

March 31, 2018

Institutional Shares (BGRIX)

# Baron Growth Fund Fact Sheet

BAMCO, Inc., Registered Investment Adviser



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

Definitions (provided by BAMCO, Inc.): The indexes are unmanaged. The **Russell 2000® Growth Index** measures the performance of small-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 Fund Small Growth Category Average** using its Fractional Weighting methodology. Morningstar moved Baron Growth Fund from the **Small Growth Category** effective 5/31/2011 to the **Mid-Cap Growth Category**. The Fund's investment mandate has been, and continues to be, to invest in small-cap growth stocks for the long term. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment. Morningstar calculates the **Morningstar US Mid-Cap Growth Category Average** using its Fractional Weighting methodology. © 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.



## Portfolio Facts and Characteristics

	Fund	Russell 2000 Growth Index
# of Equity Securities / % of Net Assets	59/99.7%	-
Turnover (3 Year Average)	4.45%	-
Active Share (%)	94.8	0
Median Market Cap†	\$4.02 billion	\$1.04 billion
Weighted Average Market Cap†	\$7.62 billion	\$2.99 billion
EPS Growth (3-5 year forecast)†	14.0%	14.9%
Price/Earnings Ratio (trailing 12-month)*†	23.7	21.4
Price/Book Ratio*†	3.7	3.7
Price/Sales Ratio*†	3.1	1.5

\* 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	Since Inception
Std. Dev. (%) - Annualized	11.32	11.16	16.74	17.02
Sharpe Ratio	0.69	0.98	0.58	0.63
Alpha (%) - Annualized	2.24	2.29	1.12	7.06
Beta	0.68	0.68	0.79	0.68
R-Squared (%)	75.39	78.25	89.99	78.57
Tracking Error (%)	7.29	6.92	6.75	10.69
Information Ratio	-0.06	-0.24	-0.14	0.47
Upside Capture (%)	76.73	76.48	79.32	82.08
Downside Capture (%)	67.38	67.91	74.55	60.94

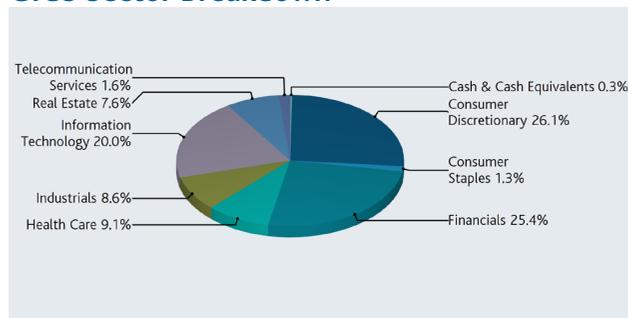
## Top 10 Holdings

## % of Net Assets

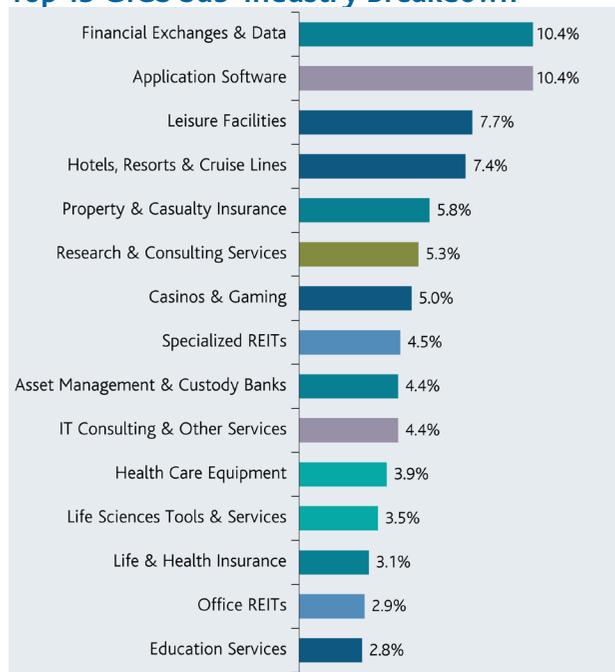
Vail Resorts, Inc.	7.7
CoStar Group, Inc.	5.3
Arch Capital Group Ltd.	5.0
MSCI, Inc.	4.5
Gartner, Inc.	4.4
FactSet Research Systems, Inc.	4.1
Choice Hotels International, Inc.	3.9
IDEXX Laboratories, Inc.	3.9
ANSYS, Inc.	3.9
SS&C Technologies Holdings, Inc.	3.6
<b>Total</b>	<b>46.3</b>

Specific risks associated with investing in smaller companies include that the securities may be thinly traded and 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 in small-sized U.S. companies with significant growth potential. Diversified.

## Portfolio Manager

Ron Baron founded Baron Capital in 1982 and has 48 years of research experience. From 1970 to 1982, Ron worked for several brokerage firms as an institutional securities analyst. From 1966 to 1969, Ron worked at the U.S. Patent Office as a patent examiner, while attending George Washington University Law School. From 1965 to 1966, Ron worked at Georgetown University as a teaching fellow in biochemistry. Ron graduated from Bucknell University with a B.A. in Chemistry in 1965. Neal Rosenberg is the Assistant Portfolio Manager of this Fund.

## Investment Principles

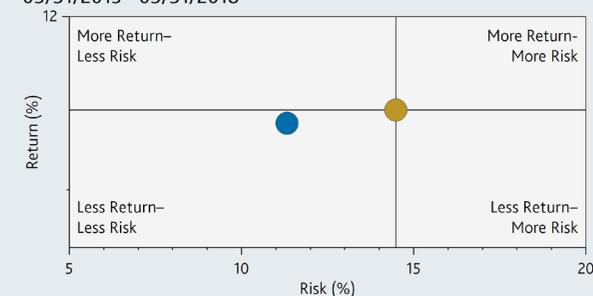
- Long-term perspective allows us to think like an owner of a business
- Independent and exhaustive research is essential to understanding the long-term fundamental growth prospects of a business
- We seek appropriately capitalized open-ended growth opportunities, exceptional leadership, and sustainable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

## Fund Facts

Inception Date	December 31, 1994
Net Assets	\$6.14 billion
<b>Institutional Shares</b>	
CUSIP	068278704
Expense Ratio (as of FYE 09/17)	1.04%

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

03/31/2015 - 03/31/2018



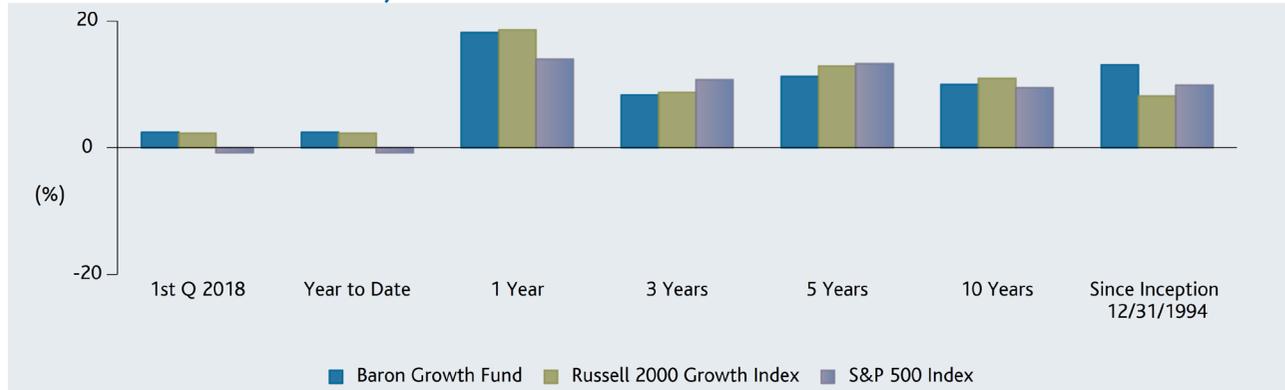
- Baron Growth Fund - I
- Russell 2000 Growth Index



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.

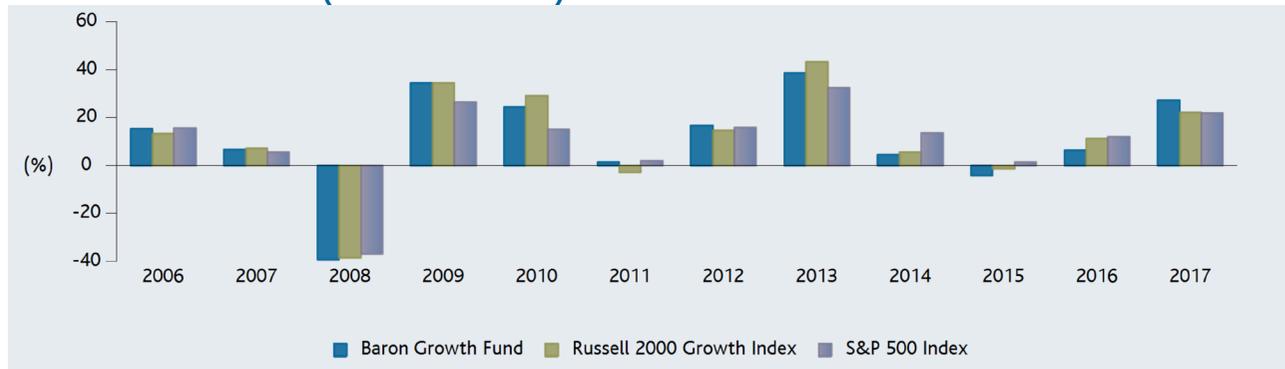
## Performance as of March 31, 2018



	Total Returns(%)				Annualized Returns(%)									
	1st Q 2018		Year to Date		1 Year		3 Years		5 Years		10 Years		Since Inception 12/31/1994	
	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -
BGRIX - Institutional Shares	2.47		2.47		18.20		8.31		11.24		10.01		13.13	
Russell 2000 Growth Index	2.30	0.17	2.30	0.17	18.63	-0.43	8.77	-0.46	12.90	-1.66	10.95	-0.94	8.16	4.97
S&P 500 Index	-0.76	3.23	-0.76	3.23	13.99	4.21	10.78	-2.47	13.31	-2.07	9.49	0.52	9.90	3.23
Morningstar Mid-Cap Growth Category Average	2.15	0.32	2.15	0.32	18.34	-0.14	8.28	0.03	11.94	-0.70	9.39	0.62	N/A	
Morningstar Small Growth Category Average	2.28	0.19	2.28	0.19	18.07	0.13	8.77	-0.46	11.88	-0.64	10.28	-0.27	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
BGRIX - Institutional Shares	15.50	6.59	-39.18	34.44	24.32	1.51	16.74	38.69	4.66	-4.06	6.31	27.35
Russell 2000 Growth Index	13.35	7.05	-38.54	34.47	29.09	-2.91	14.59	43.30	5.60	-1.38	11.32	22.17
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. Morningstar moved Baron Growth Fund from the **Small Growth Category** effective 5/31/2011 to the **Mid-Cap Growth Category**. The Fund's investment mandate has been, and continues to be, to invest in small-cap growth stocks for the long term. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment. As a result, we provide comparative performance data for the Morningstar Mid-Cap Growth Category and the Baron-Adjusted Morningstar Small Growth Category, created to include Baron Growth Fund's Retail, Institutional, and R6 shares.



## Review and Outlook

After an exceptionally strong 2017, volatility returned in late January on concerns that inflation was rising more quickly than investors had expected, potentially resulting in faster interest rate increases. Later in the quarter, the threat of a U.S.-China trade war again caused market unrest. Against this backdrop, growth stocks generally outperformed value stocks, and small- and mid-cap growth stocks outperformed their large-cap counterparts.

Baron Growth Fund appreciated in the quarter. Holdings in Information Technology (IT), Health Care, and Financials contributed the most to performance. Real estate information provider CoStar Group, Inc., the largest contributor, and financial industry software company SS&C Technologies Holdings, Inc. drove performance in IT. Gains in Health Care were led by veterinary diagnostics provider IDEXX Laboratories, Inc., which benefited from strong growth and improving sales productivity. Financials contributed due to robust returns posted by MSCI, Inc., a provider of decision tools to investment institutions, and Financial Engines, Inc., a provider of asset allocation services to 401(k) plan participants.

Investments in Real Estate detracted from performance, largely due to industry-wide concerns over rising interest rates. Gaming and Leisure Properties, Inc. and Douglas Emmett, Inc. led weak performance in the sector. Shares of Gaming and Leisure Properties, which holds the real property interests of Penn National Gaming and Pinnacle Entertainment, fell as some investors began doubting its ability to complete acquisitions and grow dividends. However, we believe the stock's current price will enable buyouts accretive to free cash flow and dividends, and we retain conviction. Shares of Douglas Emmett, a REIT that owns properties in California and Hawaii, declined over rate hike concerns we consider transitory. The Telecommunication Services and Consumer Staples sectors also detracted moderately in the quarter, driven by share price drops in communications services provider Iridium Communications, Inc., and foodservice distributor Performance Food Group Company, respectively.

We remain optimistic about the environment for U.S. equities, despite the more volatile market conditions experienced thus far in 2018. Although interest rates have moved modestly higher, inflation remains tame. Analysts are hiking earnings forecasts for 2018 on the expectation that the federal corporate tax cuts enacted in December will positively impact the bottom line of many companies. The global economy continues to grow in concert across nearly all geographies, which bodes well for continued improvements in corporate earnings.

As always, we remain focused on the long term. We invest only in growth businesses that we think can double in value about every five or six years. This compares to the stock market and economy which have doubled in value about every 11 years since 1960. We remain optimistic that our research-driven approach to investing in companies with competitive advantages, experienced management, and strong, long-term growth prospects will lead to continued outperformance, although there are no guarantees.

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

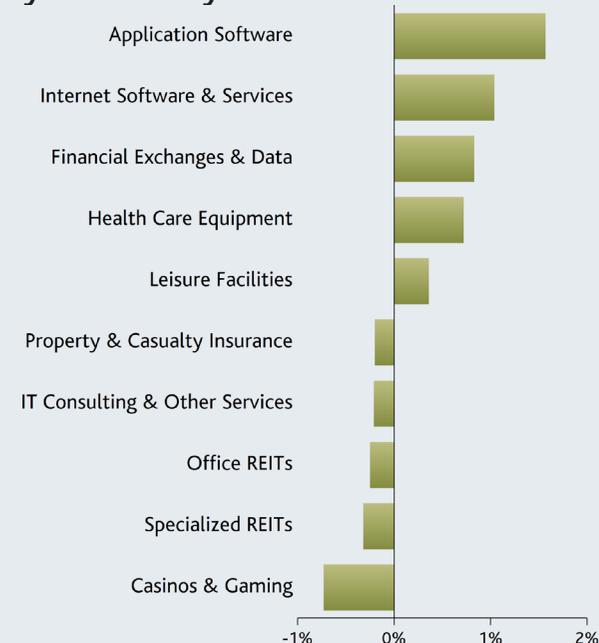
### Contributors

- 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.
- 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.

### Detractors

- Shares of regional casino operator **Penn National Gaming, Inc.** fell on investor concerns about snowstorms and flooding across the U.S. that could potentially impact Penn's business. Although the weather-related events could hurt Penn's Q1 performance, we believe it is a one-off event and consumer visits and spending remain strong. The acquisition of Pinnacle Entertainment remains on track to close in the second half of 2018, and once completed, should be significantly accretive for shareholders, in our view.
- **Arch Capital Group Ltd.** is a specialty insurance and reinsurance company based in Bermuda. The company reported 10% growth in book value per share during the most recent quarter, but the stock declined as industry pricing trends remained challenging. Additionally, Freddie Mac introduced a new pilot program for distributing mortgage insurance, sparking concerns about greater competition. We continue to own the stock due to Arch's strong management team and underwriting discipline.
- Shares of **Gaming and Leisure Properties, Inc.**, a gaming-related REIT, decreased in Q1 after investors pulled out of REITs in anticipation of interest rate hikes. Amid a high-valuation environment, investors seemed bearish on the company's ability to complete additional accretive acquisitions and grow dividends. We retain conviction. The company has a \$700 million credit facility at 2% interest, and its stock trades at 12.5x forward EBITDA, which should allow buyouts to be accretive to free cash flow and dividends, in our view.

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



## By Holdings

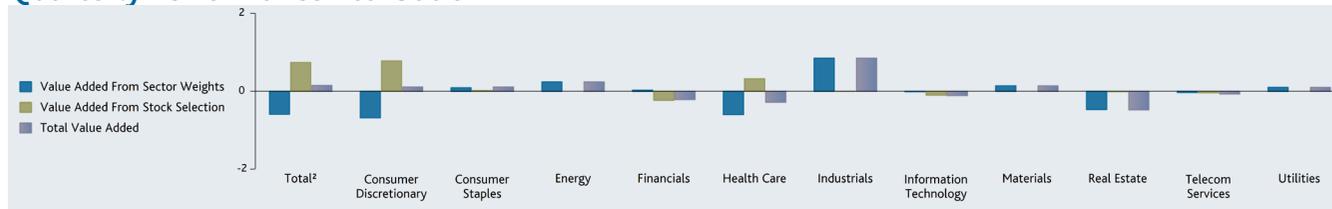
Top Contributors	Average Weight(%)	Contribution(%)
CoStar Group, Inc.	5.02	0.97
SS&C Technologies Holdings, Inc.	3.27	0.90
IDEXX Laboratories, Inc.	3.76	0.72
MSCI, Inc.	4.23	0.68
Vail Resorts, Inc.	7.53	0.36

Top Detractors	Average Weight(%)	Contribution(%)
Penn National Gaming, Inc.	1.92	-0.35
Arch Capital Group Ltd.	5.13	-0.30
Gaming and Leisure Properties, Inc.	2.99	-0.27
Douglas Emmett, Inc.	2.25	-0.24
Red Rock Resorts, Inc.	1.65	-0.23

1 - Source: FactSet PA.

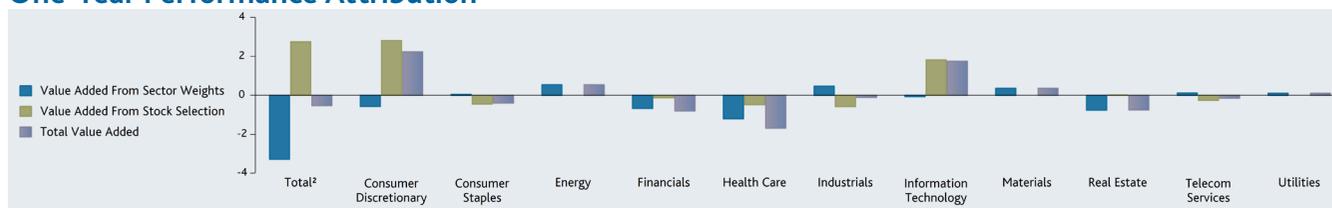


## Quarterly Performance Attribution<sup>1</sup>



Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities
Baron Growth Fund	26.38	1.31	-	25.36	8.94	5.56	23.07	-	7.64	1.71	-
Russell 2000 Growth Index	13.54	2.49	1.28	6.15	24.69	17.94	24.70	4.52	3.10	0.91	0.67
Over/Underweight	12.83	-1.18	-1.28	19.21	-15.75	-12.38	-1.63	-4.52	4.54	0.80	-0.67
<b>Total Return(%)</b>											
Baron Growth Fund	0.00	-3.75	-	1.54	10.39	-6.86	10.18	-	-7.36	-4.52	-
Russell 2000 Growth Index	-3.14	-4.25	-15.46	2.34	6.40	-3.54	10.19	-0.70	-7.32	-2.01	-9.89
Relative Return	3.14	0.50	15.46	-0.80	3.98	-3.31	-0.01	0.70	-0.04	-2.51	9.89

## 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 Growth Fund	25.35	2.14	-	23.80	8.92	5.41	22.75	-	8.12	1.61	-
Russell 2000 Growth Index	13.99	2.68	1.18	5.95	23.61	17.35	24.84	4.77	3.87	1.00	0.75
Over/Underweight	11.36	-0.54	-1.18	17.85	-14.70	-11.94	-2.09	-4.77	4.25	0.60	-0.75
<b>Total Return(%)</b>											
Baron Growth Fund	24.56	-13.27	-	14.21	22.70	0.60	35.26	-	3.23	16.69	-
Russell 2000 Growth Index	12.48	4.21	-23.99	14.35	28.74	14.05	24.47	10.72	2.42	34.82	3.49
Relative Return	12.08	-17.48	23.99	-0.14	-6.03	-13.45	10.78	-10.72	0.81	-18.12	-3.49

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 Growth Fund performed roughly in line with the Russell 2000 Growth Index in the first quarter as positive stock selection was offset by the negative effect of relative sector weights.

Stock selection in Consumer Discretionary and lack of or lower exposure to the lagging Industrials, Energy, Materials, Consumer Staples, and Utilities sectors added the most value. Favorable stock selection in Consumer Discretionary, owing largely to Vail Resorts, Inc. and Bright Horizons Family Solutions, Inc., was somewhat offset by the significantly higher exposure to this lagging sector. Shares of ski resort operator Vail increased on EBITDA growth that 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. Shares of corporate-sponsored child care provider Bright Horizons rose on revenue growth and margin expansion forecasts for 2018 that represented a return to the company's longer-term growth model. Strength in the sector was also attributable to the outperformance of athletic apparel retailer Under Armour, Inc., sporting goods retailer Dick's Sporting Goods, Inc., and hotel franchiser Choice Hotels International, Inc.

Higher exposure to Real Estate, which was pressured by sharp declines among REITs in a rising interest rate environment, and significantly lower exposure to the better-performing Health Care sector diminished relative results the most. Within Health Care, lack of exposure to pharmaceutical stocks detracted 37 basis points from relative results and overshadowed positive stock selection in the sector related to double-digit gains from sizeable positions in IDEXX Laboratories, Inc. and Bio-Techne Corporation.

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.



## Top 10 Holdings as of March 31, 2018

Company	Investment Premise	Company	Investment Premise
<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>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.
<b>CoStar Group, Inc. (CSGP)</b> is the leading provider of information and marketing services to the commercial real estate industry.	CoStar has built a proprietary database through primary and data collection research over a 20-year period, creating high barriers to entry. The conversion of legacy Loopnet search customers to CoStar suite customers should add \$200mm+ of recurring revenue with almost no cost, and the conversion of Loopnet listing customers can be even more material. CoStar has expanded into the apartment space via several acquisitions, and we think it can grow its apartment marketing offerings at 20% sustainable with few incremental costs.	<b>Choice Hotels International, Inc. (CHH)</b> is one of the largest hotel franchisers in the world, with 6,627 hotels and an additional 923 properties under development. Its franchise contracts are typically long term, many as long as 20 years. Brands include Quality Inn, Comfort Inn, Comfort Suites, and Sleep Inn.	Choice has a strong franchising business with recurring revenue. It has demonstrated consistent profitability across up and down cycles, either through increased rates and occupancy, new unit growth or increased royalty rates. The company has a strong pipeline of new hotel franchises and is looking to expand the number of upscale brands in its portfolio, through acquisitions and new brand creations such as the Ascend and Cambria brands. It is also selling its systems to third-party hotels, which we think will generate significant income over time.
<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>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>MSCI, Inc. (MSCI)</b> provides investment decision support tools to global investment institutions.	We believe MSCI, the de-facto standard for measuring global market performance, is well positioned to benefit from the continuing development of emerging markets, passive investing, and the growth of global financial assets. We believe the company's indexes remain the global standard for cross-border investing, and will continue to be selected by institutions when issuing new mandates. Both the index and multi-asset portfolio and risk analytics products are mission critical and deeply embedded in a client's workflow.	<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>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>SS&amp;C Technologies Holdings, Inc. (SSNC)</b> is a leading provider of mission-critical software products and services for the financial services industry. SS&C offers tools and services for portfolio management and accounting, financial modeling, trading, treasury, and fund administration.	We believe SS&C is less than 1% penetrated in its \$200 billion total addressable market. The company has emerged as the largest independent alternative fund administrator. Its scale, focus, and technological advantage should allow it to take share from smaller, less sophisticated competitors, driving mid-single annual growth. The recent acquisition of DST extends SS&C into long only administration. We think SS&C will be able to boost DST's margins from the low 20% into the low 30% range, driving meaningful earnings and cash flow growth.



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