

October 9, 2019



Baron Emerging Markets Fund – September 2019 Summary Update

Baron Emerging Markets Fund (“the Fund”) appreciated 0.99% (Institutional Shares) in September, yet trailed the MSCI EM Index, which was up 1.91%, by 92 basis points.

Relative Performance

The Fund’s underperformance was driven by a combination of stock selection, relative country/sector weights, and cash exposure in an up market for emerging market equities.

On a country level, investments in India and minimal exposure to lagging equities in Indonesia, Malaysia, and Saudi Arabia added the most value. These positive effects were overshadowed by lower exposure to Korean equities, which were up more than 7% in the index, and underperformance of investments in China, Taiwan, and South Africa.

On a sector basis, investments in Financials and Industrials contributed the most to relative results. Strength in Financials was driven by **Kotak Mahindra Bank Ltd.**, **HDFC Bank Limited**, **Bajaj Finance Limited** and several other Indian financial companies, whose share prices were lifted by a series of initiatives undertaken by Modi’s administration to stimulate economic growth, including a surprise corporate tax cut. Brazilian rail and logistics operator **Rumo S.A.** led the way in the Industrials sector. The company’s stock price was bolstered by strong corn transportation volumes and the potential renewal of the Malha Paulista concession.

These positive impacts were outweighed by adverse stock selection in Information Technology (IT) and Materials and higher exposure to lagging pharmaceutical and biotechnology stocks within Health Care. Weakness in IT was partly due to the underperformance of Brazilian payment processor and merchant acquirer **PagSeguro Digital Ltd.**, which relinquished some gains after nearly tripling through the first eight months of the year. Lower exposure to Korean electronics giant **Samsung Electronics Co., Ltd.**, a sizeable position in the index whose shares were up over 13%, also hampered relative results. Within Materials, underperformance of South African gold mining company **AngloGold Ashanti Limited** and diversified chemicals company **Sasol Limited** weighed the most on relative results.

Purchases & Sales Activity

During the month, purchase activity topped sales as we invested a portion of our cash position in a few new positions in China – hazardous waste treatment leader **China Conch Venture Holdings Ltd.**, online shopping platform **Meituan Dianping**, and clinical-stage biopharmaceutical firm **Shanghai Henlius Biotech, Inc.** We added to several exiting positions as well, led by large-cap companies **Taiwan Semiconductor Manufacturing Company Ltd.**, **Samsung Electronics Co., Ltd.**, and **Alibaba Group Holding Limited**. We also increased our positions in Indian consumer finance company **Bajaj Finance Limited**, Argentinian e-commerce and digital payments platform **MercadoLibre, Inc.**, Chinese data center operator **GDS Holdings Limited**, Indian consumer goods company **Titan Company Limited**, and UAE-based payment solutions provider **Network International Holdings Ltd.**

We trimmed a handful of positions with the largest being Chinese integrated gas company **KunLun Energy Company Limited**, Brazilian payment processor and merchant acquirer **PagSeguro Digital Ltd.**, exchange operator **B3 S.A. - Brasil, Bolsa, Balcao**, and Russian search engine **Yandex N.V.** We exited our positions in **Qudian Inc.** of China, **Gold Fields Ltd.** of South Africa, **Banco do Brasil S.A.**, **Mr Price Group Limited** of South Africa, **YPF S.A.** of Argentina, and **Manpasand Beverages Ltd.** of India after these investments failed to meet our expectations.

Top Contributors

Security Name	Average % of Net Assets	Contribution to Return	Country
Samsung Electronics Co., Ltd.	2.6%	0.27%	Korea
Taiwan Semiconductor Manufacturing Company Ltd.	2.5	0.23	Taiwan
Tata Communications Limited	0.4	0.22	India
Kotak Mahindra Bank Ltd.	1.2	0.17	India
Rumo S.A.	1.6	0.16	Brazil

Top Detractors

Security Name	Average % of Net Assets	Contribution to Return	Country
Alibaba Group Holding Limited	4.5%	-0.23%	China
PagSeguro Digital Ltd.	1.9	-0.15	Brazil
Momo Inc.	0.8	-0.14	China
Piramal Enterprises Limited	0.5	-0.11	India
Delta Electronics, Inc.	1.3	-0.10	Taiwan

As of 9/30/2019, for the Institutional Share Class, Baron Emerging Markets Fund's 1- 3-, and 5-year and since inception annualized returns are 1.84%, 4.51%, 2.94%, and 3.98%, respectively. The inception date for the Fund is 12/31/2010. Annual expense ratio for the Institutional Share Class as of December 31, 2018, was 1.10%.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

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 reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term 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.

Risks: In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

The discussion of market trends and companies are not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change any time based on market and other conditions, and we have no obligation to update them.

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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