December 31, 2017

Institutional Shares (BIOIX)

Baron Opportunity Fund Fact Sheet

BAMCO, Inc., Registered Investment Adviser

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

The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

Definitions (provided by BAMCO, Inc.): The indexes are unmanaged. The **Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market 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. As of 8/31/2017, Morningstar calculates the **Morningstar US Fund Mid-Cap Growth Category Average** using its Fractional Weighting methodology. The Fund's Institutional Shares have been included in the category since 5/29/09 and the Retail Shares since inception. 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. **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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Baron Opportunity Fund Institutional Shares (BIOIX)

December 31, 2017

Portfolio Facts and Characteristics

	Fund	Russell 3000 Growth Index
# of Equity Securities / % of Net Assets	50 / 99.0%	-
Turnover (3 Year Average)	35.13%	-
Median Market Cap†	$18.72 billion	$1.96 billion
Weighted Average Market Cap†	$161.58 billion	$209.99 billion
EPS Growth (3-5 year forecast)†	22.7%	14.9%
Price/Earnings Ratio (trailing 12-month)*†	38.8	25.1
Price/Book Ratio*†	6.4	5.5
Price/Sales Ratio*†	6.3	2.8

* Weighted Harmonic Average
† Source: FactSet PA – Compustat, FactSet and BAMCO. Internal valuations metrics may differ.
R6 Shares are also available for this Fund.

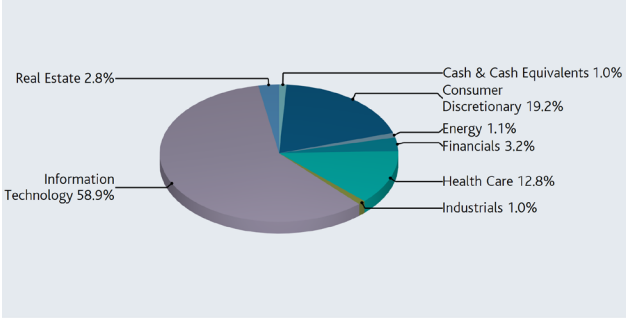
Performance Based Characteristics[2]

	3 Years	5 Years	10 Years
Std. Dev. (%) - Annualized	14.55	14.49	19.98
Sharpe Ratio	0.72	0.89	0.39
Alpha (%) - Annualized	-4.41	-5.66	-2.75
Beta	1.20	1.17	1.18
R-Squared (%)	78.71	66.88	85.34
Tracking Error (%)	7.04	8.52	8.15
Information Ratio	-0.37	-0.47	-0.22
Upside Capture (%)	109.48	106.39	113.60
Downside Capture (%)	149.86	164.53	130.29

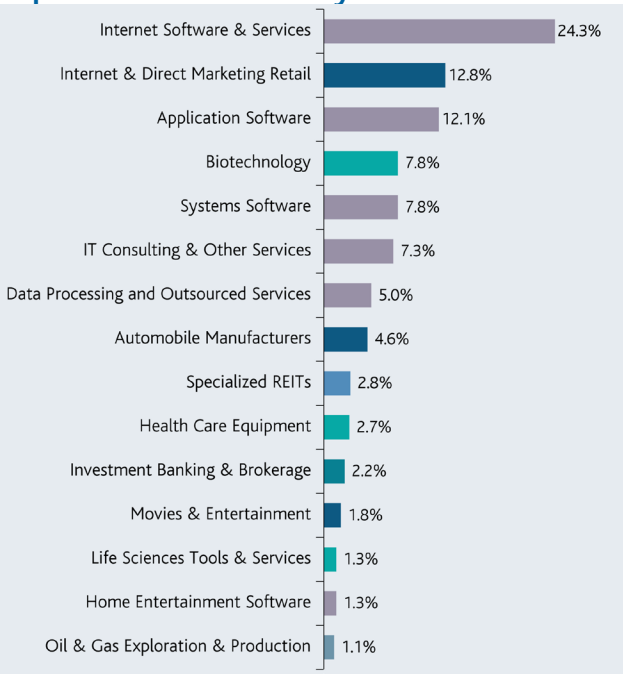
Top 10 Holdings

Top 10 Holdings	% of Net Assets
Amazon.com, Inc.	7.0
Guidewire Software, Inc.	5.5
Gartner, Inc.	5.2
Alphabet Inc.	5.1
Tesla, Inc.	4.6
CoStar Group, Inc.	3.9
Sage Therapeutics, Inc.	3.0
Tencent Holdings, Ltd.	2.8
Microsoft Corporation	2.8
Facebook, Inc.	2.6
Total	**42.5**

GICS Sector Breakdown[1]



Top 15 GICS Sub-Industry Breakdown[1]



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

Investment Strategy

The Fund invests primarily in high growth businesses of any market capitalization benefiting from innovation through development of pioneering, transformative, or technologically advanced products and services. Diversified.

Portfolio Manager

Michael Lippert joined Baron in 2001 as a research analyst and was named portfolio manager in 2006. He has 17 years of research experience. In 2001, Michael worked at JLF Asset Management as a financial analyst and general counsel. From 1991 to 2001, Michael worked at Baker & Botts L.L.P. as a trial partner. Michael graduated summa cum laude from Tufts University with a B.A. in History in 1988 and from Columbia Law School with a J.D. in 1991.

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	February 29, 2000
Net Assets	$252.82 million
Institutional Shares	
CUSIP	068278886
Expense Ratio (as of FYE 09/16)	1.13%

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.

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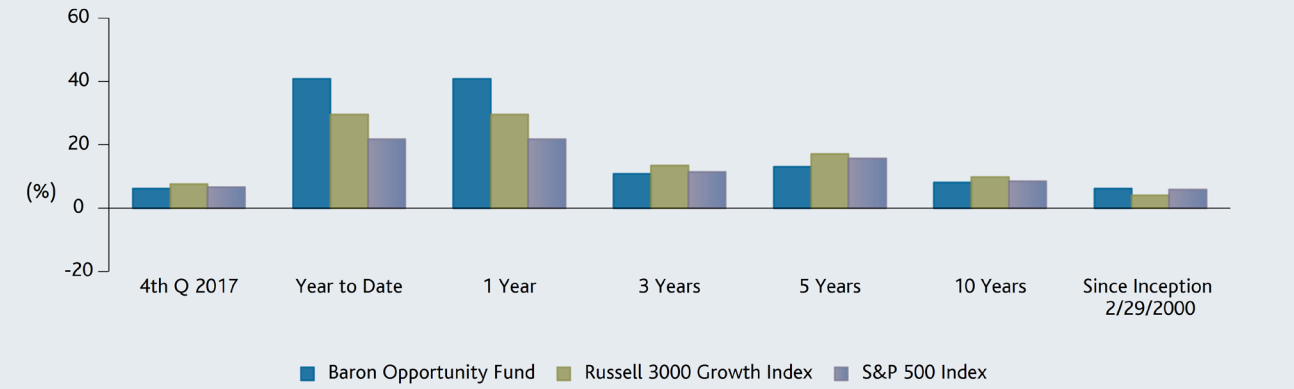
Baron Opportunity Fund Institutional Shares (BIOIX)

December 31, 2017

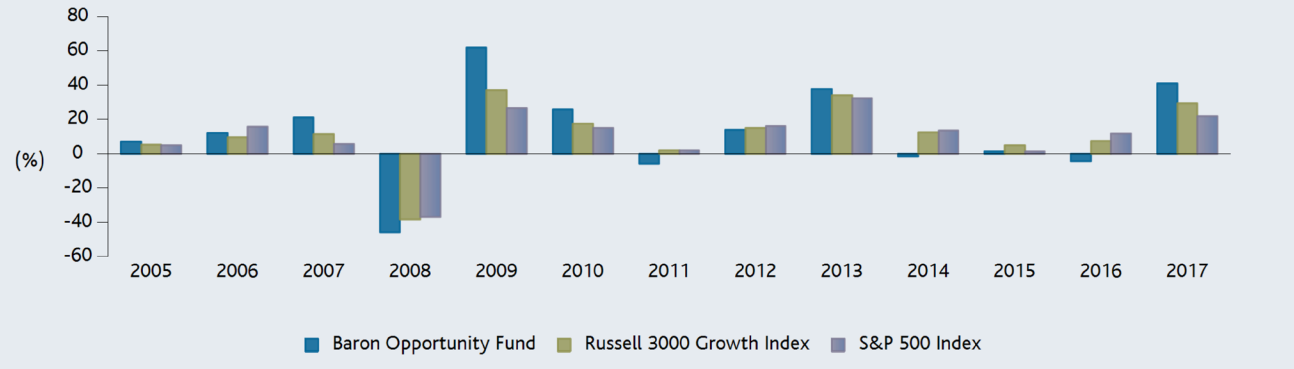
Performance as of December 31, 2017



	Total Returns(%)				Annualized Returns(%)											
	4th Q 2017		Year to Date		1 Year		3 Years		5 Years		10 Years		Since Inception 2/29/2000	
	Return	+ –	Return	+ –	Return	+ –	Return	+ –	Return	+ –	Return	+ –	Return	+ –
BIOIX - Institutional Shares	6.18		40.88		40.88		10.90		13.15		8.14		6.15	
Russell 3000 Growth Index	7.61	-1.43	29.59	11.29	29.59	11.29	13.51	-2.61	17.16	-4.01	9.93	-1.79	4.10	2.05
S&P 500 Index	6.64	-0.46	21.83	19.05	21.83	19.05	11.41	-0.51	15.79	-2.64	8.50	-0.36	5.87	0.28
Morningstar Mid-Cap Growth Category Average	6.02	0.16	23.91	16.97	23.91	16.97	9.40	1.50	13.73	-0.58	7.67	0.47	N/A	

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

Historical Performance(Calendar Year %)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BIOIX - Institutional Shares	7.05	12.14	21.10	-46.06	62.08	25.74	-5.93	14.04	37.90	-1.40	1.45	-4.56	40.88
Russell 3000 Growth Index	5.17	9.46	11.40	-38.44	37.01	17.64	2.18	15.21	34.23	12.44	5.09	7.39	29.59
S&P 500 Index	4.91	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 Adviser has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) and 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.

Review and Outlook

Baron Opportunity Fund increased 6.18% in the fourth quarter, bringing year-long gains to 40.88%. In our view, these results are due to our consistent focus on secular innovation trends and sustainable growth. We target our investments towards how the world has changed and is changing: the generational, disruptive and tectonic shifts impacting how we live and work.

Investments in Health Care, Information Technology (IT), and Consumer Discretionary contributed the most in the quarter. No sector detracted. Health Care's gains were driven largely by the biotechnology sub-industry, including top contributor Sage Therapeutics, Inc. and third largest contributor argenx SE ADR. Internet software & services companies Tencent Holdings Ltd., Alphabet Inc., and CoStar Group, Inc. led positive performance of the IT sector. Tencent, a China-based social network, entertainment, and gaming company, benefited from strong fundamentals in its gaming and advertising businesses. Shares of search and online advertising company Alphabet climbed on reports of strong quarterly results driven by growth in online advertising. CoStar, a real estate information and marketing services company, contributed to performance after reporting revenue growth of 16% and bookings growth above 30%. Double-digit returns in the share price of second largest contributor Amazon.com, Inc. drove gains in Consumer Discretionary.

In keeping with our consistent strategy, we made only modest changes to the portfolio. Chiefly, we have attempted to steadily enhance portfolio quality: companies that are clear leaders in well-established secular themes; further ahead on the business maturity curve, which can be measured by scale, customer adoption, or market capitalization; and material free cash flow generators. For example, we increased portfolio weightings in Microsoft Corporation, Adobe Systems Incorporated, and Electronic Arts, Inc. Moreover, the top of our portfolio remains populated by platform companies, such as Amazon, Alphabet, and Tencent, and leading innovators, like Guidewire Software, Inc., CoStar, and Tesla, Inc.

We remain convinced that identifying secular trends and selecting the winning companies is a superior and more repeatable long-term investment approach than the short-termism in vogue today. Some of the powerful secular themes in which we invest include 1) cloud computing and software-as-a-service, 2) mobile, 3) big data and artificial intelligence, 4) digital (internet-delivered) media, 5) e-commerce, 6) genetics, 7) minimally invasive surgical procedures, 8) targeted digital advertising, 9) cybersecurity, 10) electric drive vehicles and autonomous driving, and 11) electronic payments.

We believe wholeheartedly in our investment strategy. In the highly uncertain world we live in, we believe non-cyclical, sustainable, and resilient growth should be part of investors' portfolios.

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Top Contributors/Detractors to Performance for the Quarter Ended December 31, 2017

Contributors

- **Sage Therapeutics, Inc.** is focused on developing novel drugs for central nervous system disorders. Shares increased sharply on news of positive clinical trial results of lead assets in postpartum depression and major depression. Additionally, SAGE announced an expansion into disease indications like Parkinson's and tremor. We expect maturation of the pipeline married to eventual commercial execution to continue to drive share appreciation.
- Shares of **Amazon.com, Inc.**, the world's largest retailer and cloud services provider, rose on strong Q3 results as it continues to invest in video streaming and international expansion. Amazon's "flywheel effect" of growing participation from Prime members driving further activity on Amazon.com also persisted. Its cloud business is now highly profitable and remains the category leader in market share. We believe investments in new and potentially large segments such as grocery, auto parts, e-finance, and apparel will create additional growth opportunities.
- **argenx SE** is a Netherlands-based biotech company focused on cancer and autoimmune disorder treatments. Shares rose sharply in Q4 after the Phase 2 clinical trial of the company's ARGX-113 showed effective results for treating myasthenia gravis, a rare autoimmune disorder that causes muscle weakness. We expect the stock to continue rallying as results from trials of argenx's products for treating immune thrombocytopenia purpura, a blood disorder, and pemphigus vulgaris, a skin and mucus membrane disease, become available in 2018.

Detractors

- Shares of benefits software vendor **Benefitfocus, Inc.** declined this quarter, detracting from performance as uncertainty around health care reform froze sales cycles. We expect other short-term headwinds, including longer implementation periods, slower employer signings related to a sales restructuring, and channel conflict with brokers, to abate in 2018. We retain conviction due to our belief that the company's addressable opportunity is large and expanding, its competitive position is continuing to improve, it has a sizeable brokerage opportunity, and it is progressing on margins.
- Shares of **Expedia, Inc.**, the world's second largest global travel agency, declined in the quarter following the company's decision to accelerate investments into 2018, including the expansion of properties in Europe, cloud migration, and brand marketing of its vacation rental marketplace. While analysts expect these investments to adversely impact profitability for next year, we think they could lead to a higher growth rate for Expedia. Cloud investments should reduce the company's capital expenditures and yield higher levels of free cash flow, in our view.
- **Tesla, Inc.** makes electric vehicles (EVs), solar products and energy storage solutions. Shares fell on news of production issues with the Model 3 EV. As the slowed ramp-up negatively impacts cash flow, investor expectations that Tesla will look to raise cash put pressure on the stock. Though the company unveiled two promising new products, Model 3 continues to be the main driver for the stock as it will take time to bring these to production. We believe Tesla will solve its production issues and expect Model 3 to play a key role in its strategy to bring EVs to the mass market.

Top Contributors/Detractors to Performance for the Year Ended December 31, 2017

Contributors

- Shares of **Amazon, Inc.**, the world's largest retailer and cloud services provider, were up in 2017 after the company repeatedly reported strong results while investing in streaming content, new categories, and international expansion. Amazon continues to benefit from Amazon Prime, which drives greater loyalty and purchasing on Amazon.com. Amazon's cloud business drives substantial profitability and leads the category in market share. The company continues to invest in intriguing sectors such as grocery, auto parts, streaming content, and cloud.
- Shares of **CoStar Group, Inc.** a real estate information and marketing company, increased in 2017 on the strength of revenue growth of 16% and bookings growth of above 30%. We are excited about the upsell of the CoStar information product, which can potentially contribute an incremental $150-$200 million of recurring revenue with almost no added cost, as well as the optimization of CoStar's Premium Lister product. Looking ahead, we believe the company can compound revenue at mid-to-high teens rates, expand margins above 40%, and deploy capital to make highly accretive acquisitions.
- Shares of property & casualty insurance software vendor **Guidewire Software, Inc.** performed well during 2017 due to financial results that consistently beat market forecasts, growing evidence of market share gains, and rising attach rates of additional software applications. Guidewire enjoys near-perfect retention rates and a growing installed base. We believe Guidewire will become the P&C insurance industry's most important software vendor, capturing 30-50% of its $15-$30 billion addressable market and generating margins of over 40%.

Detractors

- Shares of **MACOM Technology Solutions Holdings, Inc.** declined after the company missed Q3 sales and guided Q4 sales forecasts due to lower sales of optical data connection components to Chinese telecommunications customers. We exited our position.
- **Clovis Oncology, Inc.** is a developer of a class of oncology drugs called PARP inhibitors. Shares declined during the period owned after the FDA granted approval for a competitor's PARP inhibitor. Lack of M&A activity in the biotech space also pressured the stock. We exited our position amid these challenging conditions.
- **Synchrony Financial** is the largest issuer of private label credit cards in the U.S. The stock fell early in the year as higher credit losses offset strong revenue growth and margin expansion. More recent delinquency and charge-off data suggests that credit losses should stabilize, leading to accelerating earnings growth. In addition, the domestically-focused company disproportionately benefits from recent tax law changes. We continue to own the stock because we believe the company has significant competitive advantages and a long runway for growth.

Contribution to Return[1]

By Holdings - Quarter End

Top Contributors	Average Weight(%)	Contribution(%)
Sage Therapeutics, Inc.	1.90	2.04
Amazon.com, Inc.	7.23	1.46
argenx SE	0.51	1.06
Tencent Holdings, Ltd.	2.75	0.54
Alphabet Inc.	4.98	0.45

Top Detractors	Average Weight(%)	Contribution(%)
Benefitfocus, Inc.	1.73	-0.50
Expedia, Inc.	2.51	-0.49
Tesla, Inc.	4.85	-0.43
Glaukos Corporation	0.86	-0.36
Wix.com Ltd.	1.69	-0.35

By Holdings - 12 Month

Top Contributors	Average Weight(%)	Contribution(%)
Amazon.com, Inc.	6.98	3.78
CoStar Group, Inc.	4.86	2.94
Guidewire Software, Inc.	5.64	2.78
Sage Therapeutics, Inc.	1.58	2.47
Tesla, Inc.	5.08	2.42

Top Detractors	Average Weight(%)	Contribution(%)
MACOM Technology Solutions Holdings, Inc.	0.07	-0.39
Clovis Oncology, Inc.	0.33	-0.30
Synchrony Financial	0.24	-0.26
TESARO, Inc.	0.22	-0.26
Under Armour, Inc.	0.08	-0.25

1 - Source: FactSet PA.

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Baron Opportunity Fund Institutional Shares (BIOIX)

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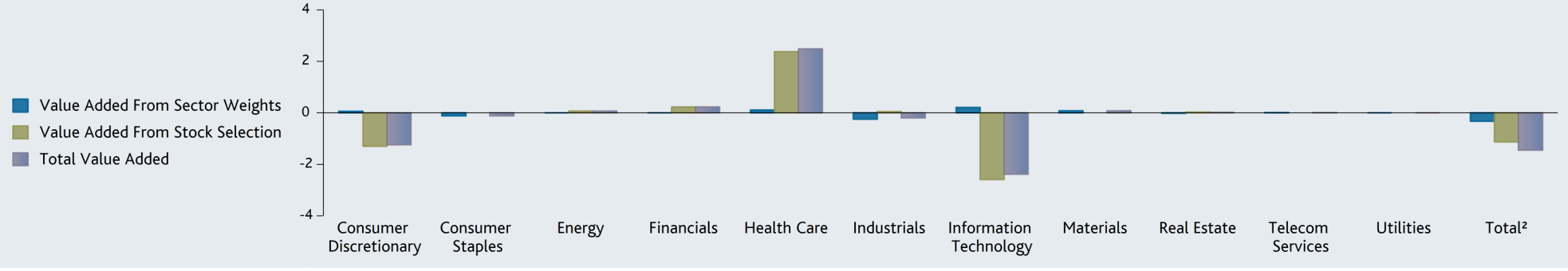
Quarterly Performance Attribution[1]



Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities	Total²
Baron Opportunity Fund	20.16	-	1.06	3.04	12.03	1.06	58.88	-	2.89	-	-	100.00
Russell 3000 Growth Index	17.46	6.35	0.89	3.60	14.05	12.87	37.31	3.84	2.61	0.95	0.07	100.00
Over/Underweight	2.70	-6.35	0.17	-0.56	-2.02	-11.81	21.57	-3.84	0.28	-0.95	-0.07	-
Total Return(%)												
Baron Opportunity Fund	3.62	-	14.05	14.93	22.61	15.44	3.86	-	6.31	-	-	6.17
Russell 3000 Growth Index	10.47	9.42	6.31	6.73	1.15	9.80	8.26	5.44	5.24	6.87	6.97	7.61
Relative Return	-6.85	-9.42	7.74	8.20	21.45	5.64	-4.40	-5.44	1.07	-6.87	-6.97	-1.44

Quarterly Analysis

Baron Opportunity Fund rose 6.18% in the fourth quarter, yet trailed the Russell 3000 Growth Index by 143 basis points, mostly due to stock selection. Style biases also hurt relative performance, driven by overexposure to the poor-performing growth factor and underexposure to larger-cap stocks, which outperformed smaller caps in the quarter.

Outperformance of investments in Health Care and Financials contributed the most to relative performance. Stock selection in Health Care added 238 basis points to relative results, owing to the outperformance of Sage Therapeutics, Inc. and argenx SE, which were two of the largest contributors on an absolute basis. Strength in Financials was mostly attributable to the outperformance of discount brokerage firm The Charles Schwab Corp. Schwab's core operations continued to perform well, with net new assets growing steadily and new clients joining the firm at a record pace. Schwab has been focused on sharing economies of scale with clients through price reductions, rebates, and low-cost products. Despite these lower fees, operating margins continue to expand to record levels through its scale and efficiencies, which we believe bodes well for Schwab's continued ability to increase its client base and assets.

Stock selection in Information Technology (IT) and Consumer Discretionary was the primary reason for underperformance in the quarter. Weakness in IT was partly due to the underperformance of internet software & services holdings, led by Benefitfocus, Inc. and Wix.com Ltd. Benefitfocus was the largest detractor on an absolute basis, while shares of Wix, a leader in the do-it-yourself website construction market, declined after the company announced plans to increase R&D spending, leading to lower near-term margins. Additionally, underperformance of P&C insurance software vendor Guidewire Software, Inc. and syndicated IT research provider Gartner, Inc. weighed on relative results. Guidewire's stock price fell after management indicated it will recognize revenue ratably rather than annually on several large deals, which it said will negatively impact results for approximately three to six months. Gartner's shares declined after the company disclosed operational problems with its consulting segment during its Q3 earnings call. Negative stock selection in Consumer Discretionary was mainly due to the underperformance of Tesla, Inc. and internet & direct marketing retail holdings, led by Expedia, Inc. and The Priceline Group, Inc. Tesla and Expedia were two of the largest detractors from absolute results, while shares of global online travel agency Priceline fell on investor disappointment with Q4 forecasts for room nights and gross bookings growth.

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.

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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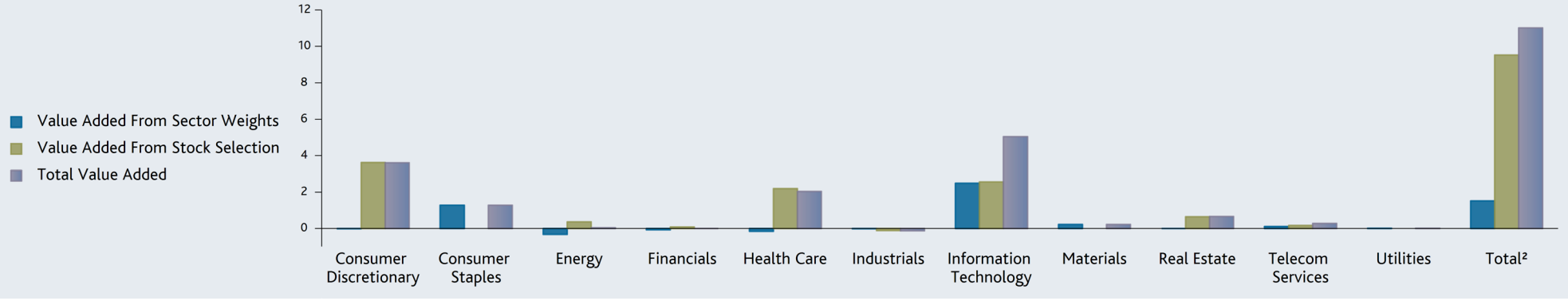
One-Year Performance Attribution[1]



Sector Average Weights(%)	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecom Services	Utilities	Total[2]
Baron Opportunity Fund	21.36	-	1.12	3.54	10.01	1.07	57.98	-	2.87	0.20	-	100.00
Russell 3000 Growth Index	18.95	7.58	0.72	3.32	15.27	11.97	34.57	3.77	2.78	1.00	0.08	100.00
Over/Underweight	2.41	-7.58	0.40	0.22	-5.26	-10.91	23.41	-3.77	0.09	-0.80	-0.08	-
Total Return(%)												
Baron Opportunity Fund	39.85	-	13.34	28.78	53.79	18.58	44.79	-	39.53	7.71	-	40.60
Russell 3000 Growth Index	25.44	12.98	-9.11	29.35	26.88	30.15	40.22	23.43	18.56	7.12	22.92	29.59
Relative Return	14.41	-12.98	22.46	-0.57	26.90	-11.57	4.57	-23.43	20.97	0.59	-22.92	11.01

Annual Analysis

Baron Opportunity Fund was up 40.88% for the year, significantly outperforming the Russell 3000 Growth Index by 11.29% due to stock selection and, to a lesser extent, relative sector weights. Style biases also aided relative performance, driven by overexposure to the strong-performing growth factor and underexposure to the weak-performing dividend yield factor.

Investments in Information Technology (IT), Consumer Discretionary, and Health Care and lack of exposure to the lagging Consumer Staples sector added the most value. Within IT, outperformance of internet software & services holdings, led by CoStar Group, Inc. and Alibaba Group Holding Limited, and meaningfully higher exposure to this sub-industry contributed 291 basis points to relative results. CoStar was the second largest contributor to absolute performance, while shares of Chinese e-commerce giant Alibaba nearly doubled in 2017 as both top- and bottom-line results continued to exceed expectations. Alibaba continued to benefit from strong mobile and advertising growth, which is driving upside beyond core e-commerce growth. In addition, outperformance of application software holdings Guidewire Software, Inc. and Mobileye N.V. and greater exposure to this sub-industry added value. Guidewire was the third largest contributor on an absolute basis after shares increased more than 50% during the year. Shares of Mobileye, a maker of vision-based advanced driver assistance systems, rose sharply in March after Intel offered to buy the company. We sold our position the following month with the stock up over 62%. Lastly, within IT, systems software holdings outperformed after increasing almost 80% as a group. Strength in Consumer Discretionary was mainly due to the outperformance of Amazon.com, Inc. and Tesla, Inc., the Fund's largest positions in the sector during the year. Amazon contributed the most on an absolute basis, while shares of electric vehicle manufacturer Tesla were up over 45% as the company marched towards its long-term goal of offering a mass-market electric vehicle. During the year, Tesla's core business of Model S and X vehicles continued to grow with Model X deliveries projected to almost double year-over-year. Netflix, Inc., the leading global on-demand video service, also added value in the sector due to subscriber additions that exceeded market consensus. Heath Care investments outperformed after increasing 53.8% as a group, led by Sage Therapeutics, Inc., argenx SE, and Intuitive Surgical, Inc. Shares of Sage and argenx were up by triple digits, while shares of surgical robotics maker Intuitive Surgical moved higher on financial results that beat market expectations, driven by strong growth in robotic procedures.

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.

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 December 31, 2017

Company	Investment Premise
Amazon.com, Inc. (AMZN) is an e-commerce pioneer, innovator, and market share leader, with relentless focus on providing value and convenience to its customers. It also operates the industry-leading cloud infrastructure business Amazon Web Services.	Amazon's market share of U.S. online retail sales is over 30%, while its share of global online retail sales is less than 5%. Amazon has numerous avenues for new revenue growth opportunities, including consumer staples, apparel, international expansion, digital media offerings, office and industrial supplies, and advertising. We believe Amazon represents a unique opportunity to invest in the secular growth of both online retail and cloud computing. We estimate that Amazon Web Services will account for over 50% of the company's value over time.
Guidewire Software, Inc. (GWRE) 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 recent launch of data, benchmarking, and ancillary applications could drive a network effect, provide significant upside to financial estimates, and double its addressable market.
Gartner, Inc. (IT) 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 while driving $50 million of cost synergies.
Alphabet Inc. (GOOG) (formerly Google Inc.) is the world's most recognized and dominant online search provider, as well as the owner and operator of YouTube. The company provides a variety of services and tools for advertisers, primarily for search and display advertising.	Alphabet is the largest beneficiary of a secular shift of advertising from all other mediums to online and mobile. Data is becoming increasingly important, and Alphabet has processed and indexed more data than any other company. Alphabet's leadership position in artificial intelligence allows it to leverage its large data sets to quickly improve its products. With what we consider to be the greatest collection of engineering talent assembled for any company that we cover, we believe Alphabet will continue to grow and innovate for years to come.
Tesla, Inc. (TSLA) manufactures purely electric automobiles, energy storage, and solar solutions. It offers a sedan (Model S), a CUV (Model X), and battery-based energy storage. Tesla is now producing and delivering its highly anticipated lower cost vehicle, Model 3, with a base price of $35,000.	In our view, Tesla could continue to grow its business rapidly at least through 2020. We believe its strong engineer talent pool, first mover advantage, scale with its existing facilities, $5 billion Giga battery plant, solar activity, and recognized brand could potentially result in a market capitalization of $100 billion in five years and more thereafter. We find the more than 450,000 preorders for its new Model 3 to be a testament to the strong brand Tesla has built in its short existence.

Company	Investment Premise
CoStar Group, Inc. (CSGP) 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. We believe the acquisitions of Apartments.com and ApartmentFinder offer cross-sell synergies that can add $1 billion of revenue and $600 million of EBITDA over the next decade. CoStar currently has retention rates in the low 90% range, giving great visibility into the future earnings stream. We believe that margins will improve into 40%+, given high operating leverage.
SAGE Therapeutics, Inc. (SAGE) is developing treatments for central nervous system disorders, focusing on depression. Lead asset SAGE-547 is being developed for post partum depression (PPD) and major depressive disorder, with initial PPD commercialization expected this year.	We believe SAGE-547 has the ability to change the paradigm in treatment of post partum depression. Confidence comes from strong Phase 2 and 3 results and the FDA's identification of SAGE-547 as a breakthrough drug. SAGE is also led by a talented CEO, Jeff Jones, who has 20+ years of experience in central nervous system-based development as a former CMO of Forest Labs. Finally, SAGE has impressive data for a major depression drug.
Tencent Holdings Ltd. (700.HK) is a leading internet service company and the top game developer in China. Its primary platforms include QQ for instant messaging (815 million media access units (MAUs)), WeChat for mobile messaging (500 million MAUs), and Qzone for social networking (654 million MAUs).	We are bullish on Tencent's ability to grow EPS at over 25%+ in the long term. Tencent benefits from virtuous network effects, and we think it has a long runway to monetize its large user base by pushing value-added services and advertising through its platforms. Gaming comprises over 50% of Tencent's revenue, but we think advertising is its next major growth driver, through in-feed ads on WeChat. Tencent also invests in online-to-offline services by leveraging its payment solutions across a number of industries including restaurants, ticketing, and travel.
Microsoft Corporation (MSFT) is a software mega-cap traditionally known for its Windows and Office products. Following the replacement of its CEO in 2014, Microsoft has become a cloud company.	Microsoft is now led by Satya Nadella, who has refocused the company on cloud computing and AI. He has been quite successful thus far, with Microsoft's commercial cloud business now representing about 20% of its revenues and growing at a 50% rate. The company's strong moat is based on the wide reach of its sales channel into enterprises, its hybrid cloud offering, its positioning in the public cloud market, high barriers to entry and high switching costs. We believe Microsoft can grow by double digits for the next five years.
Facebook, Inc. (FB) is the world's largest social network with over 1.25 billion active monthly users, 950 million mobile users, and 750 million daily active users.	Facebook is a unique social platform whose users continue to demonstrate stickiness and high engagement. Advertisers want to be where users are, and Facebook's ability to analyze, target, and show clear, demonstrable, and rising returns on investment makes it particularly attractive to them. We believe the company is still in the early stages of monetizing its vast customer base. In addition, we see significant positive optionality from eventual monetization opportunities in search, video, publishing, and Instagram.

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