INSIDE THE BARON FUNDS

INVESTOR

Baron Growth Fund

Long-term investing in small cap growth companies

Baron Growth Fund is a different kind of small cap growth fund. The Fund is managed by firm founder Ron Baron, who takes a long-term approach to investing in equities that we believe is distinct from other small cap growth managers in several important respects. We think this investment philosophy and process, which we describe in detail below, is the reason behind the Fund's strong track record over the long term.

Advantages of long-term investing

Because small caps have more idiosyncratic risk and less coverage by analysts, they have the potential to offer skilled stock pickers higher return opportunities than mid and large cap stocks. However, an investor in this asset class has to be patient, as it often takes time for small caps to realize their potential.

We have always invested with a long-term perspective, as we believe that creating and realizing value takes time, especially in the small cap space. We take a bottom-up, fundamental, research-intensive approach to find and invest in companies with sustainable competitive advantages, excellent management, and secular growth opportunities, at an attractive valuation. We think our investment approach capitalizes on the potential for strong long-term performance of small cap stocks, at lower risk. For Baron Growth Fund, we manage risk in part by investing only in what we believe to be more mature, high quality small cap companies that are relatively less cyclical and less volatile. While we are benchmark agnostic, we also manage risk by investing across a range of sectors and sub-industries subject to different macro conditions and growth drivers.

Neal Rosenberg **Co-Portfolio Manager** | **Ron Baron** **CEO, CIO and Portfolio Manager**

Ron's time-tested, repeatable investment approach has produced excellent results over the 24 years since the Fund's launch. Year-to-date, the Fund is beating its benchmark, the Russell 2000 Growth Index, by 13.98%. As seen in the chart below, its longer-term performance is also quite strong. The Fund has outperformed its benchmark across all standard timeframes (1-, 3-, 5-, and 10-year). For the 3-year period, the Fund's alpha is 8.10% and beta is 0.85. Its upside capture of 106.58% and downside capture of 74.34% is also quite strong. The Fund has achieved these results with relatively less risk, as reflected in its 3-year Sharpe Ratio of 0.97.

Baron Growth Fund Performance as of 9/30/19 (annualized)*

	1-Year	3-Year	5-Year	10-Year	Since Inception**
Baron Growth Fund	5.36%	17.00%	11.89%	14.00%	13.23%
Russell 2000 Growth Index	-9.63%	9.79%	9.08%	12.25%	7.74%

* Institutional shares. For retail and R6 shares, visit www.BaronFunds.com.

** 12/31/94

Risks: 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 more significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's return.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Institutional Share Class as of fiscal year ended 9/30/2018 was 1.03%.

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 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.

Unique attributes of small cap companies

Ron, who has managed Baron Growth Fund since its inception in 1994, has the benefit of a 48-year career of researching and investing in small cap growth companies. Ron likes to invest in small caps because he believes many of these companies have unique attributes that help drive robust, long-term growth.

1. The entrepreneurial mind-set of many small-cap management teams helps keep these companies innovative and flexible in their strategies for growth.

2. The large personal stakes many founders and executives of small-cap companies have in their business provides assurance that the interests of management and shareholders are aligned.

3. Small caps are more likely to be acquired than their larger-cap counterparts. In the past 10 years, on average, 4.7% of the companies in the Russell 2000® Index were acquired, compared to just 1.1% for the Russell Top 200® Index. When publicly traded companies are acquired, they are typically bought at a premium.

4. Small-cap stocks get less coverage on Wall Street, which may translate to an attractive investment opportunity for a manager like Ron who engages in exhaustive fundamental research to identify companies with superior long-term prospects that are not necessarily reflected in short-term earnings results.

The small-cap businesses that Ron favors have what he believes to be significant growth potential, strong competitive advantages, and exceptional management. The stocks of these companies must also be attractively priced, in his view. These four criteria have always been the basis of the investment philosophy of all Baron funds, including Baron Growth Fund. In addition, Ron looks for more mature, higher quality companies marked by recurring revenues, high free cash flow, and low volatility. At the same time, Ron generally avoids speculative businesses, single-product companies, and highly cyclical businesses. We believe the application of these criteria in a consistent and disciplined manner has been a major factor in our long-term success.

Ron's long-term approach is also tailored to the type of trajectory typified by a small-cap company that is penalizing current earnings to invest in future growth. Ron believes that these early years of building a business, when the stock is flying under the radar of many other investors, often present the best buying opportunity. As it is difficult, if not impossible, to time when a company's investment in future growth finally reaches fruition and the stock takes off, Ron is willing to hold stock in companies that may not "pop" for an extended period, in the expectation that it will happen eventually.

Emphasis on research

Conviction in the holdings in Baron Growth Fund is driven by our deep, fundamental research and long experience. Our disciplined research and investment process is repeatable and time-tested, having been developed and honed by Ron and the Baron research team over decades of investing in equities.

We conduct original, proprietary, fundamental research. We do not use brokerage firm research or quantitative screens. We believe our independent research and analysis gives us a competitive advantage. In an average month, Ron and Baron's team of research analysts visit or talk with the managements of 50 existing or potential investments. This adds up to thousands of conversations over the more than 24 years Ron has been managing Baron Growth Fund. He has also visited headquarters, manufacturing facilities, and other properties and has read hundreds of thousands of pages of financial statements. We believe this vast experience is key to Ron's ability to discern the most promising small-cap companies for inclusion in the portfolio.

Low turnover

As a result of our long-term, bottom-up, fundamental approach, Baron Growth Fund has significantly lower turnover than the average small cap growth fund, which is more likely to take a top-down investment approach in industries that are expected to benefit in the near term from macro-driven economic trends. Because we believe that few, if any, investors are able to consistently predict unpredictable events, and are even less likely to predict the impact of these events on the markets, we believe that a macro approach is likely to result in average returns over time, at best.

Due to the Fund's low turnover, although it invests exclusively in small-cap stocks, a significant percentage of its assets are in securities that have appreciated beyond their market capitalizations at the time of our initial investment. We do not see the point of selling the most successful companies in our Fund simply because they have grown beyond the benchmark's strict small-cap criteria. We consider a stock's growth beyond the small-cap category to be a sign of a successful investment.

However, it would be a mistake to view us as buy-and-hold investors. We stay invested only as long as we believe the company can deliver the returns we look for. Over the life of any investment, we continually reassess the stock's potential to meet our goal of doubling in size over a five- or six-year period. If that potential no longer exists, we exit the position.

Baron Growth Fund currently has 34 holdings that it has owned for more than five years. These investments represent about 91% of assets, and have earned an annualized rate of 18.0% since we first purchased them. 20 out of 34 of these investments have appreciated by three to ten times to date.

Baron Growth Fund
Top 10 Holdings as of September 30, 2019

Holding	Sector	% of Net Assets
CoStar Group, Inc.	Industrials	7.4%
Vail Resorts, Inc.	Consumer Discretionary	7.0%
Arch Capital Group Ltd.	Financials	6.0%
MSCI, Inc.	Financials	5.8%
ANSYS, Inc.	Information Technology	4.9%
Gartner, Inc.	Information Technology	4.7%
FactSet Research Systems, Inc.	Financials	4.5%
IDEXX Laboratories, Inc.	Health Care	4.4%
Choice Hotels International, Inc.	Consumer Discretionary	3.9%
Bright Horizons Family Solutions, Inc.	Consumer Discretionary	3.8%

Stock by stock approach

We are bottom-up investors, building our portfolios stock by stock. As growth investors, we look for businesses that are investing to become much larger, more profitable businesses in the future, frequently at the expense of short-term profits. Virtually all the companies in the Fund are making such capital commitments. As long-term investors, we expect to benefit from these expenditures. Examples of companies that illustrate how our investment process works over time include **Vail Resorts, Inc. (MTN)** (owned since 1997), **IDEXX Laboratories, Inc. (IDXX)** (owned since 2005), and **Bright Horizons Family Solutions, Inc. (BFAM)** (owned since 2013).

Ski resort owner and operator **Vail Resorts, Inc.** is the Fund's second largest holding, representing 7.0% of net assets. The stock has increased more than 12-fold in the time we have owned it. We first invested in Vail in 1997, shortly after its IPO. We made significant investments through 2006, becoming Vail's largest shareholder at that time. Our returns in those first years were modest. In 2006, Rob Katz, a Board member and we think a spectacular executive, became CEO. A building and acquisition boom ensued as Rob executed on his vision to reimagine every aspect of the mountain experience.

Vail was the first ski company to offer a multi-resort season pass – the Epic Season Pass – as a way to increase revenue and help immunize the company against poor snowfall seasons. Its use of acquisitions has significantly enhanced the attractiveness of the Epic Pass to the subscriber, who can now choose among 14 resorts in a variety of geographies. Vail has also been upgrading its properties to offer new and improved services and amenities, including off-season activities, with the aim of attracting more visitors and increasing lift prices. Vail is also a pioneer in using technology to improve and personalize the customer experience. Its EpicMix was a first-of-its-kind online and mobile application that enables skiers and snowboarders to capture their mountain experience. We think Vail will continue to innovate and grow, its competitive advantages are stronger than ever, and its management is exceptional.

Another top 10 holding, **IDEXX Laboratories, Inc.**, is the leading provider of diagnostics equipment to the veterinary industry. Its stock price has grown 17-fold since we first invested in 2005. The company spends six times more on R&D annually than all its competitors combined. It has continuously improved and expanded its menu of diagnostics, which we believed is unsurpassed in its market. IDEXX is benefiting from secular growth spending on pets, driven by favorable demographics, increased use of diagnostics, and an increasing focus on preventative care. Its use of a razor/razorblade model to sell its products results in high retention rates and incremental margins. We think that IDEXX's direct go-to-market model coupled with meaningful R&D-driven product enhancements will continue to boost revenue and earnings growth over time.

Bright Horizons Family Solutions, Inc. is a leading provider of corporate-sponsored childcare in the U.S. and the U.K. We first invested in Bright Horizons in 2013, when its market cap was $1.8 billion. Its market cap has since increased to $8.9 billion. We think Bright Horizons has a long runway of growth ahead. It has had 15 years of uninterrupted revenue and earnings growth, even during the financial crisis of 2008-09. Its business model is marked by high revenue and earnings visibility, low capital intensity, and superior ROI and cash flows. Growth avenues include additional centers, back up services for new and existing clients, greater center utilization, accretive acquisitions in a highly fragmented market, international expansion, and the rollout of new, higher margin services.

New holdings

While we are long-term investors, we are always on the lookout for promising new companies to add to the portfolio. The Fund initiated 11 new positions in 2018 and year-to-date across a range of sectors and sub-industries. Our initial investments were modest. This is consistent with our historical practice, and the largest positions in the Fund have become so through performance, not through purchases.

Dechra Pharmaceuticals PLC (DPH LN) is a U.K.-based company that develops, manufactures, and sells specialty veterinary pharmaceuticals. We estimate the global market for animal pharmaceuticals at $32 billion, with an annual CAGR of 5% to 6%, driven by powerful secular trends including the humanization of pets and increasing demand for animal protein. The veterinary health care market is also structurally superior to its human equivalent in several respects. Since pet owners pay for care with cash rather than insurance, reimbursement risks are not an issue. Government regulations also tend to be far less stringent than in the human space.

Dechra has a potentially long runway for growth, as it has just 2% global market share. It targets underserved sectors and is often the dominant provider in its therapeutic niches. Over time, we expect the company to broaden its portfolio and estimate that its current pipeline includes more than 75 new products that could add close to 40% to the business on a risk-adjusted basis.

Adaptive Biotechnologies Corporation (ADPT) uses DNA sequencing, computational biology, software, and machine learning to read and interpret cells in the immune system. We view Adaptive as a platform company, with applications across research, diagnostics, and drug discovery. Its proprietary database, extensive patent portfolio, and collaborations with Microsoft and Genentech provide robust competitive advantages. Its existing products have been well received and its new product pipeline is potentially transformational, in our view. The company's addressable market is north of $40 billion in annual revenue, and we anticipate a robust opportunity for expansion and growth.

We participated in the IPO of food processing system vendor **Marel hf (MAREL NA)** in June 2019. The company is a leading global provider of advanced processing systems and services to the animal protein industry. Marel is a global technology leader that invests heavily in innovation and derives significant competitive advantage from its network of personnel. It has historically been acquisitive, using M&A to enhance its product lines, geographic reach, and industry footprint. It has successfully doubled margins under its current management team and, with an estimated 10% share of a large and fragmented market, we see solid opportunity for continued growth.

Conclusion

We remain steadfast in our view that the investment process we have developed and honed over the years, and that has served our investors well over time, is sustainable. While we are mindful of recent volatility, we try to look past the short-term imbalances and remain focused on our research and investment philosophy. We believe the growth prospects for the businesses in which Baron Growth Fund is invested are favorable and improving. As always, we remain focused on the long term.

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 1-80099BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

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 as a percentage of total investments as of September 30, 2019 for securities mentioned are as follows: **Vail Resorts, Inc.** – 7.0%, **IDEXX Laboratories, Inc.** – 4.4%, **Bright Horizons Family Solutions, Inc.** – 3.8%, **Dechra Pharmaceuticals plc** – 0.1%, **Adaptive Biotechnologies Corporation** – 0.2%, **Marel hf.** – 0.3%.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth. The index is unmanaged. The index performance is not fund performance; one cannot invest directly in an index.

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.

Upside Capture explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

Downside Capture measures how well a fund performs in time periods where the benchmark's returns are less than zero.

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.
BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

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We offer 16 mutual funds in retail, institutional, and R6 share classes, collective investment trusts, separately managed accounts, sub-advisory services, UCITS, and other offshore vehicles.

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BARON SMALL CAP GROWTH STRATEGY
BARON FOCUSED GROWTH STRATEGY
BARON MID CAP GROWTH STRATEGY
BARON DURABLE ADVANTAGE STRATEGY
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BARON REAL ESTATE STRATEGY
BARON REAL ESTATE AND INCOME STRATEGY
BARON ALL CAP GROWTH STRATEGY
BARON SMALL TO MID CAP GROWTH STRATEGY

MUTUAL FUNDS

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BARON GROWTH FUND
BARON SMALL CAP FUND
BARON FOCUSED GROWTH FUND
BARON ASSET FUND
BARON FIFTH AVENUE GROWTH FUND
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