

June 30, 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.

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 2000 Growth Index
# of Equity Securities / % of Net Assets	59 / 98.3%	-
Turnover (3 Year Average)	3.77%	-
Active Share (%)	95.5	-
Median Market Cap†	\$4.14 billion	\$1.01 billion
Weighted Average Market Cap†	\$8.39 billion	\$2.44 billion
EPS Growth (3-5 year forecast)†	14.4%	17.1%
Price/Earnings Ratio (trailing 12-month)*†	24.4	23.4
Price/Book Ratio*†	3.9	4.0
Price/Sales Ratio*†	3.4	1.7

* 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 Characteristics²

	3 Years	5 Years	10 Years	Since Inception
Std. Dev. (%) - Annualized	11.45	11.30	16.46	16.95
Sharpe Ratio	0.95	1.08	0.63	0.65
Alpha (%) - Annualized	4.03	2.92	1.62	7.12
Beta	0.69	0.69	0.79	0.68
R-Squared (%)	76.26	78.87	90.29	78.60
Tracking Error (%)	7.21	6.83	6.67	10.64
Information Ratio	0.13	-0.16	-0.08	0.47
Upside Capture (%)	83.29	79.64	79.72	82.33
Downside Capture (%)	66.13	68.99	73.01	60.94

Top 10 Holdings

% of Net Assets

Vail Resorts, Inc.	8.8
CoStar Group, Inc.	5.5
MSCI, Inc.	4.6
Gartner, Inc.	4.6
Arch Capital Group Ltd.	4.3
IDEXX Laboratories, Inc.	4.0
ANSYS, Inc.	4.0
FactSet Research Systems, Inc.	3.8
Choice Hotels International, Inc.	3.5
SS&C Technologies Holdings, Inc.	3.1
Total	46.2

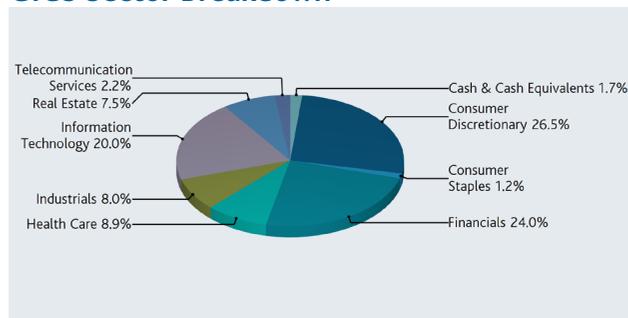
Specific risks associated with investing in smaller companies include that the securities may be thinly traded and more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns.

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.

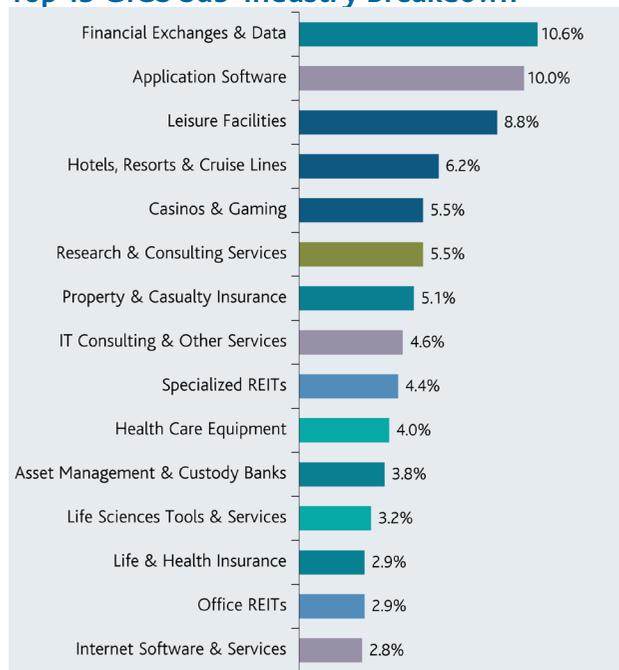
2 - Source: FactSet SPAR. Except for Standard Deviation and Sharpe Ratio, the performance based characteristics above were calculated relative to the Fund's benchmark.

3 - As of FYE 9/30/2017

GICS Sector Breakdown¹



Top 15 GICS Sub-Industry Breakdown¹



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

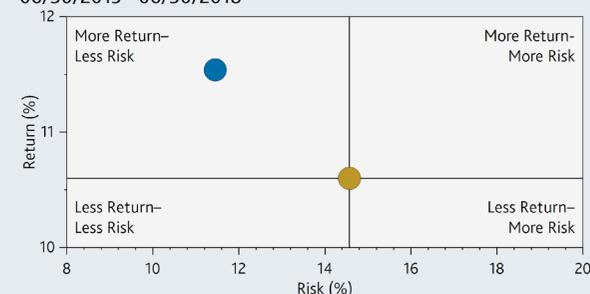
- Long-term perspective allows us to think like an owner of a business
- Independent and exhaustive research is essential to understanding the long-term fundamental growth prospects of a business
- We seek appropriately capitalized open-ended growth opportunities, exceptional leadership, and sustainable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

Fund Facts

Inception Date	December 31, 1994
Net Assets	\$6.55 billion
Institutional Shares	
CUSIP	068278704
Expense Ratio ³	1.04%

Risk/Return Comparison²

06/30/2015 - 06/30/2018



• Baron Growth Fund - I

• Russell 2000 Growth Index



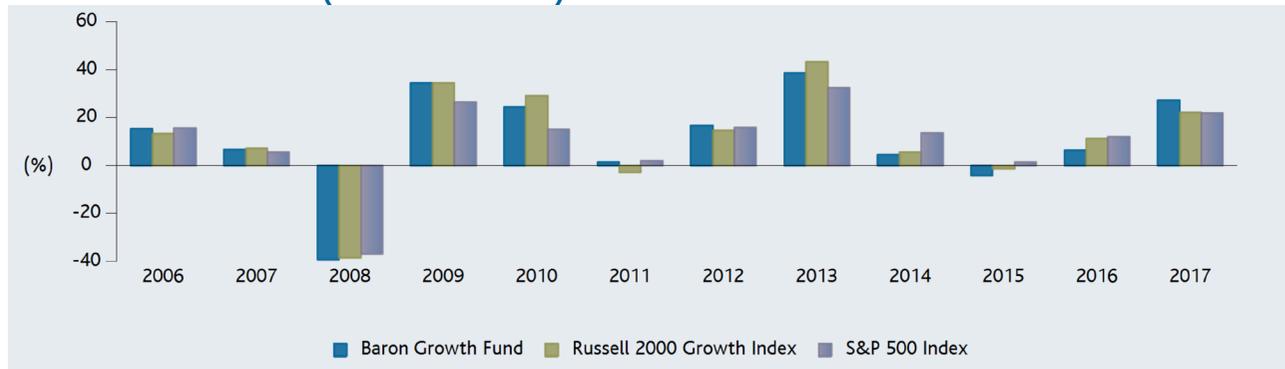
Performance as of June 30, 2018



	Total Returns(%)				Annualized Returns(%)											
	2nd Q 2018		Year to Date		1 Year		3 Years		5 Years		10 Years		Since Inception 12/31/1994			
	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -	Return	+ -		
BGRIX - Institutional Shares	8.01		10.68		20.38		11.54		12.55		10.71		13.36			
Russell 2000 Growth Index	7.23	0.78	9.70	0.98	21.86	-1.48	10.60	0.94	13.65	-1.10	11.24	-0.53	8.39	4.97		
S&P 500 Index	3.43	4.58	2.65	8.03	14.37	6.01	11.93	-0.39	13.42	-0.87	10.17	0.54	9.95	3.41		
Morningstar Mid-Cap Growth Category Average	4.16	3.85	6.39	4.29	18.06	2.32	9.68	1.86	12.31	0.24	9.45	1.26	N/A			
Morningstar Small Growth Category Average	8.53	-0.52	11.05	-0.37	22.70	-2.32	11.04	0.50	12.76	-0.21	10.85	-0.14	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 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. 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

U.S. markets performed well through much of the second quarter after mixed results in the first quarter. Small-cap growth stocks outperformed their mid- and large-cap counterparts. Domestic markets rallied for much of the quarter, driven by strong corporate earnings, continued solid economic conditions in the U.S. and speculation that the impact of a trade war would be more modest than previously anticipated.

The U.S. economy continues to generate slow but steady growth. Incoming second-quarter data points to real GDP growth at around 2% and consumer and business confidence remains near two-decade highs despite the negativity around trade issues. Construction activity and home prices are climbing, unemployment remains at record or close to record lows, and the net worth of the average household is rising. Although inflation increased by almost a percentage point to nearly 3% during the period, it remains low by historical standards.

Baron Growth Fund increased in the quarter. Consumer Discretionary, Information Technology (IT), and Financials investments contributed the most to performance. No sector detracted. Appreciation of the Consumer Discretionary sector was driven largely by holdings in the leisure facilities and casinos & gaming sub-industries. Leisure facilities investment Vail Resorts, Inc. was the top contributor to Fund performance. All four casinos & gaming holdings advanced, led by Penn National Gaming, Inc. Shares of this regional casino operator rose on an earnings beat despite harsh winter weather at most of its properties. Gartner, Inc., a provider of syndicated research, led performance of the IT sector. The integration of CEB is proceeding ahead of schedule, and 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. Strong performance of the Financials sector was driven primarily by Morningstar, Inc., MSCI, Inc., and Financial Engines, Inc., Shares of Morningstar, a provider of independent investment research, increased on strong growth across its services and ability to cross-sell many of its previously acquired and homegrown new products. MSCI's shares rose on Q1 earnings that exceeded investor expectations, while retirement account adviser Financial Engines benefited from an announcement that it was being acquired.

We remain optimistic about the long-term environment for U.S. equities. While we always monitor geopolitical and other developments that may have a short-term impact on the markets, 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 on average. 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 outperformance, although there are no guarantees.

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 **CoStar Group, Inc.**, a real estate information and marketing services company, again contributed to performance. Business trends are excellent, with the company announcing that Q1 bookings jumped approximately 54% 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-\$200 million of recurring revenue. CoStar has a large opportunity to optimize its Premium Lister product, and we expect the recent acquisition of ForRent to be meaningfully accretive beginning next year.
- Shares of satellite company **Iridium Communications Inc.** rose in the quarter. Following years of investment, Iridium has launched 55 of 75 new NEXT satellites into orbit, significantly reducing execution risk. In addition, the company received Global Maritime Distress and Safety System (GMDSS) certification, improving its ability to compete in Maritime. Lastly, additional investment raised the valuation of Iridium subsidiary Aireon to \$620 million, adding liquidity and the ability to support Aireon's activities.

Detractors

- Shares of timeshare company **Marriott Vacations Worldwide Corp.** fell on an announcement that it was acquiring Interval Leisure Group with initial stated synergies from the deal that missed investor expectations. However, these figures were limited to cost synergies and did not account for potential revenue synergies that could be even higher, in our view. We think the combined entity will generate significant free cash flow that will allow it to quickly delever its balance sheet and return capital to shareholders through increased dividends and share repurchases.
- **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.
- Shares of **Choice Hotels International, Inc.**, a global hotel franchisor, fell due to profit taking after investors took the opportunity to realize some of the gains from the stock rally in the past year. We remain invested. The company generates strong earnings and revenue per available room growth, and raised its 2018 guidance for both metrics. It is also enjoying faster unit advancement thanks to the WoodSpring acquisition that closed in February. We believe Choice Hotels will see further expansion as its Cambria, Ascend, and Comfort brands continue to develop over the next few years.

Contribution to Return¹ By Sub-Industry



By Holdings

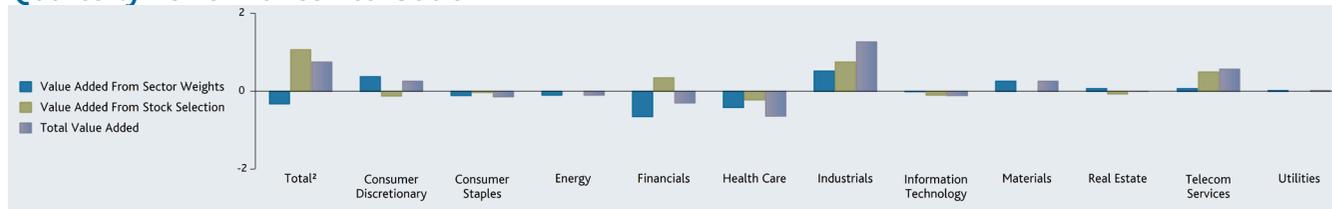
Top Contributors	Average Weight(%)	Contribution(%)
Vail Resorts, Inc.	8.10	1.79
CoStar Group, Inc.	5.34	0.71
Iridium Communications Inc.	1.88	0.69
Morningstar, Inc.	2.06	0.62
Gartner, Inc.	4.57	0.60

Top Detractors	Average Weight(%)	Contribution(%)
Marriott Vacations Worldwide Corp.	3.13	-0.53
Arch Capital Group Ltd.	4.51	-0.39
Choice Hotels International, Inc.	3.79	-0.18
LendingTree, Inc.	0.35	-0.16
SS&C Technologies Holdings, Inc.	3.20	-0.16

1 - Source: FactSet PA.

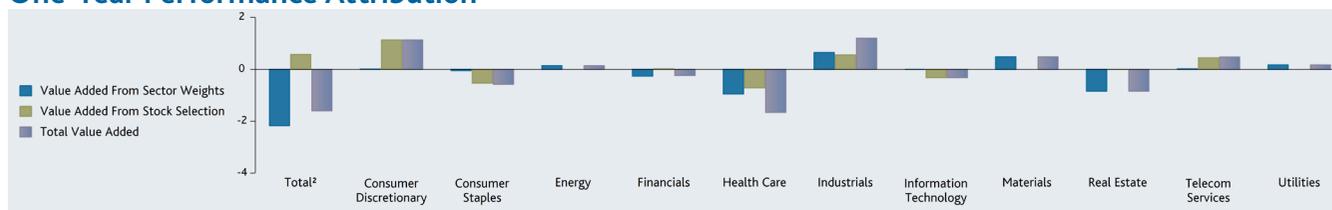


Quarterly Performance Attribution¹



Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities
Baron Growth Fund	26.45	1.19	-	24.50	9.04	8.12	20.19	-	7.50	1.88	-
Russell 2000 Growth Index	13.47	2.54	1.40	6.22	25.56	17.34	24.78	4.29	3.09	0.73	0.60
Over/Underweight	12.98	-1.34	-1.40	18.28	-16.52	-9.22	-4.59	-4.29	4.41	1.16	-0.60
Total Return(%)											
Baron Growth Fund	9.73	12.93	-	5.32	7.62	11.11	7.05	-	7.44	42.63	-
Russell 2000 Growth Index	10.20	16.75	13.38	3.59	9.95	1.76	7.26	1.14	8.50	9.83	5.81
Relative Return	-0.48	-3.82	-13.38	1.73	-2.33	9.35	-0.21	-1.14	-1.07	32.80	-5.81

One-Year Performance Attribution¹



Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities
Baron Growth Fund	25.62	1.69	-	24.36	8.89	5.92	22.41	-	7.92	1.70	-
Russell 2000 Growth Index	13.67	2.57	1.25	6.13	24.52	17.74	24.65	4.53	3.29	0.95	0.69
Over/Underweight	11.94	-0.88	-1.25	18.23	-15.63	-11.82	-2.24	-4.53	4.63	0.75	-0.69
Total Return(%)											
Baron Growth Fund	26.58	-1.31	-	20.77	20.34	17.94	26.05	-	3.97	45.81	-
Russell 2000 Growth Index	21.27	23.35	8.56	19.73	28.87	15.18	26.54	10.42	3.97	17.43	3.41
Relative Return	5.30	-24.66	-8.56	1.04	-8.53	2.76	-0.49	-10.42	0.01	28.38	-3.41

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 was up 8.01% in the second quarter, outperforming the Russell 2000 Growth Index by 78 basis points due to stock selection.

Investments in Industrials and Telecommunication Services, lack of exposure to the lagging Materials sector, and significantly higher exposure to outperforming leisure facilities and casinos & gaming stocks within the Consumer Discretionary sector added the most value. Within Industrials, outperformance of CoStar Group, Inc. and Trex Company, Inc. and meaningfully lower exposure to this underperforming sector lifted relative results. CoStar was the second largest contributor on an absolute basis, while shares of composite wood decking manufacturer Trex rose after Q1 financial results and Q2 guidance exceeded Street expectations. The company continues to grow rapidly as composite takes share from wood in the decking industry. Strength in Telecommunication Services was due to the outperformance of the Fund's only holding in the sector, Iridium Communications Inc., which was the third largest contributor to absolute results after the company's shares appreciated 43% in the quarter.

Health Care investments and meaningfully higher exposure to the underperforming Financials sector weighed the most on relative results. Within Health Care, lower exposure to biotechnology stocks, which were up more than 13% in the index, detracted 50 basis points from relative performance. Weakness in the sector was also due to the underperformance of high-quality purified proteins manufacturer Bio-Techne Corporation and weighting instruments provider Mettler-Toledo International, Inc. Shares of Bio-Techne declined as investors were unable to assess the financial impact of the company's recently announced acquisition of Exosome Diagnostics because management will not provide further details until the deal closes. We are analyzing the acquisition and currently maintain conviction in Bio-Techne. Mettler's stock price was under pressure due to investor concerns that a looming trade war with China would negatively impact Mettler's financial results. The company has a manufacturing presence in and draws roughly 17% of revenues from China. We think Mettler's China exposure is manageable, and believe the company will take necessary steps to mitigate the impact on its financial results. Within Financials, greater exposure to lagging financial exchanges & data stocks detracted 44 basis points from relative results. It also overshadowed positive stock selection in the sector related to double-digit gains from independent investment research provider Morningstar, Inc., retirement accounts advisor Financial Engines, Inc., and investment decision support tools provider MSCI, Inc.

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 June 30, 2018

Company	Investment Premise	Company	Investment Premise
<p>Vail Resorts, Inc. (MTN) 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.</p>	<p>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.</p>	<p>IDEXX Laboratories, Inc. (IDXX) is the leading provider of diagnostics to the veterinary industry.</p>	<p>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.</p>
<p>CoStar Group, Inc. (CSGP) is the leading provider of information and marketing services to the commercial real estate industry.</p>	<p>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.</p>	<p>ANSYS, Inc. (ANSS) 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.</p>	<p>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.</p>
<p>MSCI, Inc. (MSCI) provides investment decision support tools to global investment institutions.</p>	<p>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.</p>	<p>FactSet Research Systems, Inc. (FDS) provides financial information to the global investment community.</p>	<p>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.</p>
<p>Gartner, Inc. (IT) is the leading independent provider of research and analysis on the information technology industry.</p>	<p>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.</p>	<p>Choice Hotels International, Inc. (CHH) is one of the largest hotel franchisers in the world, with 6,853 hotels and an additional 956 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.</p>	<p>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. It is also selling its systems to third-party hotels, which we think will generate significant income over time.</p>
<p>Arch Capital Group Ltd. (ACGL) is a specialty insurance and reinsurance company with operations in Bermuda, the U.S., Europe, and Canada.</p>	<p>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.</p>	<p>SS&C Technologies Holdings, Inc. (SSNC) 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.</p>	<p>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.</p>



We invest in people—not just buildings

Long-Term Investors • Research Driven

WWW.BARONFUNDS.COM

WWW.BARONCAPITALMANAGEMENT.COM