



Introducing Baron Real Estate Income Fund

Baron Launches Its Second Real Estate Fund

Baron Funds is pleased to announce the introduction of Baron Real Estate Income Fund. This Fund will emphasize dividend-paying real estate securities, with a significant portion of the portfolio comprised of REITs.

Baron Real Estate Income Fund is Baron's second real estate fund. Jeffrey Kolitch, who has managed the first Baron Real Estate Fund since its inception eight years ago, has been asked to also manage the new Baron Real Estate Income Fund. He is supported by a first-rate team of real estate research analysts as well as the broader Baron research team.

Baron Real Estate Fund has an outstanding track record of both REIT-specific performance and overall performance. In fact, Baron Real Estate Fund's REIT holdings have outperformed the MSCI U.S. REIT Index by a wide margin over every key period **since its launch** eight years ago.



Jeffrey Kolitch
Portfolio Manager

Baron Real Estate Fund is the #1 ranked real estate fund among its peers for its 1-year, 5-year, and 8-year (since inception) performances.*

Baron Real Estate Fund has been awarded the highest ★★★★★ (5-star) Morningstar performance rating for its overall and 5-year performance.**

* For the period ended December 31, 2017
** As of December 31, 2017

Baron Real Estate Fund – REIT Holdings Performance Annualized for periods ended December 31, 2017

	Baron Real Estate Fund REIT Holdings Performance*	MSCI U.S. REIT Index
One Year	19.43%	3.74%
Three Years	11.90%	4.03%
Five Years	15.55%	7.99%
Eight Years – Since Inception (annualized)**	14.43%	11.88%
Eight Years – Since Inception (cumulative)**	194.01%	133.40%

Baron Real Estate Fund Performance Annualized for periods ended December 31, 2017

	Baron Real Estate Fund*	MSCI USA IMI Extended Real Estate Index
One Year	31.42%	18.04%
Three Years	7.26%	9.33%
Five Years	12.96%	12.60%
Eight Years – Since Inception (annualized)**	16.38%	13.76%
Eight Years – Since Inception (cumulative)**	236.46%	180.44%

* Institutional shares. For Retail and R6 Shares, visit www.BaronFunds.com
** December 31, 2009

Annual expense ratio as of December 31, 2016 was 1.07%. 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.*

Please see page 3 for additional disclosures.

We are thrilled that Jeffrey will be leveraging his skills and experience to manage the new Baron Real Estate Income Fund in addition to the more established Baron Real Estate Fund.

Below we address the following questions to provide additional insight into the new Fund:

1. Why is Baron Capital launching the new Baron Real Estate Income Fund?
2. How will the new Baron Real Estate Income Fund differ from the current Baron Real Estate Fund?
3. What criteria should an investor consider when determining how to allocate capital between the two real estate funds?

Why is Baron Capital launching the new Baron Real Estate Income Fund?

In addition to Baron Real Estate Fund’s strong track record of investing in REITs, we are launching the Baron Real Estate Income Fund for three main reasons:

• Strong investor demand for income funds

As interest rates and bond yields have stagnated near historically low levels, the search for income producing securities has stoked strong investment interest in dividend-focused securities and income funds.

• A number of Baron clients have asked us for an income fund

Baron Capital historically has focused on equity products that prioritize capital appreciation as their investment goal. Numerous Baron investors have requested that we expand the firm’s product offerings to include an income fund that prioritizes a combination of capital appreciation and current income. Given the outstanding track record of the REIT portion of Baron Real Estate Fund, we decided to launch the Baron Real Estate Income Fund in response to our clients’ requests.

• We are introducing a differentiated and compelling real estate income fund

Baron Real Estate Income Fund will be differentiated from typical REIT funds. Most REIT funds are 100% invested in REITs. This Fund is structured to be more flexible to capture income-producing opportunities we may see outside of REITs. While the Fund is likely to maintain a major portion of its investments in REITs (typically 80% or more), it may also invest in other real estate income-producing securities.

In addition, we plan to take a more expansive approach to investing within the REIT universe. For example, we are looking at wireless

tower, billboard, and timber REITs for investment opportunities. The Fund expects to invest primarily in real estate equity income securities, but it may also invest in real estate debt and preferred securities. U.S. companies are likely to be our primary focus, but the Fund may also invest in international real estate yield-producing companies.

The Fund may invest in companies of all market capitalizations, seeking businesses that we determine have sustainable competitive advantages, exceptional management, and good opportunities for long-term and sustainable growth, together with attractive dividend yields and valuations.

How will the new Baron Real Estate Income Fund differ from the current Baron Real Estate Fund?

Baron Real Estate Income Fund will be structured as an attractive complement to Baron Real Estate Fund. Although both funds will focus on real estate, they will differ in significant ways, as highlighted in the table below. As such, we believe we will be further able to help meet the broader and more complete real estate allocation goals of our clients and other investors in real estate securities.

COMPARISON OF BARON REAL ESTATE INCOME FUND AND BARON REAL ESTATE FUND

	Baron Real Estate Income Fund	Baron Real Estate Fund
Investment objective	Income & capital appreciation	Capital appreciation
Equity vs. income orientation	Greater than 80% income	Equity
REIT vs. non-REIT	Typically 80% or more in REITs	Typically 25-30% in REITs
Current targeted dividend yield	At least 3%	No target
Real estate category focus	Primarily commercial real estate	Commercial & residential real estate

It is anticipated that the new Baron Real Estate Income Fund will have moderate overlap with Baron Real Estate Fund. We are currently planning for approximately 70% of Baron Real Estate Income Fund to be distinct to the Fund.

What criteria should an investor consider when determining how to allocate capital between the two real estate funds?

A number of factors should be considered when deciding how to allocate capital between the two Baron real estate funds. The prioritization of these considerations is likely to be distinct for each client. Investment goals may include:

- Dividend yield and/or income
- Maximizing long-term total return
- Minimizing annual return volatility
- Diversification and lower correlation relative to stocks and bonds

Concluding thoughts

We are optimistic about the long-term prospects for both of our real estate funds – the new Baron Real Estate Income Fund, and the more established Baron Real Estate Fund. They complement each other.

Over the long term, we expect Baron Real Estate Income Fund may experience less performance volatility due to its yield/income orientation. Further, we anticipate that Baron Real Estate Income Fund will display a lower correlation to stocks and bonds.

Conversely, we anticipate that Baron Real Estate Fund may generate higher returns over the long term because it is more “equity-like” in nature, and invests in a broader range of real estate-related categories. However, there may be periods when Baron Real Estate Income Fund may outperform.

Accordingly, we envisage that clients may elect to allocate a portion of their total real estate investments to both Baron funds as they conclude that our two real estate funds are indeed highly complementary to each other.

In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. 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. Prices of equity securities may decline significantly over short or extended periods of time. Debt or fixed income securities such as those held by the Fund, are also subject to derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall.

The indexes are unmanaged. The MSCI USA IMI Extended Real Estate Index is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The indexes and the Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results.

The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

As of 8/31/2017, Morningstar calculates the **Morningstar US Fund Real Estate Category Average** using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. As of December 31, 2017, the category consisted of 257, 199, and 159 funds (share classes) for the 1-year, 5-year, and since inception (12/31/2009) periods. Morningstar ranked **Baron Real Estate Fund Institutional Share Class** in the 1st, 1st, and 1st percentiles, and ranked the Fund #1, #1, and #1, respectively, in the category.

Morningstar has awarded **Baron Real Estate Fund Institutional Share Class** 4 stars, 5 stars, and 5 stars for its 3-year, 5-year, and overall performance respectively.

The Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Performance as of December 31, 2017*

INSTITUTIONAL SHARES								
	Average Annualized Returns			Since Inception		Inception Date	Expense Ratio	Ticker
	1-Year	5-Year	10-Year	Annualized	Cumulative			
Small Cap								
Baron Growth Fund	27.35%	13.52%	8.55%	13.17%	1619.45%	12/31/94	1.05% ¹	BGRIX
Baron Small Cap Fund	27.45%	13.45%	8.19%	10.17%	611.32%	9/30/97	1.06% ¹	BSFIX
Baron Discovery Fund	35.83%	N/A	N/A	15.97%	87.67%	9/30/13	1.49%/1.10% ¹	BDFIX
Small-Mid Cap								
Baron Focused Growth Fund ²	26.59%	10.10%	6.64%	11.04%	858.88%	5/31/96	1.13%/1.10% ³	BFGIX
Mid Cap								
Baron Asset Fund	26.49%	15.59%	8.24%	11.52%	2698.72%	6/12/87	1.04% ¹	BARIX
Large Cap								
Baron Fifth Avenue Growth Fund	40.97%	16.77%	8.61%	8.79%	216.35%	4/30/04	0.85% ¹	BFTIX
All Cap								
Baron Opportunity Fund	40.88%	13.15%	8.14%	6.15%	189.75%	2/29/00	1.13% ¹	BIOIX
Baron Partners Fund ²	31.91%	17.04%	8.14%	12.93%	2239.19%	1/31/92	1.52% ^{3†}	BPTIX
International								
Baron Emerging Markets Fund	40.63%	9.23%	N/A	6.85%	59.04%	12/31/10	1.13% ³	BEXIX
Baron Global Advantage Fund	49.82%	14.91%	N/A	13.87%	108.77%	4/30/12	3.40%/0.90% ³	BGAIX
Baron International Growth Fund	37.33%	11.01%	N/A	13.05%	201.54%	12/31/08	1.24%/0.95% ³	BINIX
Specialty								
Baron Energy and Resources Fund	-8.68%	-2.56%	N/A	-3.01%	-16.73%	12/30/11	1.46%/1.10% ³	BENIX
Baron Real Estate Fund	31.42%	12.96%	N/A	16.38%	236.46%	12/31/09	1.07% ³	BREIX

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.

* For Retail and R6 shares, visit www.BaronFunds.com/performance

For Baron Discovery Fund, Baron Opportunity Fund and Baron Fifth Avenue Growth Fund, the Adviser has contractually agreed that for so long as it serves as the Adviser to these Funds to reduce its fee, to the extent required to limit the net annual operating expense ratio (excluding portfolio transaction costs, interest, dividend and extraordinary expenses) to 1.10%, 1.25% and 0.75% of average daily net assets of the Institutional Shares, respectively. For Baron Focused Growth Fund, Baron Partners Fund, Baron Emerging Markets Fund, Baron Global Advantage Fund, Baron International Growth Fund, Baron Energy and Resources Fund and Baron Real Estate Fund, the Adviser has contractually agreed that for so long as it serves as the Adviser to these Funds to reduce its fee, to the extent required to limit the net annual operating expense ratio (excluding portfolio transaction costs, interest, dividend and extraordinary expenses) to 1.10%, 1.20%, 1.25%, 0.95%, 0.90%, 1.10% and 1.10% of average daily net assets of the Institutional Shares, respectively.

† Total expense ratio shown for Baron Partners Fund was comprised of operating expenses of 1.09% and interest expense of 0.43%.

¹ As of September 30, 2016 for Baron Asset, Baron Growth, Baron Small Cap, Baron Opportunity, Baron Fifth Avenue Growth and Baron Discovery Funds. For Baron Discovery Fund, the total expense ratio was 1.49%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers). For Baron Fifth Avenue Growth Fund, the total expense ratio was 0.85%, but the net annual expense ratio was 0.75% (restated to reflect current fee waivers).

² Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee. The predecessor partnerships' performance is only for periods before the Funds' registration statements were effective (4/30/03 for BPF and 6/30/08 for BFGF). During those periods, the predecessor partnerships were not registered under the Investment Company Act of 1940 and were not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if they were, might have adversely affected their performance.

³ As of December 31, 2016 for Baron Partners, Baron Focused Growth, Baron International Growth, Baron Real Estate, Baron Emerging Markets, Baron Energy and Resources and Baron Global Advantage Funds. For Baron Focused Growth Fund, the total expense ratio was 1.13%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers). For Baron International Growth Fund, the total expense ratio was 1.24%, but the net annual expense ratio was 0.95% (restated to reflect current fee waivers). For Baron Energy and Resources Fund, the total expense ratio was 1.46%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers). For Baron Global Advantage Fund, the total expense ratio was 3.40%, but the net annual expense ratio was 0.90% (restated to reflect current fee waivers).

For updated performance for all Baron Mutual Funds, Please visit www.BaronFunds.com.

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.