

June 30, 2018  
Institutional Shares (BARIX)

# Baron Asset Fund Fact Sheet

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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.

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Not bank guaranteed, may lose value, not FDIC insured



# Baron Asset Fund

Institutional Shares (BARIIX)

June 30, 2018

## Portfolio Facts and Characteristics

	Fund	Russell Midcap Growth Index
# of Equity Securities / % of Net Assets	58 / 99.0%	-
Turnover (3 Year Average)	11.32%	-
Active Share (%)	85.8	-
Median Market Capt	\$12.24 billion	\$8.78 billion
Weighted Average Market Capt	\$17.88 billion	\$15.44 billion
EPS Growth (3-5 year forecast) <sup>†</sup>	14.9%	16.4%
Price/Earnings Ratio (trailing 12-month)*†	33.5	25.1
Price/Book Ratio*†	4.9	5.6
Price/Sales Ratio*†	4.8	2.4

\* 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>

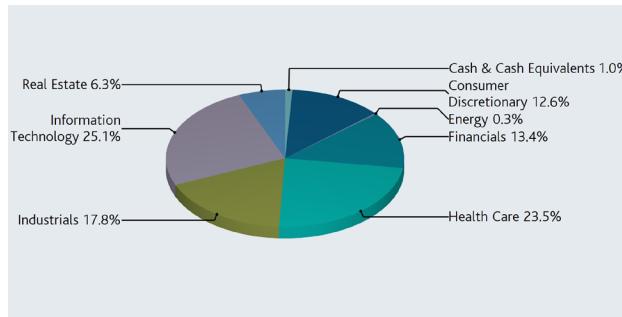
	3 Years	5 Years	10 Years
Std. Dev. (%) - Annualized	11.76	11.43	17.09
Sharpe Ratio	1.03	1.25	0.61
Alpha (%) - Annualized	1.83	1.37	0.86
Beta	1.01	0.99	0.94
R-Squared (%)	89.45	89.57	92.64
Tracking Error (%)	3.82	3.69	4.76
Information Ratio	0.53	0.36	0.05
Upside Capture (%)	104.15	103.86	98.52
Downside Capture (%)	89.90	96.57	96.56

## Top 10 Holdings

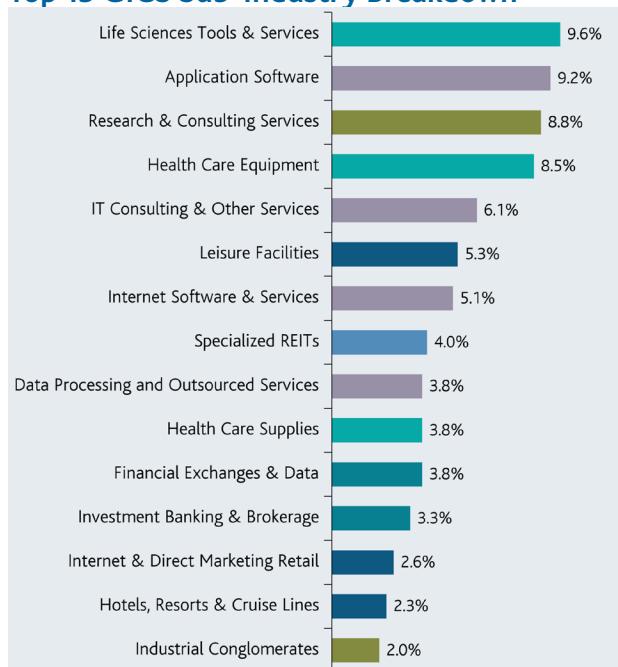
	% of Net Assets
IDEXX Laboratories, Inc.	7.0
Gartner, Inc.	6.1
Vail Resorts, Inc.	5.3
Mettler-Toledo International, Inc.	4.1
Verisk Analytics, Inc.	4.0
Guidewire Software, Inc.	3.4
The Charles Schwab Corp.	3.3
ANSYS, Inc.	2.9
Illumina, Inc.	2.7
Verisign, Inc.	2.6
<b>Total</b>	<b>41.4</b>

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.

## 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.

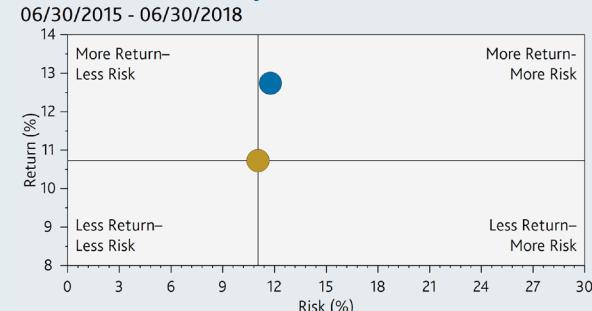
## Investment Principles

- 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	\$3.33 billion
Institutional Shares	
CUSIP	068278605
Expense Ratio <sup>3</sup>	1.04%

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



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.

3 - As of FYE 9/30/2017



# Baron Asset Fund

Institutional Shares (BARIX)

June 30, 2018

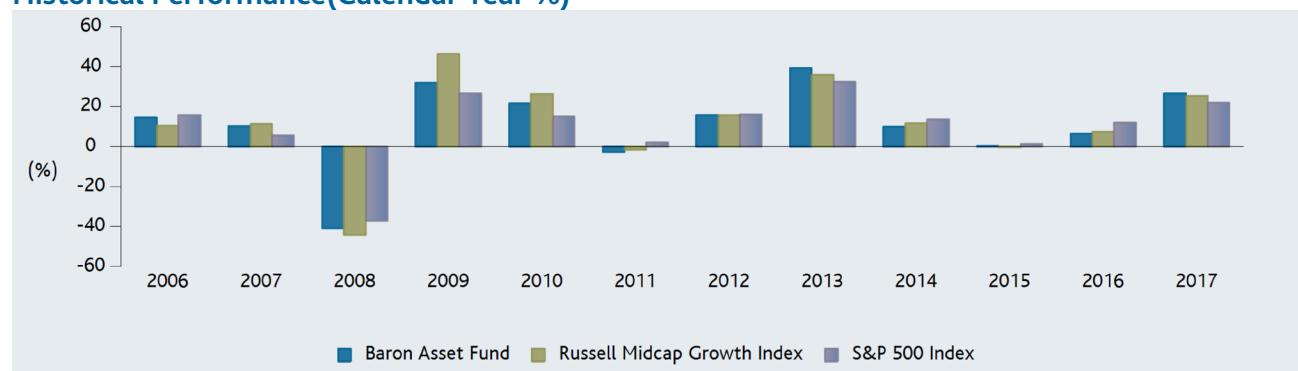
## Performance as of June 30, 2018



	Total Returns(%)				Annualized Returns(%)									
	2nd 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	5.76		10.71		18.01		12.74		14.69		10.70		11.69	
Russell Midcap Growth Index	3.16	2.60	5.40	5.31	18.52	-0.51	10.73	2.01	13.37	1.32	10.45	0.25	10.16	1.53
S&P 500 Index	3.43	2.33	2.65	8.06	14.37	3.64	11.93	0.81	13.42	1.27	10.17	0.53	9.76	1.93
Morningstar Mid-Cap Growth Category Average	4.16	1.60	6.39	4.32	18.06	-0.05	9.68	3.06	12.31	2.38	9.45	1.25	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 rose during the quarter, as investors became more comfortable with the outlook for continued strong corporate profit growth, inflation remained tame, and the prospect of a large, near-term increase in interest rates seemed more remote. This positive economic sentiment overshadowed the market's concerns about ongoing trade-related tensions. Within the mid cap growth universe, stocks with the fastest expected near-term earnings growth and lowest leverage ratios did best, and those with the highest beta did worst. In addition, stocks with high quality rankings outperformed stocks with low quality rankings.

Against this backdrop, Baron Asset Fund performed well, gaining 5.76% during the quarter. Investments in Information Technology (IT), Health Care, and Consumer Discretionary contributed the most in the quarter. IT had a strong quarter, with gains in 12 out of 15 investments, led by third largest contributor Gartner, Inc. Second largest contributor IDEXX Laboratories, Inc. was the primary driver of positive performance of the Health Care sector. Illumina, Inc., the leading provider of next generation DNA sequencing instruments, added notably to sector performance as well, after its stock rose on strong financial results, by growth of sequencing consumables. Strength in Consumer Discretionary was propelled in large part by top contributor Vail Resorts, Inc. Financials holdings detracted the most. With top detractor Arch Capital Group Ltd. and third largest detractor MarketAxess Holdings Inc. within Financials, the sector had a challenging quarter. Real Estate and Energy holdings were modest detractors as well.

We remain optimistic about the environment for U.S. equities. The U.S. economy continues to grow, which bodes well for continued strength in corporate earnings. U.S. unemployment is low, inflation remains manageable, and most leading economic indicators remain positive. In addition, long-term interest rates declined from the levels they reached earlier in the quarter. We believe that our portfolio of 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 June 30, 2018

### Contributors

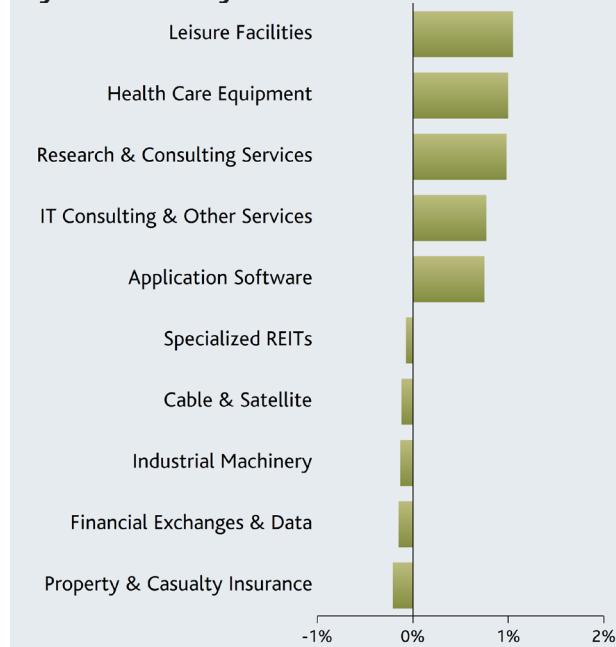
- Shares of **Vail Resorts, Inc.**, a global ski resort operator, climbed in the quarter on a strong end to the ski season. Management reported an increase in next year season pass sales of almost 20% despite increased competition. The company also struck agreements to acquire four additional resorts that we think should help boost sales in the East Coast and Northern Pacific markets. Vail continues to maintain a strong balance sheet and generates significant cash flow that will allow it to make additional acquisitions, invest in its resorts, and return capital to shareholders.
- Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance. Competitive trends are strong and improving, highlighted by instrument installed base growth of 25%, domestic lab growth more than twice that of competitor VCA, and improving sales productivity. We believe new proprietary innovations, including SDMA tests at the point of care and a fecal antigen rapid assay test, should be meaningful contributors to growth. Margins are moving significantly higher, and we believe they can approach 30% over the next several years.
- Shares of **Gartner, Inc.**, a provider of syndicated research, contributed to performance this quarter. The integration of CEB is proceeding ahead of schedule, and Gartner increased its investment to pursue this large opportunity. We expect this acquisition to drive faster revenue growth over the medium term. Q1 results indicate early traction, with both productivity and retention rates improving on the heritage CEB business. We believe key forward-looking metrics in Gartner's traditional IT research business are solid, with contract value growing at an attractive mid-teens rate.

### Detractors

- Arch Capital Group Ltd.** is a specialty insurance company based in Bermuda. This quarter, the company reported solid quarterly results that exceeded Street expectations. However, the stock declined after a mortgage insurance competitor cut premium rates, leading to concerns about industry pricing pressure. Pricing trends also remain soft in the non-mortgage P&C insurance and reinsurance segments. We continue to own the stock due to Arch's strong management team and underwriting discipline.
- GCI Liberty, Inc.** is a holding company with substantial stakes in Charter Communications and General Communications. Shares declined in the quarter after Charter, which represents over 60% of GCI Liberty's gross asset value, reported video and broadband subscriber growth that missed analyst expectations. We decided to exit our position.
- MarketAxess Holdings Inc.** operates the leading electronic platform for trading corporate and sovereign bonds. The company reported strong Q1 results, with daily trading volume up 20% (faster than market growth of 1%). Q2 growth remained strong, with daily trading volume up 15% while market volumes fell 2%. However, shares declined due to concerns about potential competition from ICE and Tradeweb. We continue to own the stock because we expect MarketAxess to be a prime beneficiary of the secular shift to electronic trading in the corporate bond market.

## Contribution to Return<sup>1</sup>

### By Sub-Industry



## By Holdings

Top Contributors	Average Weight(%)	Contribution(%)
Vail Resorts, Inc.	4.81	1.05
IDEXX Laboratories, Inc.	6.76	0.92
Gartner, Inc.	6.02	0.77
TransUnion	2.23	0.52
Illumina, Inc.	2.58	0.45

Top Detractors	Average Weight(%)	Contribution(%)
Arch Capital Group Ltd.	2.20	-0.21
GCI Liberty, Inc.	0.28	-0.16
MarketAxess Holdings Inc.	1.48	-0.14
SBA Communications Corp.	2.29	-0.11
IDEX Corporation	1.83	-0.07

1 - Source: FactSet PA.

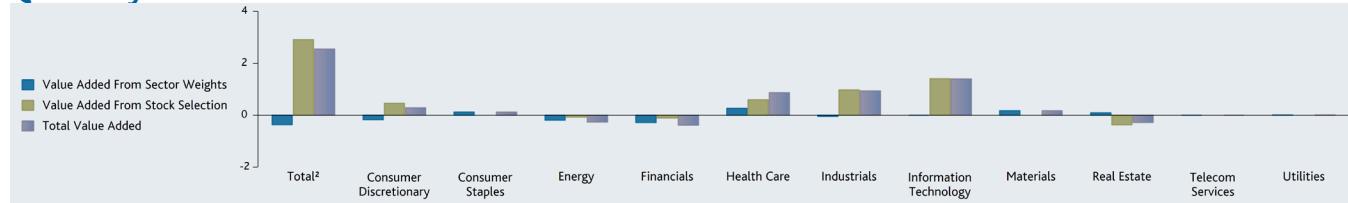


# Baron Asset Fund

Institutional Shares (BARIX)

June 30, 2018

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



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

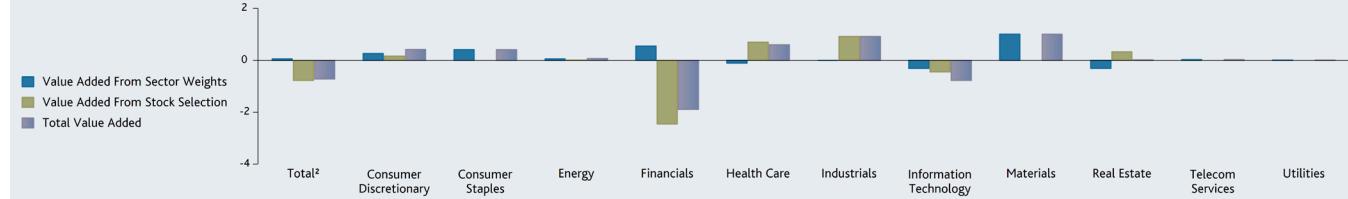
Baron Asset Fund increased 5.76% in the second quarter, outperforming the Russell Midcap Growth Index by 260 basis points due to stock selection.

Information Technology (IT), Industrials, Health Care, and Consumer Discretionary contributed the most to relative performance. Stock selection in IT added over 140 basis points to relative results, driven by Gartner, Inc. and internet domains registrar Verisign, Inc. Gartner was third largest contributor to absolute performance while Verisign's stock price was up on solid results and guidance for Q1. In addition, lack of exposure to semiconductor equipment stocks, which were down 12.3% in the index, and outperformance of P&C insurance software vendor Guidewire Software, Inc., simulation software vendor ANSYS, Inc., and website developer and platform services provider Wix.com Ltd. lifted relative results. Strength in Industrials was mostly attributable to TransUnion, a consumer credit reporting agency, and CoStar Group, Inc., a real estate information and marketing services company. TransUnion's shares rose after delivering strong Q1 financial results and raising guidance for 2018, as well as announcing an agreement to acquire U.K. credit bureau Callcredit. CoStar's stock price appreciated as business trends remained excellent, with the company announcing that Q1 bookings jumped approximately 54% year-over-year. Within Health Care, outperformance of IDEXX Laboratories, Inc. and DNA sequencing platform Illumina, Inc. aided relative results. IDEXX was the second largest contributor to absolute results, while Illumina's stock price climbed after its financial results beat market expectations, driven by strong growth of sequencing consumables. Most of the Health Care exposure is concentrated in life sciences tools & services, health care equipment, and health care supplies, and its higher exposure to these strong-performing sub-industries added value. Consumer Discretionary holdings outperformed after increasing double-digits, led by Vail Resorts, Inc., the largest contributor on an absolute basis, and luxury jewelry and specialty retailer Tiffany & Co. Tiffany's shares rose sharply after delivering impressive Q1 financials results, driven by better sales and strong comp growth coupled with meaningful operating margin expansion.

Financials and Real Estate detracted the most from relative performance. Within Financials, higher exposure to this lagging sector, which declined 1.0% in the index, and underperformance of Arch Capital Group Ltd. and MarketAxess Holdings Inc. hampered relative results. Arch and MarketAxess were two of the largest detractors from absolute performance. Weakness in Real Estate came mainly from tower operator SBA Communications Corp., whose shares were under pressure due to macroeconomic issues in Brazil, a key growth market for the company. Ongoing uncertainty around a merger between two of SBA's largest tenants, T-Mobile and Sprint, also weighed on the stock.

Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities
Baron Asset Fund	11.97	-	0.33	14.32	23.16	18.30	24.38	-	6.34	-	-
Russell Midcap Growth Index	17.20	3.89	2.39	7.41	13.48	17.23	29.49	5.63	3.01	0.21	0.05
Over/Underweight	-5.24	-3.89	-2.06	6.91	9.67	1.07	-5.11	-5.63	3.34	-0.21	-0.05
<b>Total Return(%)</b>											
Baron Asset Fund	11.32	-	-7.97	-1.77	8.33	4.32	9.56	-	0.09	-	-
Russell Midcap Growth Index	7.04	1.33	14.34	-0.99	5.74	-0.97	3.39	0.24	5.54	6.79	1.70
Relative Return	4.28	-1.33	-22.31	-0.77	2.59	5.29	6.17	-0.24	-5.45	-6.79	-1.70

## 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	12.48	-	0.35	15.76	22.50	16.30	23.77	-	7.35	-	-
Russell Midcap Growth Index	17.24	4.10	2.39	7.21	13.98	16.96	28.51	6.16	3.19	0.21	0.05
Over/Underweight	-4.76	-4.10	-2.04	8.55	8.52	-0.67	-4.74	-6.16	4.15	-0.21	-0.05
<b>Total Return(%)</b>											
Baron Asset Fund	19.54	-	11.71	7.63	18.75	22.02	27.82	-	15.56	-	-
Russell Midcap Growth Index	16.19	11.11	18.72	23.31	15.82	16.19	28.66	1.85	11.95	18.05	80.97
Relative Return	3.35	-11.11	-7.01	-15.68	2.93	5.83	-0.84	-1.85	3.60	-18.05	-80.97

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.



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## Top 10 Holdings as of June 30, 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>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>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>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>Vail Resorts, Inc. (MTN)</b> is the largest operator of ski resorts in the U.S. It owns 14 resorts across Colorado, Utah, Lake Tahoe, Whistler Blackstone in Canada, Perisher in Australia and Stowe in Vermont. It is also closing on 4 other ski resorts in Vermont, New Hampshire, Colorado, and Washington.	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>Illumina, Inc. (ILMN)</b> is the recognized leader in next-generation DNA sequencing platforms.	Illumina has a dominant position in DNA sequencing technology, which is increasingly being used for patient care, such as in the diagnosis and treatment of cancer and in reproductive health. We believe the company has a large addressable market and is in the early stages of its growth. Illumina's R&D spend as a percentage of sales is significantly higher than that of its peers, which allows the company to continue to innovate. The company has an attractive razor/razorblade business model with strong recurring revenue and profit margins that we believe have room to expand.
<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>Verisign, Inc. (VRSN)</b> provides internet infrastructure services worldwide. It offers registry services that operate the authoritative directory of .com, .net, .cc, .tv, and .name domain names, as well as the back-end systems for various .gov, .jobs, and .edu domain names.	Verisign is a defensive business with high barriers to entry resulting from its contract with Internet Corporation for Assigned Names and Numbers, where it provides registry for .com domains globally. We believe the company should benefit from global expansion of .com and additional domain names, in addition to substantial return of capital through buybacks due to the company's significant free cash flow generation capability over the next several years.





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