Baron Capital

Baron Perspective

June 30, 2017

Don't Miss Out on Mid Caps

Major league baseball players can be divided into three groups based on experience: rookies, prime players, and post-peak. *Rookies* (let's exclude Aaron Judge for purposes of this discussion) are learning. If they don't crash and burn, their growth will likely be strong and fast, but they are relatively untested in the competitive big leagues. *Post-peak players* have typically been through their growth. While they have managed to stay on major league rosters, they tend to sit on the bench a bit more, play first base, or for American leaguers, play DH. They still have talent, but they have slowed down a bit. *Prime players* tend to have more experience than their rookie teammates and are at peak strength, quickness, and mental fitness: still growing, but before they slow down.

As in baseball, the equity investment universe is divided into groups. Market capitalization is perhaps the most commonly used criteria for breaking the broader stock universe into subgroups. There is little question that a $100 billion company belongs in the large-cap bucket and a $100 million company belongs in the small one. As for mid caps, things are not so straightforward. There isn't a universal criteria that defines the mid-cap domain. In the U.S., a $3 billion company may be considered small cap by some investors, mid cap by others, and small-to-mid-cap by someone else. Outside of the U.S., a $3 billion company is actually viewed as a large cap in some regions.

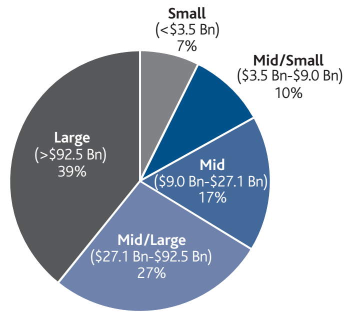
Russell Investments, which dominates the U.S. index market, defines the U.S. mid-cap domain from $9.0 billion to $27.1 billion as of June 30, 2017. Morningstar, the popular investment research firm, uses a different methodology and considers U.S. companies in the $4.3 – $20.8 billion range to be mid cap, a significant difference from Russell's definition. For non-U.S. companies, MSCI's and Morningstar's ranges vary depending on the region. For example, in the Asia ex-Japan region, according to Morningstar, the mid-cap range was $752 million – $2.78 billion as of June 30, 2017.

While it is not always easy to numerically define mid caps, most investors would agree that mid-cap companies are the ones which tend to have developed beyond their initial, usually riskier, start-up phase, but have not yet reached the more mature stage of their life-cycle.

The Definition of Mid Caps Varies Significantly in the U.S.…

Russell 3000 Index Market Cap by Russell Breakpoints

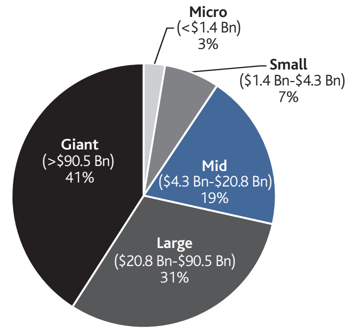
as of 6/30/2017



Source: FactSet, BNY Melon.

Russell 3000 Index Market Cap by Morningstar Breakpoints

as of 6/30/2017

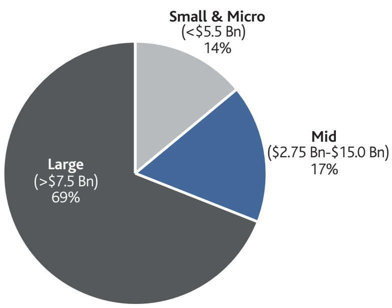


Source: FactSet, BNY Melon, Morningstar.

… and Abroad

MSCI ACWI Ex-United States IMI Market Cap by MSCI Breakpoints

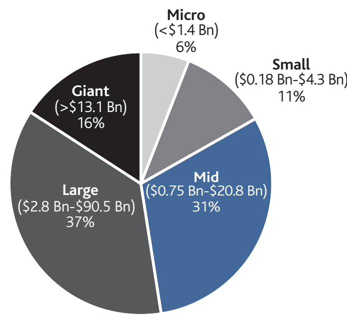
as of 6/30/2017



Source: MSCI.

MSCI ACWI Ex-United States IMI Market Cap by Morningstar Breakpoints

as of 6/30/2017



Source: FactSet, Morningstar, MSCI.

U.S. Fund Investors Have Allocated Less to Mid Caps

% of Total U.S. Fund Assets

	Value	Blend	Growth	Total
Large	16.3%	40.0%	20.0%	76.2%
Mid	3.6%	5.9%	4.1%	13.6%
Small	2.1%	5.0%	3.0%	10.2%

% of Total U.S. Equity Market Capitalization*

	Value	Blend	Growth	Total
Large	22.2%	23.0%	24.8%	69.9%
Mid	6.2%	7.0%	6.7%	19.8%
Small	3.2%	3.5%	3.5%	10.2%

Source: Morningstar Direct, BAMCO, Inc., FactSet.

* *Percentages represent the aggregate market capitalization of the companies classified in each style box by Morningstar versus the total market capitalization of U.S. publicly traded stocks. As of 6/30/2017, the total market capitalization of U.S. publicly traded stocks was approximately $27.1 trillion.*

See bottom of page for style box definition.

Notes: The breakdowns of the Russell 3000 Index were done using Russell's and Morningstar's breakpoints as of 6/30/2017, as specified in brackets on the chart. The breakdowns of the MSCI ACWI Ex-United States IMI were done using MSCI Global's and Morningstar's breakpoints as of 5/31/2017 and 6/30/2017, respectively. MSCI provides different market cap levels for companies in developed and emerging markets as follows: for developed markets, small <$5.5Bn, mid $5.5Bn - $15Bn, and large >$15Bn; for emerging markets, small <$2.75Bn, mid $2.75Bn - $7.5Bn, and large >$7.5Bn. Morningstar provides market cap levels via a flexible system for seven style zones based on their assigned country (Middle East and Africa stocks are included in the Europe style zone). Within each zone, the market cap of each stock is converted to a common currency, the stocks are organized in descending order by size, and the cumulative capitalization as a percentage of total sample capitalization is calculated for each stock. Giant-cap stocks are defined as the group that accounts for the top 40% of the capitalization of the style zone; large-cap stocks represent the next 30%; mid-cap stocks represent the next 20%; small-cap stocks represent the next 7%; and micro-cap stocks represent the balance.

Morningstar style box:
Morningstar classifies funds as being large-cap, mid-cap, or small-cap based on the market capitalization of the fund's stock holdings; and as value, blend, or growth based on the value-growth orientation of the stock holdings. The nine possible combinations of these characteristics correspond to the nine squares of the Morningstar Style Box – size is displayed along the vertical axis and style is displayed along the horizontal axis.

Perhaps due to the lack of a clear definition for what a mid cap is, it is easier for some investors to opt for only small and large caps. Recent data from Morningstar shows that, indeed, U.S. mutual fund and ETF investors have allocated less to mid caps relative to the portion of the overall market that is represented by mid-cap stocks. As of June 30, 2017, mid-cap stocks accounted for 19.8% of the total market capitalization of all publicly traded stocks in the U.S. while the mid-cap mutual funds and ETFs, as classified by Morningstar, represented 13.6% of all fund total net assets.

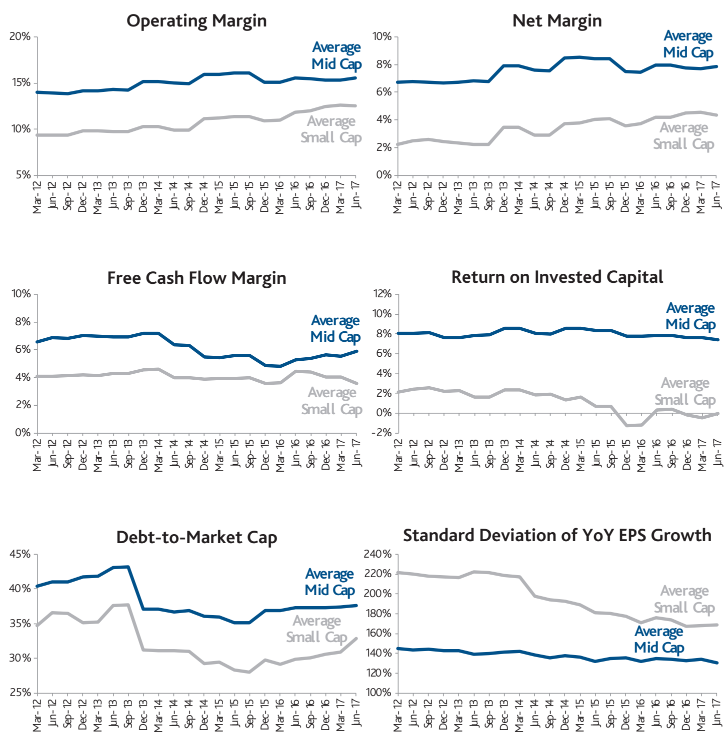
Whatever the reasons for this may be, we believe that investors could miss out by not allocating more to mid caps. In our opinion, just as rookies, prime, and post-peak players have a place on every baseball team, all three equity classes have a place in a typical investor portfolio. Mid caps have strengths versus small and large caps and can serve different purposes depending on investors' objectives and risk tolerance.

When compared to small caps, mid-cap companies typically have stronger balance sheets and operating metrics, readier access to capital at lower costs, and higher returns on invested capital.

Mid Caps Tend To Have Higher Quality Fundamentals than Small Caps

Select Fundamentals: Mid Caps vs. Small Caps

as of 6/30/2017



Sources: FactSet PA – Compustat and FactSet.

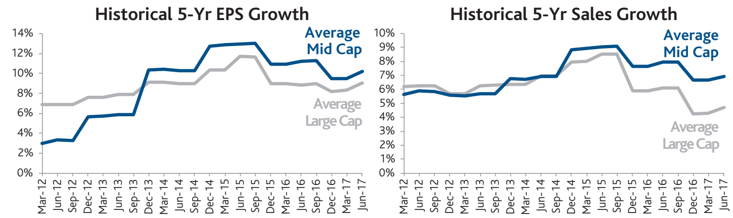
Note: The average mid-cap stock is represented by the simple average of all stocks in the Russell Midcap Index. The average small-cap stock is represented by the simple average of all stocks in the Russell 2000 Index.

When compared to large-cap companies, mid caps tend to be more nimble, deploy resources more quickly, and have more avenues for rapid, sustained growth.

Mid Caps Tend To Have Higher Growth Characteristics vs. Large Caps

Select Fundamentals: Mid Caps vs. Large Caps

as of 6/30/2017



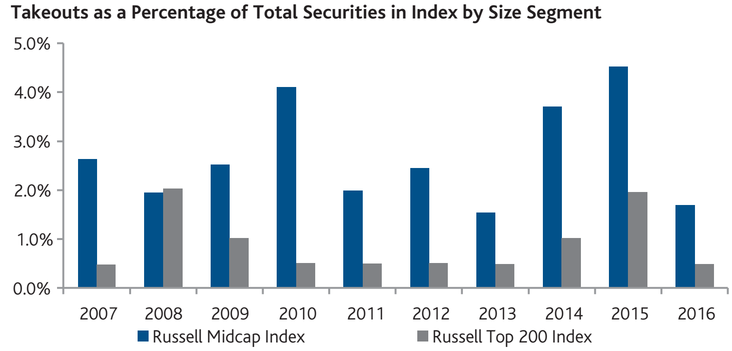
Sources: FactSet PA – Compustat and FactSet.

Note: The average mid-cap stock is represented by the simple average of all stocks in the Russell Midcap Index. The average large-cap stock is represented by the simple average of all stocks in the Russell Top 200 Index.

A mid-cap company is also more likely than a large-cap company to be targeted for acquisition. Over the past 10 calendar years, on average 2.7% of the companies in the Russell Mid Cap Index were acquired, compared to 0.9% of the companies in the Russell Top 200 Index. The chart below shows each year's activity.

Mid Caps Are More Likely to be Acquired than Large Caps

Takeouts as a Percentage of Total Securities in Index by Size Segment



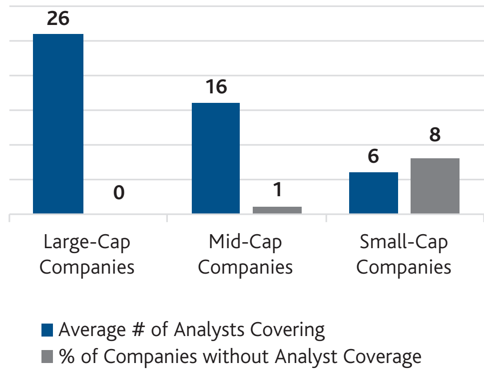
Sources: FactSet, BAMCO, Inc.

In addition, many mid-cap stocks are not extensively covered on Wall Street, especially when compared to large-cap stocks. For instance, while 44 sell-side analysts cover Apple, Inc., and 44 follow Alphabet, Inc., only 11 analysts currently cover Gartner, Inc., a large holding in several of our portfolios. This relative lack of coverage gives us the opportunity to identify and invest in companies with what we believe are favorable long-term growth prospects at attractive valuations.

Analyst Coverage Decreases with Size

Analyst Coverage of U.S. Public Companies

as of 6/30/2017



Source: FactSet Estimates.

The strong fundamental characteristics of mid caps have translated into solid relative performance versus smaller and larger stocks over the long term. The table below shows that the Russell Midcap Index has outperformed the Russell Top 200 Index (large caps) and the Russell 2000 Index (small caps) the majority of the time over 1-, 3-, 5-, and 10-year periods. Moreover, as the investment horizon increases from one to 10 years, the Russell Midcap Index outperformed the Russell Top 200 Index 72% of the time and outperformed the Russell 2000 Index 100% of the time.

Mid Caps Have Outperformed Small and Large Caps Most of the Time

Rolling Monthly Returns for the Period 12/31/1978 – 6/30/2017

	% of Time Mid Caps Outperformed				Average Annualized Outperformance			
	1-Yr Rolling Returns	3-Yr Rolling Returns	5-Yr Rolling Returns	10-Yr Rolling Returns	1-Yr Rolling Returns	3-Yr Rolling Returns	5-Yr Rolling Returns	10-Yr Rolling Returns
Russell Midcap Index vs. Russell Top 200 Index	56%	58%	66%	72%	2.05%	1.63%	1.62%	1.75%
Russell Midcap Index vs. Russell 2000 Index	66%	75%	89%	100%	1.58%	2.20%	2.33%	2.47%

Sources: FactSet, BAMCO, Inc.

In addition to delivering higher absolute performance most of the time, mid-cap stocks have delivered strong risk-adjusted returns. The Sharpe Ratio is a common metric for risk-adjusted returns. It measures excess return over the risk-free rate per unit of risk. The higher the Sharpe Ratio, the better a fund's risk-adjusted performance. The table and chart below show that mid caps have had better Sharpe Ratios than large and small caps the majority of the time over rolling 3-, 5- and 10-year periods.

Mid Caps Have Delivered Higher Sharpe Ratios Most of the Time

% of Time Mid Caps Had a Higher Sharpe Ratio

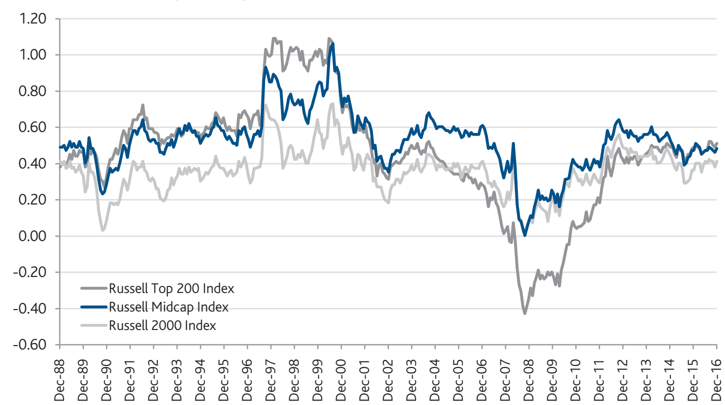
12/31/1978 – 6/30/2017

	3-Yr Rolling Observations	5-yr Rolling Observations	10-Yr Rolling Observations
vs. Large Caps	52%	56%	61%
vs. Small Caps	81%	95%	99%

Source: Morningstar Direct.

Note: Mid Caps are represented by the Russell Midcap Index; Large Caps are represented by the Russell Top 200 Index; Small Caps are represented by the Russell 2000 Index.

10-Year Rolling Sharpe Ratios

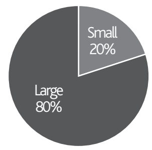


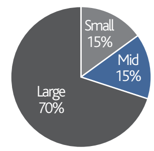
Source: Morningstar Direct.

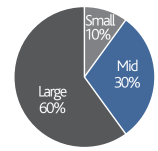
Based on the above results, it is reasonable to infer that adding mid-cap exposure to an equity allocation portfolio should be beneficial over medium and long terms. In the analysis below, we created three different combinations of equity asset classes using the small, mid, and large Russell indexes. We added, and then increased, the allocation to mid-cap stocks. We measured the five- and 10-year Sharpe Ratios at the end of each of the past 10 calendar years. Our analysis shows that on average, having a higher allocation to mid caps produced better risk-adjusted returns. This is not only because of the high Sharpe Ratios of mid caps but also because of the diversification benefit that their addition brings.

Adding Mid-Cap Exposure Has Resulted in Higher Risk-Adjusted Returns

Historical Risk-Adjusted Returns For Different Equity Class Combinations







Period Ending	Return-to-Standard Deviation	**Combination 1:** No Mid Caps	**Combination 2:** Some Mid Caps	**Combination 3:** More Mid Caps
6/30/2017	5 Years	1.14	1.15	1.16
	10 Years	0.34	0.34	0.34
12/31/2016	5 Years	1.11	1.12	1.12
	10 Years	0.33	0.33	0.34
12/31/2015	5 Years	0.76	0.76	0.76
	10 Years	0.34	0.35	0.35
12/31/2014	5 Years	0.91	0.93	0.94
	10 Years	0.36	0.37	0.38
12/31/2013	5 Years	0.89	0.91	0.93
	10 Years	0.35	0.37	0.39
12/31/2012	5 Years	0.07	0.08	0.08
	10 Years	0.34	0.36	0.38
12/31/2011	5 Years	-0.01	0.00	0.01
	10 Years	0.13	0.15	0.18
12/31/2010	5 Years	0.10	0.11	0.12
	10 Years	0.07	0.10	0.12
12/31/2009	5 Years	0.01	0.03	0.04
	10 Years	-0.04	-0.01	0.02
12/31/2008	5 Years	-0.10	-0.09	-0.08
	10 Years	-0.06	-0.03	-0.01
12/31/2007	5 Years	0.93	0.99	1.05
	10 Years	0.30	0.34	0.38
Average	**5 Years**	**0.53**	**0.54**	**0.56**
	10 Years	**0.22**	**0.24**	**0.26**

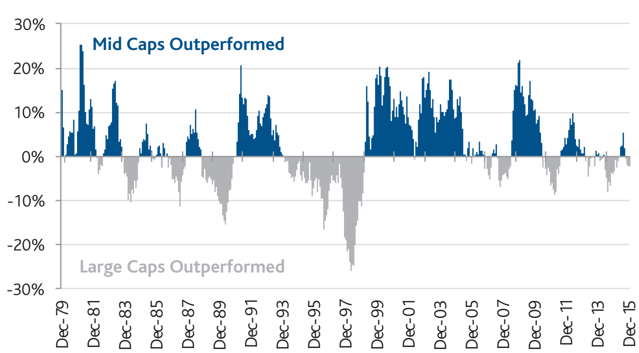
Sources: FactSet, BAMCO, Inc.

During the past few years, the benefit of having a mid-cap allocation has not been as strong as in prior periods. This is because over the last few years mid caps have underperformed both small and large caps. However, the performance of each equity class has been cyclical, as the charts below show. We believe that this is not likely to change in the future, and, while we cannot predict when, we think that mid caps will outperform large and small caps again at some point.

The Performance of Mid Caps Has Been Cyclical

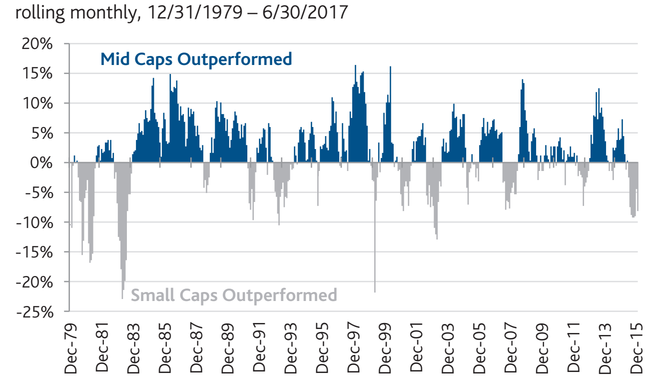
One-Year Excess Returns of Russell Midcap Index vs. Russell Top 200 Index

rolling monthly, 12/31/1979 – 6/30/2017



One-Year Excess Returns of Russell Midcap Index vs. Russell 2000 Index

rolling monthly, 12/31/1979 – 6/30/2017



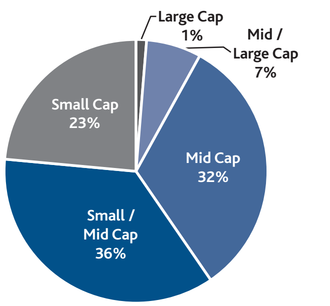
Mid-Cap Investing at Baron

Baron Capital has been investing in mid-cap companies ever since the Firm was established in 1982. We have recognized the opportunity for stock pickers in this space and we have uncovered many attractive mid-cap stocks. A substantial portion of our Funds' assets are currently invested in mid caps, as shown in the charts below.

The Baron Funds Have a Significant Allocation to Mid Caps

% Of Assets of All U.S. Equity Baron Funds* by Russell Market Cap Segment**

as of 6/30/2017

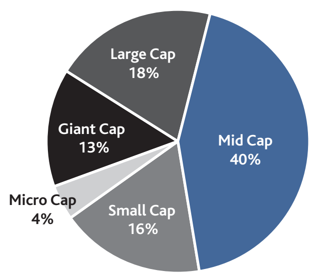


Sources: BNY Mellon, BAMCO, Inc.

** Funds include: Baron Discovery Fund, Baron Growth Fund, Baron Small Cap Fund, Baron Asset Fund, Baron Focused Growth Fund, Baron Partners Fund, Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron Energy and Resources Fund, Baron Real Estate Fund.*

% Of Assets of All International & Global Equity Baron Funds* by Morningstar Market Cap Segment***

as of 6/30/2017



Sources: Morningstar, BAMCO, Inc.

** Funds include: Baron International Growth Fund, Baron Emerging Markets Fund, Baron Global Advantage Fund.*

*** Russell 3000 Index Break Points as of 6/30/17, in billions: Large Capitalization $92.49 & Above, Medium/Large Cap. $27.14-$92.49, Medium Cap. $9.02-$27.14, Medium/Small Cap. $3.45-$9.02, Small Cap. $3.45 & below.*

**** Morningstar breakpoints as of 6/30/17: Market cap levels are provided by Morningstar which uses a flexible system that isn't adversely affected by overall movements in the market. Stocks are divided into seven style zones based on their assigned country (Middle East and Africa stocks are included in the Europe style zone). Within each zone, the market cap of each stock is converted to a common currency, the stocks are organized in descending order by size, and the cumulative capitalization as a percentage of total sample capitalization is calculated for each stock. Giant-cap stocks are defined as the group that accounts for the top 40% of the capitalization of the style zone; large-cap stocks represent the next 30%; mid-cap stocks represent the next 20%; small-cap stocks represent the next 7%; and micro-cap stocks represent the balance.*

Some of the Baron Funds, like Baron Partners Fund and Baron Opportunity Fund, can invest across the entire market capitalization spectrum and allocate to mid-cap stocks directly.

ServiceNow, Inc. is an example in Baron Opportunity Fund. The company provides SaaS-based solutions that allow customers to manage workflows in their IT service management and IT operations management environments. When we first looked at the company, we saw that it had a well-established, competitively-advantaged service management solution and was beginning to expand its product line-up. In our opinion, it was well-positioned in an industry with large secular growth opportunities with reasonable risk. In the last three years, the ServiceNow was able to significantly increase the number of its customers and broaden its product offerings. The business has been growing at over 30% a year, turning more than 20% of its revenues into free cash flow. We first purchased the stock in 2015, and as of June 30, 2017 our total investment has returned over 56%. The Fund's benchmark, the Russell 3000 Growth Index, has returned only 28% for the same period. We expect the company to continue to grow faster than the market, especially as it integrates AI into its existing solutions.

Our small-cap funds can purchase only small-cap stocks but they too have a portion of their assets invested in mid caps. We hold on to our winners even when they grow beyond the small-cap range if we believe the company still meets our investment criteria. Selling an investment just because it reaches a larger market cap does not make sense to us when we know the company really well.

Arch Capital Group Ltd., one of the top holdings in Baron Growth Fund, is a great example. Arch is a specialty insurance and reinsurance company with a successful track record across several insurance cycles. Ron first purchased the stock in 2002, when its market capitalization was $0.4 billion. By 2006, its capitalization had grown more than 10 times, and it was clearly not a small-cap stock any longer. Our continuous research of the business over these four years had given us a deep understanding and high conviction in the company. We were seeing significant potential for further appreciation, so we decided to continue holding our investment. As of June 30, 2017, Arch Capital's market capitalization had exceeded $12 billion, nearly 30 times more than when we first invested. We continue to believe that the company excels in underwriting specialized policies and can nimbly shift its business mix to the most profitable lines. Furthermore, Arch has a compensation system that rewards long-term profitability rather than short-term premium growth which resonates with Baron's investment philosophy. We believe that Arch has the potential to grow much bigger in the future and we retain our high conviction in it.

Baron Asset Fund is our product dedicated to investing in mid caps. The Fund was launched in 1987 and has been managed by one of our most experienced managers, Andrew Peck, since 2003. Like all Baron Funds, Baron Asset Fund's goals are to deliver above average performance and outperform its primary benchmark, the Russell Midcap Growth Index, over the long term. Of course, it may not achieve those goals.

Stocks are added to the portfolio one at a time, as a result of deep bottom-up fundamental research. We purchase stocks with the intention of owning them for an extended period of time. The portfolio manager looks for businesses that we believe have significant growth potential, strong competitive advantages, and exceptional management. The stocks of these businesses have to be, in our view, attractively priced. These four criteria have always been the basis of Baron's investment philosophy, and we believe that applying them in a consistent and disciplined way has played a major part in our long-term success.

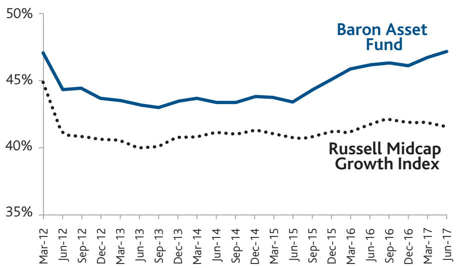
Through his broad experience, Andrew has been able to refine the specific qualities and characteristics he looks for in an investment. Equally importantly, he has learned to avoid certain types of companies, although he hasn't always gotten it right.

Baron Perspective

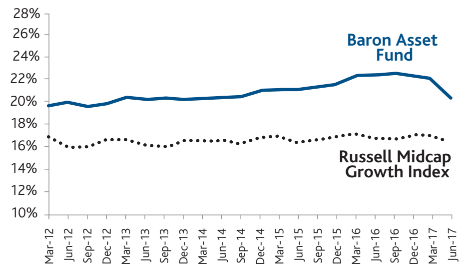
Baron Asset Fund favors companies that have high margins, returns on invested capital, sales growth, and earnings growth. As a result, the fundamental characteristics of the Fund's holdings have, for the most part, been favorable when compared to those of the Russell Midcap Growth Index, as shown in the charts below.

Baron Asset Fund Invests in High Quality Mid-Cap Businesses

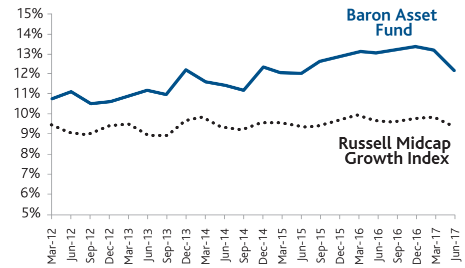
Gross Margin



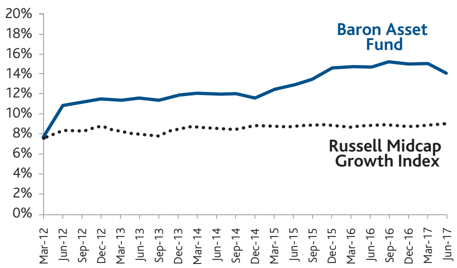
Operating Margin



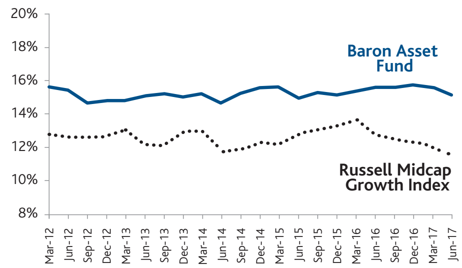
Net Margin



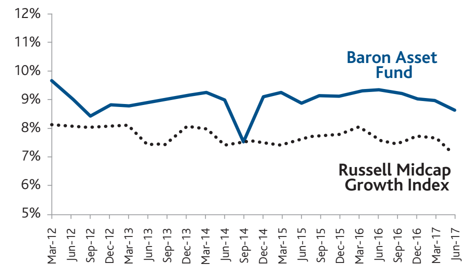
Free Cash Flow Margin



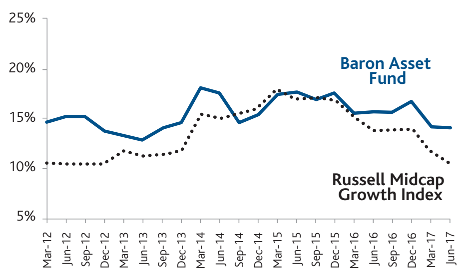
Return on Invested Capital



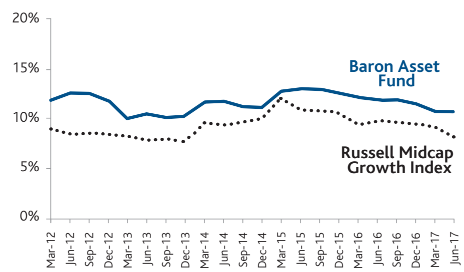
Return on Assets



Historical 5-Yr EPS Growth



Historical 5-Yr Sales Growth

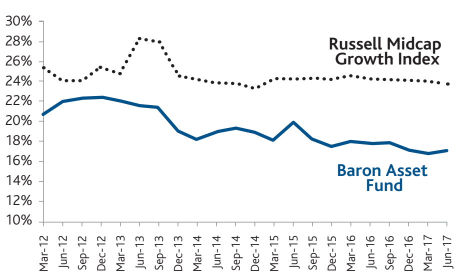


Sources: FactSet PA – Compustat and FactSet.

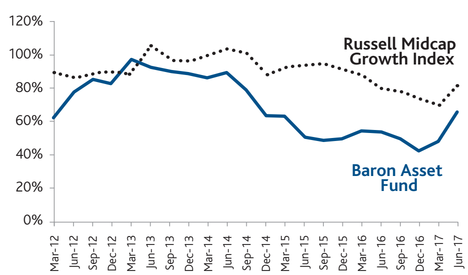
Note: The calculations for Baron Asset Fund and for the Russell Midcap Growth Index are on a weighted-average basis.

At the same time, Andrew tends to avoid companies that have low earnings visibility or are dependent on government funding and regulation. He prefers to invest in companies with recurring revenues and stable earnings growth, low leverage, low/moderate volatility, and high barriers to entry.

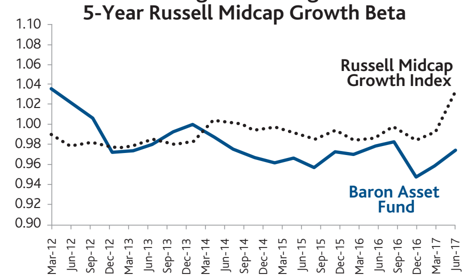
Debt-to-Market Cap



St. Dev. of YoY EPS Growth



Weighted Average 5-Year Russell Midcap Growth Beta



Sources: FactSet PA – Compustat and FactSet.

Note: The calculations for Baron Asset Fund and for the Russell Midcap Growth Index are on a weighted-average basis.

Over time, this fundamental approach, combined with skilled stock selection and long-term disciplined investing, has generated strong absolute and relative results for Baron Asset Fund.

Baron Asset Fund Has Generated Strong Results

Baron Asset Fund – Annualized Performance

as of 6/30/2017

	Baron Asset Fund Returns	Russell Midcap Growth Index Returns	Baron Asset Fund Excess Returns	Excess Return From Stock Specific Effect
Year-to-date (not annualized)	18.67%	11.40%	7.27%	3.74%
1 Yr	24.85%	17.05%	7.80%	7.15%
3 Yrs	10.03%	7.83%	2.20%	1.67%
5 Yrs	15.81%	14.19%	1.62%	2.39%
10 Yrs	7.69%	7.87%	–0.18%	3.48%
Since Inception (6/12/1987)	11.49%	9.89%	1.60%	N/A

Source: FactSet PA, MSCI, BAMCO, Inc.

The Annual expense ratio for the Institutional Shares as of June 30, 2017 for Baron Asset Fund was 1.04%. Fund returns and excess returns vs. primary benchmark are based on the Fund's Institutional Share class performance. ***Stock specific effects*** *are the result of the Funds' factor-based performance attributions versus its benchmark.* ***Factor-based performance attribution*** *is the process of attributing excess performance to different factors or groups of factors using a multi-factor model (in this case the MSCI Barra USE3-L model, see the next page for more information). It allows for the assessment of sources of returns based on several return components, including style return and industry return. The proportion of excess return that is not attributed to these components or common factors (industries and styles) is attributed to company-specific sources or events. In this letter, this is referred to as "Excess Return From Stock Specific Effect". The calculations above are transaction-based and are produced from the underlying security-level data.*

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.

In addition, the Fund has generated strong risk-adjusted returns and has delivered a higher Sharpe Ratio versus its primary benchmark and versus the category average as shown below.

Sharpe Ratios

as of 6/30/2017

	Baron Asset Fund	Russell Midcap Growth Index	US Fund Mid-Cap Growth (Morningstar category average)
3 Yrs	0.82	0.65	0.53
5 Yrs	1.38	1.29	1.10
10 Yrs	0.41	0.41	0.33

Source: FactSet SPAR.

We are pleased with Baron Asset Fund's performance. However, success has not been achieved evenly over time. Since its inception, the Fund has, for the most part, performed better in gradual uptrends and down markets and lagged when the market is spiking high. Overall, the Fund generally tends to capture more of the market's upside than its downside, as shown by the statistics below.

Baron Asset Fund Has Attractive Up/Down Capture Ratios

Baron Asset Fund – Upside and Downside Capture Ratios vs. Russell Midcap Growth Index

as of 6/30/2017

	3 Years	5 Years	10 Years	Since Inception (6/12/1987)
Upside Capture	108.5%	106.3%	98.7%	92.5%
Downside Capture	96.4%	100.0%	99.1%	83.9%
Upside/Downside Capture Ratio	1.13	1.06	1.00	1.10

Source: Morningstar Direct.

Going back to baseball, a team relying only on its rookies and post-peak players can probably win some games, but that team is unlikely to be successful over the long baseball season without its prime players. Similarly, an investor portfolio that relies only on small and large cap funds may perform well over certain periods of time, but may not be the best solution for strong risk-adjusted returns over the long term without dedicated mid-cap exposure.

Linda S. Martinson
President and COO

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.

There is more potential for capital appreciation in mid-sized companies, but there also may be more risk. Specific risks associated with investing in mid-sized companies include that the securities may be thinly traded and they may be more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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.

Portfolio holdings as a percentage of net assets as of June 30, 2017 for securities mentioned are as follows: **Apple, Inc.** – Baron Fifth Avenue Growth Fund (3.0%); **Alphabet, Inc.** – Baron Opportunity Fund (4.2%), Baron Fifth Avenue Growth Fund (6.3%), Baron Global Advantage Fund (4.3%); **Gartner, Inc.** – Baron Asset Fund (6.6%), Baron Growth Fund (4.8%), Baron Small Cap Fund (5.0%), Baron Opportunity Fund (5.1%), Baron Partners Fund (4.3%*); **ServiceNow, Inc.** – Baron Opportunity Fund (2.4%); **Arch Capital Group Ltd.** – Baron Asset Fund (4.1%), Baron Growth Fund (5.7%), Baron Partners Fund (9.2%*), Baron Focused Growth Fund (5.0%), Baron International Growth Fund (2.0%).

*% of Long Positions.

Portfolio holdings may change over time.

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

Index performance is not fund performance; one cannot invest directly into an index.

Definitions (provided by BAMCO, Inc.): **Russell 3000® Index** measures the performance of the broad 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. **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. **Russell Top 200 Index** is a market capitalization weighted index of the largest 200 companies in the Russell 3000. The Russell Top 200 Index is a benchmark index for U.S.-based large-cap stocks; the average member has a market cap above $100 billion. The index is reconstituted annually to account for new members and growing companies. **Russell 2000® Index** measures the performance of small-sized U.S. companies. **MSCI ACWI ex USA Index** measures the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the U.S.

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.

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.

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).

Operating Margin is calculated as Operating Income divided by Sales, multiplied by 100. Operating Income is calculated as Sales minus Cost of Goods Sold minus SG&A (Selling, General & Administrative) Expenses minus Other Operating Expenses.

Return on Invested Capital (ROIC) is calculated as Net Income divided by Average Invested Capital multiplied by 100. Average Invested Capital is calculated as the sum of Long-Term Invested Capital including Minority Interest and Total Short-Term Debt.

Earnings per share growth (EPS) is defined as the percentage change in normalized earnings per share over the previous 12 month period to the latest year end. It gives a good picture of the rate at which a company has grown its profitability.

Debt to Market Capitalization is calculated as Total Debt divided by market cap, multiplied by 100. Total Debt is calculated as the sum of Total Short-Term Debt and Total Long-Term Debt. If Total Short-Term Debt is not available, zero will be substituted.

Beta measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition.

MSCI Barra's USE3-L model: The Barra U.S. Equity Model 3 – Long (USE3-L) is a multi-factor regression model that decomposes local excess stock returns into a systematic component (due to factors) and a stock-specific component. The model covers about 10,500 stocks in the U.S. A factor is any characteristic of a stock (such as its size or its forecasted earnings growth) that explains its risk and expected return. The equity factor set in USE3-L includes 55 industry factors and 13 style factors (momentum, volatility, size, trading activity, value, earnings yield, dividend yield, growth, leverage, currency sensitivity, earnings variation, size non-linearity, and non-estimation universe). Factor returns can be estimated on a daily, weekly, or monthly basis.

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BARON ENERGY & RESOURCES STRATEGY
BARON FOCUSED GROWTH STRATEGY
BARON FOCUSED HIGH GROWTH STRATEGY
BARON GLOBAL ADVANTAGE STRATEGY
BARON HIGH GROWTH STRATEGY
BARON INTERNATIONAL GROWTH STRATEGY
BARON LARGE CAP GROWTH STRATEGY
BARON MID CAP GROWTH STRATEGY
BARON REAL ESTATE STRATEGY
BARON SMALL CAP GROWTH STRATEGY
BARON SMALL TO MID CAP GROWTH STRATEGY

MUTUAL FUNDS

BARON ASSET FUND
BARON DISCOVERY FUND
BARON EMERGING MARKETS FUND
BARON ENERGY AND RESOURCES FUND
BARON FIFTH AVENUE GROWTH FUND
BARON FOCUSED GROWTH FUND
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