95%. It generates high margins due to the scalability of its software and significant levels of free cash flow, which it has reinvested in R&D and niche acquisitions. The company has also increased the pace of its share repurchases in light of what we believe is its vast long-term opportunity and attractive valuation.
<b>Mettler-Toledo International, Inc. (MTD)</b> is the world's largest provider of weighing instruments for use in laboratory, industrial, and food retailing applications.	Mettler has a track record of consistent growth. In our opinion, the company has strong brand recognition, customer diversification, pricing power, and margin expansion opportunities. We think the business has attractive financial characteristics, including high returns on capital, minimal capital requirements, and strong free cash flow generation. The company uses all of its free cash flow to repurchase its stock. We believe the management team is an excellent steward of capital and skilled at developing sales and marketing initiatives to enhance growth.	<b>Arch Capital Group Ltd. (ACGL)</b> is a specialty insurance and reinsurance company with operations in Bermuda, the U.S., Europe, and Canada.	Arch Capital is led by an experienced management team with a successful track record across insurance cycles. The company excels at underwriting specialized policies and can nimbly shift its business mix to target the most profitable lines. Arch has a compensation system that rewards long-term profitability rather than short-term premium growth. In our view, management has demonstrated strong underwriting discipline and capital stewardship, allowing Arch to maintain industry-leading returns on equity.
<b>Verisk Analytics, Inc. (VRSK)</b> provides information about risk to companies in the insurance, financial services, and energy industries. Verisk enables these businesses to better understand and manage their risks and optimize their decision-making processes.	We think Verisk has a unique competitive position. The company is investing to expand its product set in Insurance, Financials, and Energy, creating a path to sustained high single-digit organic growth. Verisk generates robust margins, which we believe can grow modestly over time with scale, excluding the impact of any future M&A. Verisk has been generating significant levels of free cash flow, which it has been using to repurchase stock and make acquisitions.	<b>FactSet Research Systems, Inc. (FDS)</b> provides financial information to the global investment community.	FactSet serves only a small part of the addressable market, which we estimate is roughly \$20 billion annually. The company has been taking market share and offering broader data sets and more advanced portfolio analytics than its competitors, and has a highly regarded customer service model. FactSet has also been expanding into fixed income markets. Its products are sticky, leading to retention rates of over 95% and high visibility. FactSet generates robust free cash flow, which it has aggressively returned to shareholders via share repurchases and dividends.



*We invest in people—not just buildings*

Long-Term Investors • Research Driven

[WWW.BARONFUNDS.COM](http://WWW.BARONFUNDS.COM)

[WWW.BARONCAPITALMANAGEMENT.COM](http://WWW.BARONCAPITALMANAGEMENT.COM)