

## The Advantages of Global Investing

As an avid sports fan, I cannot start this letter before saying congrats to the U.S. Women’s National Soccer Team for winning their fourth World Cup, and thanking them for an amazing performance! After such an outstanding start of the year for sports fans, the only team sport remaining to enjoy over the next few weeks is baseball. Football season officially starts in early September, and some of you may already be strategizing about your fantasy football draft picks. We run a football survivor pool in our office, and one thing that I’ve noticed is that every year people tend to favor their home team even when the odds are against them. This is particularly, and sadly, true for Jets fans. This is classic home bias.

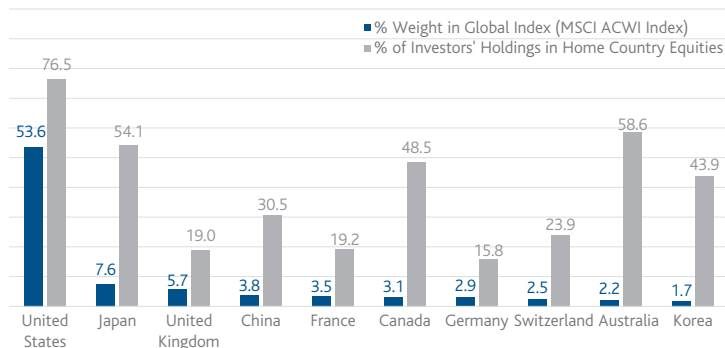
When it comes to sports, there is nothing materially wrong with favoring the team you know or like best. The worst that can happen is disappointment and the loss of your survivor pool entry fee. In the investment world, however, sticking to the familiar may pose real risks and turn into an expensive mistake.

According to data from the International Monetary Fund, the average U.S. investor has about 77% of his or her equity allocation invested in U.S. stocks. At the same time, U.S. stocks represent about half of the weight in the MSCI ACWI Index and the U.S. represents less than 25% of global GDP. Mutual Fund and ETF investors across the world are not the exception. According to the Morningstar Global Funds Database, as of 6/30/18, equity fund investors showed similar home biases. For example, almost 70% of the assets in equity funds available for sale in the U.S. were allocated to U.S. equities. In Japan and China, more than 90% was allocated to their respective home equities. This overallocation to U.S. companies is a prime example of home bias in investing. However, this bias is not limited to just U.S. investors – as the charts below show, investors in other countries also tend to be overallocated to stocks in their home country.

### Equity Investors Tend to Have Home Bias

#### Equity Market Home Bias by Country

as of 6/30/18

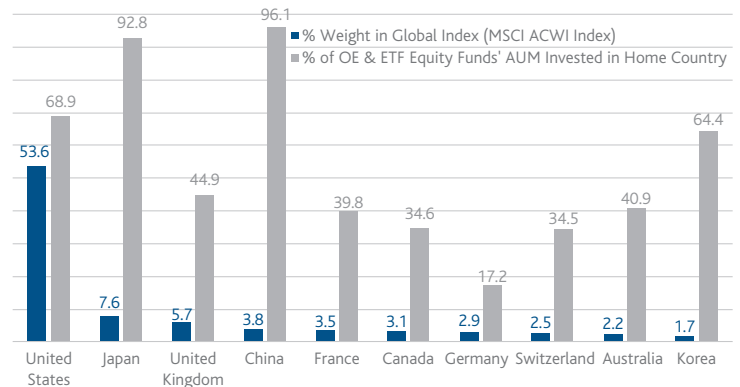


Sources: FactSet, MSCI, International Monetary Fund (Coordinated Portfolio Investment Survey), Baron Capital.

Note: % of Investors’ Holdings in Home Country Equities is calculated by subtracting total foreign investment (as reported by the IMF) in each country from its market capitalization in the MSCI ACWI Index. Given that the IMF data is voluntary, there may be some discrepancies between the market values in the survey and the MSCI ACWI Index.

#### Open-End Funds and ETFs Home Bias by Country

as of 6/30/18



Sources: FactSet, MSCI, Baron Capital.

Note: % of OE & ETF Equity Funds’ AUM Invested in Home Country is calculated using the total AUM of Open End Funds and ETFs available for sale in each country, and the country allocation data available in Morningstar. Percentage of the total AUM with available allocation data per country: United States – 97%, Japan – 52%, United Kingdom – 90%, China – 99%, France – 70%, Canada – 99%, Germany – 84%, Switzerland – 86%, Australia – 83%, and Korea – 99%.

In investing, being exposed to too much of the same thing could be dangerous, especially when that market or a segment of it underperforms. A globally diversified equity portfolio may not only protect investors from the concentration risks due to home bias, but could also open the doors for them to take advantage of many lucrative opportunities abroad. While research has established the potential benefits of diversification, this cannot guarantee a profit or protect against loss.

### U.S. Stocks Have Global Exposure but Do Not Provide Global Diversification

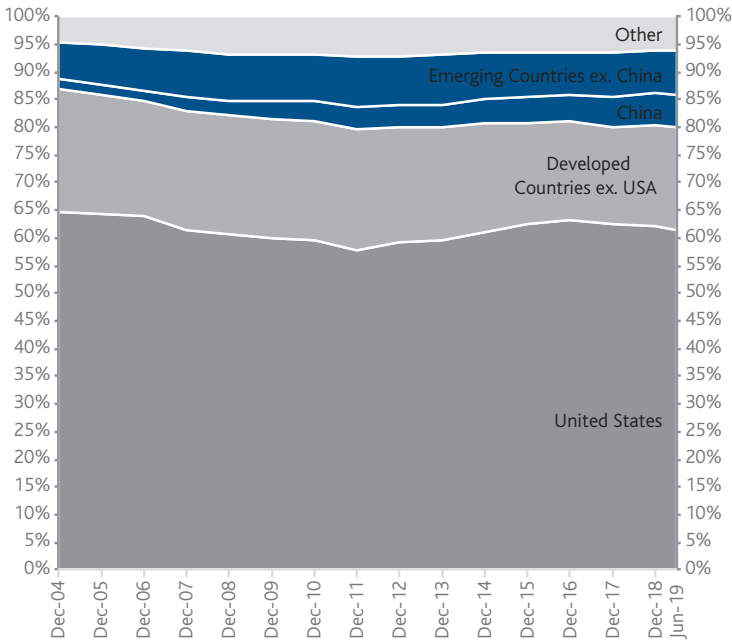
Some U.S. investors may believe that being exposed to U.S. stocks, particularly large-cap companies that have operations and assets around the globe, already provides them with significant global exposure. Others may think that U.S. companies predominantly reflect the economic and political events and stability at home. In our opinion, both views tell some truth but neither offers a true global perspective.

A breakdown by geographic revenue exposure of the companies in the S&P 500 Index shows that nearly 40% of the total revenue over the past year came from abroad. The chart below shows that this figure has been fairly stable over the past 15 years. This should not be surprising, as many U.S. companies have significant global presence.

# Baron Perspective

## A Significant Proportion of S&P 500 Companies' Revenue Has Been Sourced from Abroad

**S&P 500 Index – LTM Revenue Breakdown by Geography**  
as of 6/30/2019

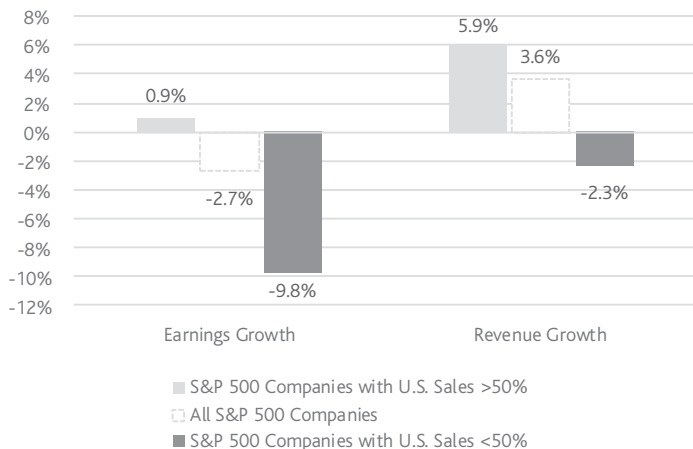


Source: FactSet.

Naturally, international events are likely to have more of an effect on the U.S. companies with larger foreign exposure. For example, recent trade and policy uncertainties have translated into meaningfully lower revenue and earnings expectations for Q2 '19 for companies that derive more than 50% of their revenues from abroad, according to data from FactSet.

## U.S. Companies with Higher Foreign Revenue Exposure are Facing Headwinds

**S&P 500 Index – Estimated Earnings and Revenue Growth: Q2 2019**  
as of 6/30/2019



Source: FactSet.

Clearly, the financial results of U.S. companies are not driven just by U.S. events. Like it or not, investors in passive U.S. large/all-cap products have

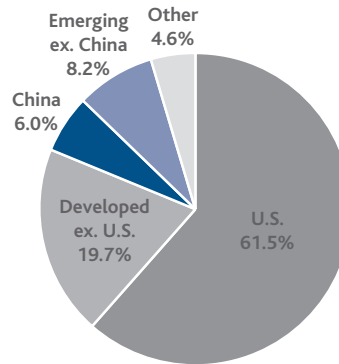
significant unintended and unmanaged global exposure. While U.S. large/all-cap active managers may have some flexibility to manage that exposure, it is not their mandate to do that, and investors would still be left to handle that risk on their own.

Because the large foreign revenue exposure of the S&P 500 Index is unintended and unmanaged, in our opinion it does not effectively eliminate home bias, nor can it effectively expose investors to the benefits of global growth.

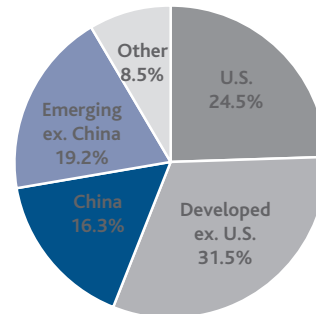
A deeper dive into the data shows that the foreign revenues of the companies in the S&P 500 Index are geographically sourced in disproportion to the breakdown of global economic output. For example, only 6% of total revenue is derived from China (the second largest economy in the world) and 14% is coming from all emerging economies combined. At the same time, China represents over 16% of global GDP, and all emerging economies represent over 35%.

## The S&P 500 Index Does Not Provide Effective Global Exposure

**S&P 500 Index**  
LTM Revenue Breakdown by Geography



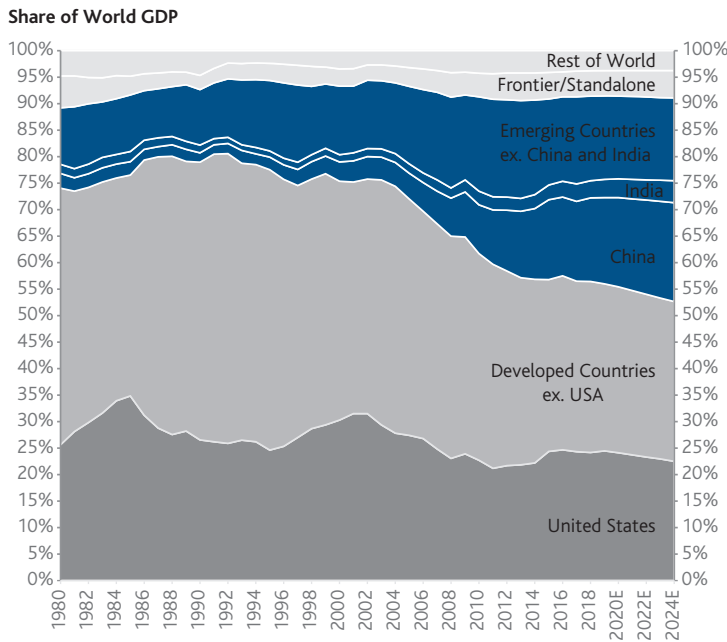
**Share of World GDP**  
2019 Estimates



Sources: Revenue data and breakdown from FactSet, as of 6/30/2019. GDP data and breakdown from the International Monetary Fund, World Economic Outlook Database, April 2019. Country classifications from MSCI. Note: Share of World GDP is calculated using current prices GDP in USD.LTM: last 12 months

We believe that a true global portfolio should invest in closer proportion to global output and in proportion to growth expectations. For example, according to estimates from the IMF, and as shown in the chart below, developing economies, and China in particular, are expected to continue to expand at a faster rate than developed countries.

### Developing Countries are Expected to Have Higher GDP Growth



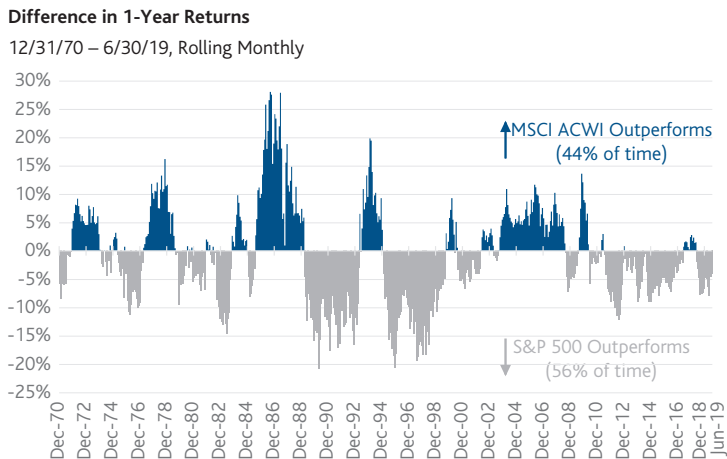
Sources: GDP data from International Monetary Fund, World Economic Outlook Database, April 2019. Country classifications from MSCI.  
 Note: Share of World GDP is calculated using current prices GDP in USD.

### The Potential Benefits of Global Investing

While U.S. stocks can be a great investment and can provide some global reach to investors, in our view a global portfolio that consists of U.S. and non-U.S. companies could offer significant additional benefits, like higher returns and improved risk/return characteristics, particularly to long-term equity investors.

Historically, the relative performance of U.S. and global stocks has been cyclical. While over the past decade the U.S. stock market has been the better performer, a longer-term view (see the chart below) shows that the global index has outperformed a significant portion of the time.

### The Performance of the S&P 500 Index and the MSCI ACWI Index Has Been Cyclical

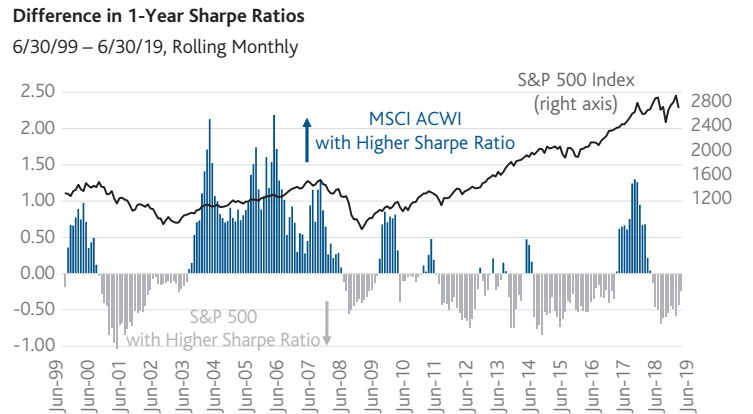


Source: FactSet.  
 Note: Due to data limitations, the MSCI ACWI Index was used from 12/31/87 to 6/30/19 and the MSCI World Index was used prior to 12/31/87.

A closer look at the data shows that the magnitude and volatility of relative returns have become smaller over the past 20 years. This could be partly driven by the globalization of international capital markets and higher and faster information access around the world. Nonetheless, globalization does not seem to have affected the cyclical nature of relative performance: over the past 20 years since 6/30/99, the MSCI ACWI Index outperformed 45% of the time.

On a risk-adjusted basis, the results are similar. Over the past 20 years, a period that captures two major crises – the dot-com bubble and the Great Recession, the MSCI ACWI Index had a better 1-year Sharpe Ratio 45% of the time, based on monthly rolling data shown in the following chart. This result is despite the unprecedented U.S. bull market over the past 10 years that was largely stimulated by quantitative easing, corporate tax cuts, and low interest rates, giving U.S. stocks a significant advantage.

### The Risk-Adjusted Performance of the S&P 500 Index and the MSCI ACWI Index Has Been Cyclical



Source: Morningstar Direct, FactSet.  
 Note: The Sharpe Ratios of each index were calculated using daily returns.

The prolonged outperformance of U.S. stocks in recent years has not given us reason to believe that the cyclical pattern of performance has been broken. Market cycles are unpredictable around the globe. In our view, attempting to time which stock market will do better is futile and can cause significant losses (see Letter from Linda from 3/31/19 for more on market timing).

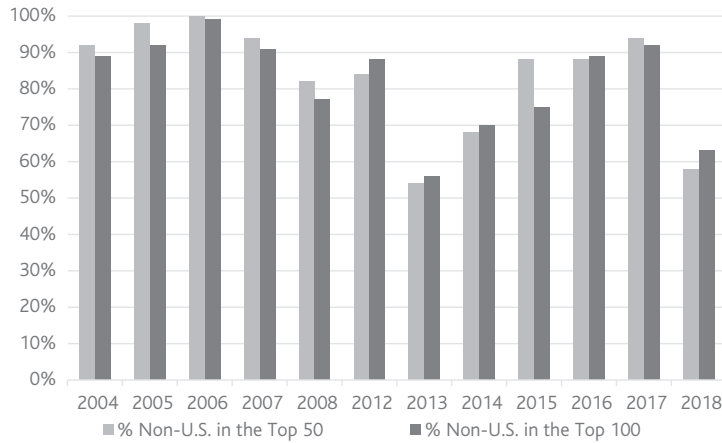
### If You Go Global, Go Active

Foreign equities do not always perform better than U.S. stocks as a group, but there have always been plenty of strong-performing stocks abroad. The following three charts show that in each of the past 15 calendar years, the majority of the top-performing stocks in the world (measured by total return) were outside of the U.S., many of them in emerging markets. In 2018, for example, 63 of the 100 top performing stocks in the MSCI ACWI Index were non-U.S., and in 2017 that figure was 92 out of 100.

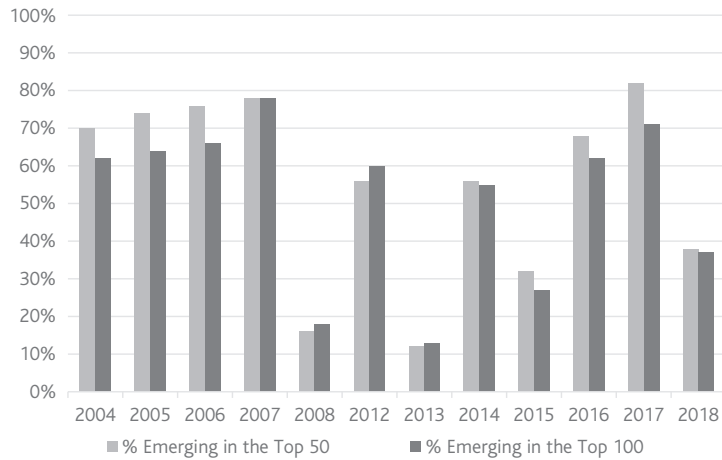
# Baron Perspective

## Most of the Stocks with Highest Returns Have Been Non-U.S.

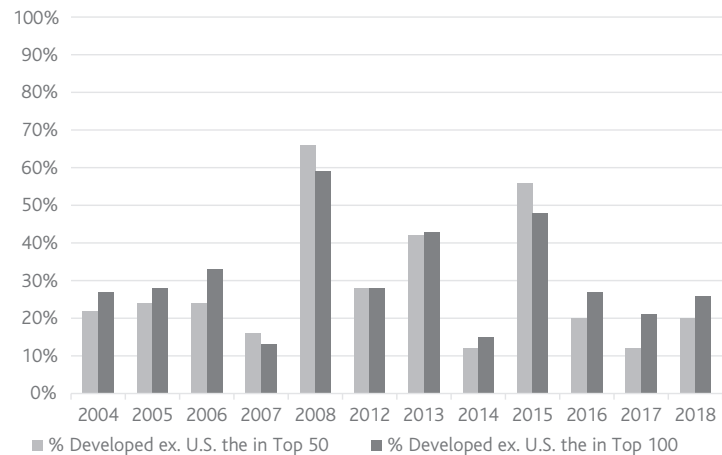
% Non-U.S. Companies among the Top Global Performers



% Emerging Country Companies among the Top Global Performers



% Developed Country ex. U.S. Companies among the Top Global Performers



Source: FactSet, Baron Capital.

Note: The analysis is based on the calendar-year total return of the companies in the MSCI ACWI Index.

With most of the top-performing stocks being constituents of the MSCI ACWI Index, one may wonder why this index underperformed the S&P 500 Index in most of these 15 years.

While the MSCI ACWI Index can serve as a rough proxy for the potential benefits of global investing, in our view it has too many design flaws to serve as a model for an actual investment. We view passive products that mimic this index (or any other index) as a poor choice for investors seeking global exposure.

One of the biggest drawbacks of the MSCI ACWI Index, in our view, is its overdiversification. As of 6/30/19, the index had 2,842 constituents, with the top 10 representing 11.8% of its total weight. Investing in such a broad set of stocks, and not having significant weights in almost any of them, virtually discounts all opportunity for consistently strong portfolio performance. Furthermore, after a few dozen, maybe a hundred investments, the marginal diversification benefits of each additional holding become close to zero and turn mostly into redundancies.

In addition, as most popular indexes do, the MSCI ACWI Index is constructed to give more weight to stocks that have done best in the past, rather than the ones with higher future growth opportunities. This exposes investors in such passive products based on that index to unmanaged momentum risk, among other risks.

The backward-looking weight-allocation of the index has naturally translated into a significant exposure to developed economies that, similarly to the S&P 500 Index, is disproportionate to the breakdown of global GDP and growth opportunities. As the three charts that follow show, a little over 27% of the index's revenue exposure and only 11.9% of its weight are to businesses in developing countries. At the same time, developing countries account for 44% of the world's GDP and are the ones expected to grow fastest.

In our view, skilled active managers can build and manage a well-balanced global portfolio without the deficiencies of the index and, as a result, potentially deliver significantly better absolute and risk-adjusted returns. While this sounds simplistic, the latest Morningstar data shows that it is not a trivial task. As of 6/30/19, only 32% and 30% of global actively managed products had outperformed their primary benchmark on a 3- and 5-year basis, respectively<sup>1</sup>.

## Baron's Approach to Global Investing

At Baron, we take a distinct approach to global investing that has produced outstanding results over the past seven years. On 4/30/12, we launched Baron Global Advantage Fund, managed by Alex Umansky, with the objective of identifying and investing in the best growth opportunities around the globe.

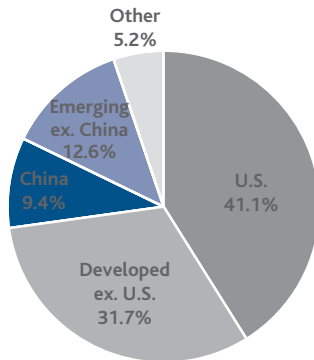
To achieve this objective, the Fund has been allowed maximum flexibility across virtually any criteria – it can invest in equity securities of established and emerging markets companies located throughout the world, of any market capitalization and across all industries. The Fund can take significant positions in those securities, within applicable regulatory requirements. Of course there is no guarantee that this objective can be met.

Enabled by globalization and technological advancements, secular growth opportunities have transcended country borders and industry definitions. That is why, in our view, flexibility is key for the success of a global equity portfolio. We believe that allowing a global portfolio to invest anywhere, without arbitrary limitations, offers the highest absolute and risk-adjusted upside potential, although this may not always be the result.

The MSCI ACWI Index is Heavily Weighted Towards Developed Countries

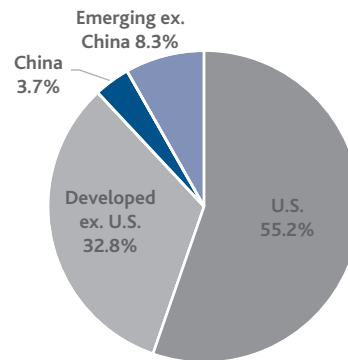
MSCI ACWI Index

LTM Revenue Breakdown by Geography



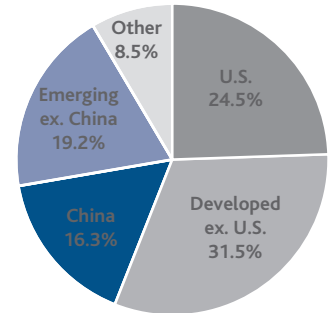
MSCI ACWI Index

Index Weight by Geography



Share of World GDP

2019 Estimates



Sources: Revenue data and breakdown from FactSet, as of 6/30/2019. GDP data and breakdown from the International Monetary Fund, World Economic Outlook Database, April 2019. Country classifications from MSCI. Note: Share of World GDP is calculated using current prices GDP in USD.

Funds with more flexibility may have higher volatility of their returns. Baron Global Advantage Fund is no different in this respect. Its highly active approach to global investing has resulted in relatively high volatility of its absolute and relative returns. While this may not be appealing to every investor, those who are seeking a higher-return opportunity with the objective of adding alpha to their portfolios may find Baron Global Advantage Fund a suitable fit.

The flexibility of the Fund includes the ability of the manager to take high-conviction positions. As of 6/30/19, the top 10 positions in the portfolio represented nearly 40% of the total weight. With around 40-50 holdings (typical for the Fund), the Fund is not overdiversified, but it is not focused, either. Along with a high conviction approach, the portfolio manager thoughtfully considers diversification by multiple criteria, including stage of business growth, product type, customer base, and geographic source of revenue, to name a few, which provides an attractive balance between risks and opportunities.

Baron Global Advantage Fund has the most flexible mandate among the Baron Funds family. Yet, the Fund adheres to Baron’s general investment philosophy and follows Baron’s investment criteria – it invests in companies that, in our view, have strong long-term growth potential, exceptional managements, attractive valuations, and durable competitive advantages.

The Fund’s manager puts a particular emphasis on the last criteria. According to Alex, and we agree, in an increasingly globalizing economy that has been continuously disrupted by technological advancements, the long-term winners will be the companies that can continually improve and offer unique value to their customers. To find such companies, Alex looks for the agents and/or beneficiaries of disruptive change in areas like digitization, big data, cloud computing, machine learning, autonomous driving, among others. He finds platform companies to be particularly well positioned to benefit from disruptive change, as they can capitalize on scalable network effects and large and diverse global addressable markets.

In addition to the above criteria, Alex favors companies that have secular, organic growth, strong free cash flows, higher/rising returns on invested capital, and low capital intensity. The table below shows that Baron Global Advantage Fund is meaningfully overexposed to companies with such fundamentals relative to its primary benchmark.

Baron Global Advantage Fund Invests in Higher Growth, Capital Efficient Businesses

Selected Fundamental Characteristics

as of 6/30/2019

	Growth		Profitability			Leverage
	Historical 5 Year Sales Growth (%)	Estimated 3-5 Year EPS Growth (%)	Gross Margin (%)	FCF Margin (%)	Return on Invested Capital (%)	Debt to Market Cap (%)
Baron Global Advantage Fund	22.8	24.7	53.1	13.0	13.9	9.1
MSCI ACWI Index	6.3	10.6	42.1	8.6	10.7	38.2
<b>Difference</b>	<b>16.5</b>	<b>14.1</b>	<b>11.0</b>	<b>4.4</b>	<b>3.2</b>	<b>-29.1</b>

Source: FactSet. FCF: free cash flow

Although we are aware of the characteristics and composition of the index, Baron Global Advantage Fund is not managed to a benchmark. The Fund’s characteristics and geographical and sector exposures are entirely a result of Alex’s continuous assessment of where the best opportunities are and his conviction in each portfolio investment. As Alex follows a distinctly different approach to global investing, the Fund’s relative weights and revenue exposures are also distinctly different, as the charts below show. The Fund’s high active share, 94.3% as of 6/30/19, also demonstrates that it is significantly different from its benchmark. See page 11 for a definition of Active Share.

# Baron Perspective

## Baron Global Advantage Fund is Significantly Different from its Benchmark

Baron Global Advantage Fund vs. MSCI ACWI Index

as of 6/30/19

GICS Sector	Portfolio Weight	Overweight/Underweight
Information Technology	35.7%	19.7%
Consumer Discretionary	24.6%	13.8%
Health Care	18.1%	6.7%
Communication Services	10.0%	1.3%
Real Estate	--	-3.2%
Utilities	--	-3.3%
Materials	--	-4.9%
Energy	--	-5.9%
Consumer Staples	--	-8.3%
Industrials	0.3%	-10.2%
Financials	6.0%	-10.9%

Region/Country	Portfolio Weight	Overweight/Underweight
Total Developed	66.3%	-21.9%
United States	46.7%	-8.5%
United Kingdom	5.2%	0.2%
Netherlands	5.6%	4.6%
Israel	6.1%	6.0%
Other Developed	2.7%	-24.0%
Total Emerging	28.4%	16.6%
China	10.5%	6.8%
India	6.0%	5.0%
Argentina	4.1%	4.0%
Brazil	4.5%	3.6%
Other Emerging	3.3%	-2.7%

Region/Country	Portfolio Revenue Exposure	Overweight/Underweight
Total Developed	57.9%	-12.9%
United States	39.1%	-1.9%
Japan	1.4%	-5.0%
Australia	0.4%	-1.7%
Canada	1.7%	-1.5%
France	1.1%	-1.1%
Other Developed	14.2%	-1.7%
Total Emerging	32.1%	10.5%
Brazil	6.8%	4.9%
India	6.8%	4.8%
China	13.7%	4.3%
Other Emerging	4.7%	-3.5%
Other	4.5%	-3.0%

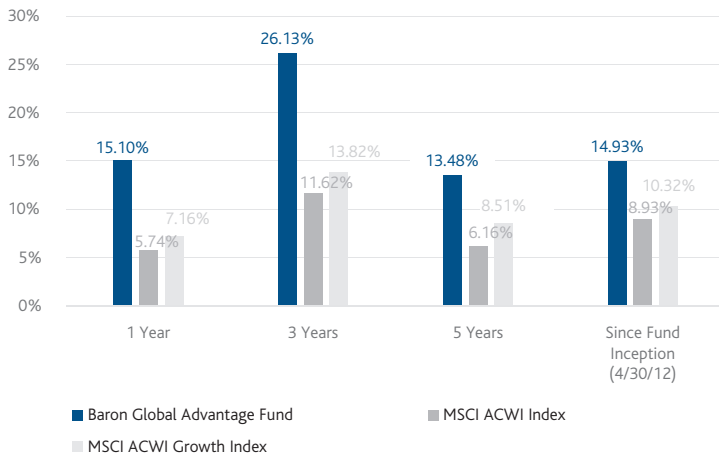
Sources: FactSet, Baron Capital, MSCI.

Since the Fund's inception on 4/30/12, Alex's highly differentiated investment approach to global investing has produced remarkable absolute and relative results. For a little over seven years, a \$10,000 investment in the Fund is now worth over \$27,000<sup>2</sup>. For comparison, over the same period a \$10,000 investment in the MSCI ACWI Index would have grown to \$18,462 and in the MSCI ACWI Growth Index to \$20,219<sup>3</sup>. The chart below shows that as of 6/30/19 the Fund had better performance versus its primary and secondary benchmarks over shorter and longer periods.

### Baron Global Advantage Fund Has Delivered Better Performance

#### Annualized Total Returns

as of 6/30/19



Source: FactSet SPAR.

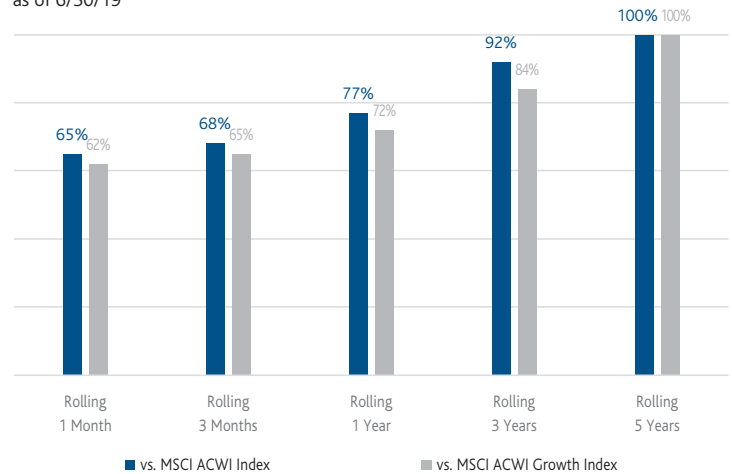
Note: The Fund's performance was calculated using its institutional share class.

The performance of the Fund has been consistently strong, particularly over longer periods. While it has experienced moments of short-term underperformance, the Fund has outperformed its benchmark about 9 out of 10 times over rolling 3-year periods, and 100% of the time over rolling 5-year periods. As the chart below shows, the longer the investment period, the higher the rate of outperformance.

### Baron Global Advantage Fund Outperformed More Often Over Longer Periods

#### Percentage of Time Outperformance over Rolling Periods

as of 6/30/19



Source: FactSet.

Note: Calculations based on monthly rolling data.

Furthermore, the Fund has delivered better risk-adjusted returns versus its benchmark, despite the higher volatility of its absolute and relative returns.

### Baron Global Advantage Fund Has Delivered Strong Risk-Adjusted Returns

#### Performance-Based Statistics

as of 6/30/19

	Baron Global Advantage Fund		MSCI ACWI Index		Baron Global Advantage Fund		MSCI ACWI Index		Baron Global Advantage Fund		MSCI ACWI Index	
	3 Years		5 Years		3 Years		5 Years		3 Years		5 Years	
Sharpe Ratio	1.60	0.91	0.77	0.45	0.92	0.72	Since Fund Inception (4/30/12)					
Information Ratio	1.64		0.85		0.70							
Alpha (%)	12.03		6.10		4.75							
Beta	1.13		1.21		1.14							
Standard Deviation (%)	15.47	11.32	16.49	11.79	15.66	11.55						
Tracking Error (%)	8.84		8.59		8.60							
Upside Capture (%)	151.01		139.47		126.46							
Downside Capture (%)	83.28		104.29		98.84							

Source: FactSet SPAR.

Note: The Fund's performance statistics were calculated using its institutional share class.

<sup>2</sup> Since its inception on 4/30/2012 until 6/30/2019, the cumulative return of the Fund's institutional share class was 171.16%.

<sup>3</sup> It is not possible to invest in an index. Data for illustration purposes only.

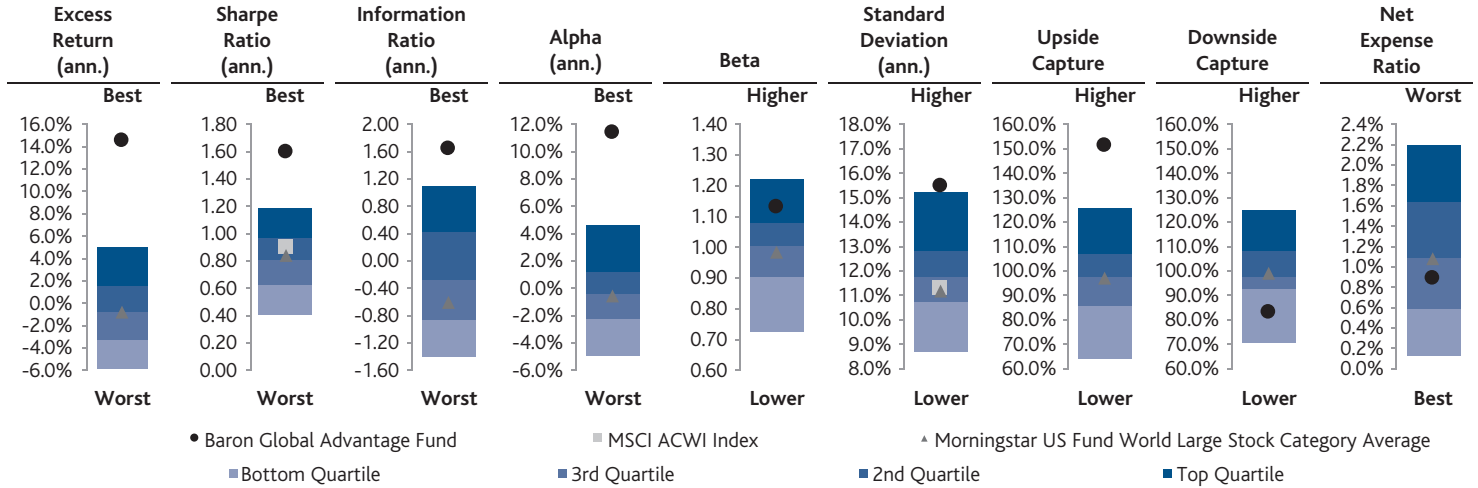
# Baron Perspective

The Fund has also delivered top results relative to its peer group in the Morningstar US Fund World Large Stock Category, as the chart below shows.

## Baron Global Advantage Fund vs. Peer Group

### Trailing 3-Year Performance-Based Statistics

as of 6/30/19



Source: Morningstar Direct.

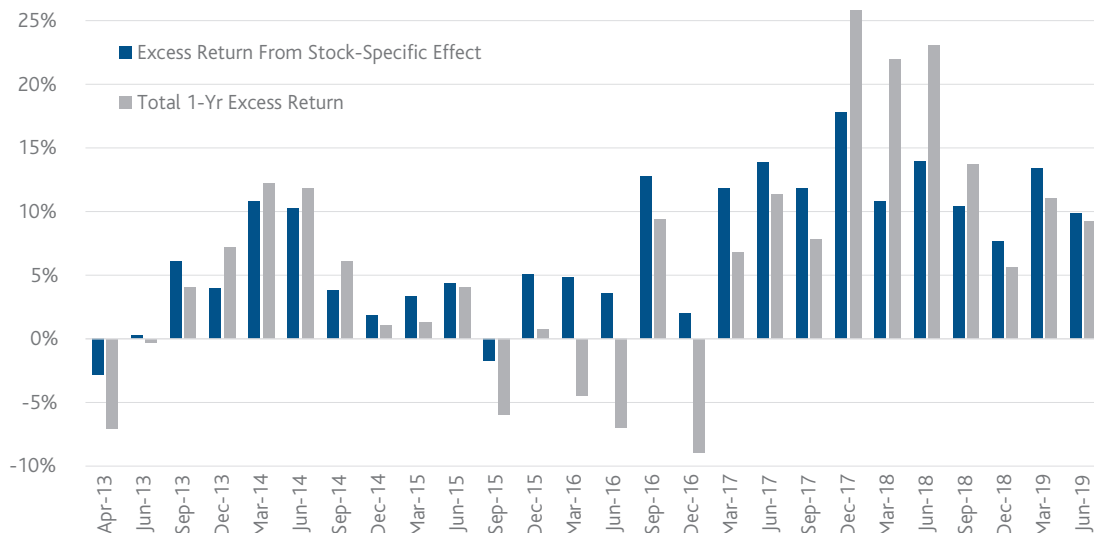
Most importantly, the strong results of the Fund have been driven by superior stock selection, which is what we expect. Since its inception until 6/30/19, Baron Global Advantage Fund outperformed its benchmark by 86.54% cumulatively<sup>4</sup>, and stock selection contributed 92.03%<sup>5</sup> to this result. As the chart below shows, stock selection has been a consistent contributor to relative performance. We believe this outcome attests to the quality of our bottom-up fundamental approach.

## Baron Global Advantage Fund Has Outperformed Due to Strong Stock Selection

### Baron Global Advantage Fund vs. MSCI ACWI Index

#### Rolling One-Year Excess Return and Stock-Specific Effect

as of 6/30/19



Source: FactSet.

<sup>4</sup> Measured using the performance of the Fund's institutional share class.

<sup>5</sup> Calculated using factor-based performance attribution, using MSCI Barra's GEMLT model.



Not surprisingly, the Fund’s performance has helped it rank near the top of its Morningstar category. (Please see page 8 for standardized performance information.) The Fund was recognized by Lipper as the best fund in its category for consistent risk-adjusted returns for the years 2016-2018. At the same time, it has ranked attractively in terms of net investor cost, represented by net expense ratio.

**Baron Global Advantage Fund Has Delivered Top Performance at a Reasonable Cost**

**Baron Global Advantage Fund vs. Peers**

**Percentile Rankings in Morningstar US Fund World Large Stock Category**

as of 6/30/2019

	Net Expense Ratio Rankings (higher = more expensive)	3-Yr Excess Return vs. Category Benchmark Rankings (lower = better)	3-Yr Sharpe Ratio Rankings (lower = better)	3-Yr Alpha vs. Category Benchmark Rankings (lower = better)
Retail Share Class	53%	1%	1%	1%
Institutional Share Class	40%	1%	1%	1%
R6 Share Class	40%	–	–	–

Source: Morningstar Direct.

Note: The percentile rankings are based on all share classes in the category with available data, including those of non-index funds, index funds, and ETFs.

All of these results are a product of years of research and experience, thoughtful complex analyses of multiple aspects and considerations, and many mistakes and victories along the way. It is also a result of applying a disciplined and consistent process that we think is repeatable, although there are no guarantees. Despite its significant potential benefits, investing globally may seem overwhelming to many, leading them to stick with the familiar and be exposed to home bias. But it doesn’t have to be this way. Leave the task to a skilled global investor, and simply enjoy your summer. And focus on football.

Linda S. Martinson  
President, and COO

Morningstar calculates the **Morningstar US Fund World Large Stock Category** average using the Morningstar 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 6/30/2019, the Category consisted of 864, 722, 594, and 458 share classes for the 1-, 3-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund** Institutional Share Class in the 2nd, 1st, 2nd, and 1st percentiles, respectively.

# Baron Perspective

*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](http://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](http://www.BaronFunds.com) or call 1-800-99BARON.*

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.

**RISKS:** Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell.

Morningstar created a World Small/Mid Stock Category and moved a large number of funds formerly in World Stock to the new category. Morningstar renamed the World Stock Category to the World Large Stock Category effective April 28, 2017 to reflect the remaining large cap stocks in the category. The Fund has been included in the category since inception.

Effective 1/31/2019, the Fund has changed its primary benchmark to the MSCI ACWI Index. **MSCI ACWI Index** measures the equity market performance of large and midcap securities across developed and emerging markets, including the United States. **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The index performance is not fund performance; one cannot invest directly into an index.

**Active Share** a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management. **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. **Information Ratio** (Info Ratio) is a ratio of portfolio returns above the returns of a benchmark – usually an index – to the volatility of those returns. **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. **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). **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. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

The Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Lipper Fund Award. For more information, see [lipperfundawards.com](http://lipperfundawards.com). Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Lipper, a Thomson Reuters company, is a leading global provider of mutual fund information and analysis to fund companies, financial intermediaries and media organizations. Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

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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## PRODUCTS WE OFFER

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

### STRATEGIES

BARON DISCOVERY STRATEGY  
BARON SMALL CAP GROWTH STRATEGY  
BARON FOCUSED GROWTH STRATEGY  
BARON SMALL TO MID CAP GROWTH STRATEGY  
BARON MID CAP GROWTH STRATEGY  
BARON DURABLE ADVANTAGE STRATEGY  
BARON LARGE CAP GROWTH STRATEGY  
BARON ALL CAP GROWTH STRATEGY  
BARON HIGH GROWTH STRATEGY  
BARON EMERGING MARKETS STRATEGY  
BARON GLOBAL ADVANTAGE STRATEGY  
BARON INTERNATIONAL GROWTH STRATEGY  
BARON HEALTH CARE STRATEGY  
BARON REAL ESTATE STRATEGY  
BARON REAL ESTATE INCOME STRATEGY

### MUTUAL FUNDS

BARON DISCOVERY FUND  
BARON GROWTH FUND  
BARON SMALL CAP FUND  
BARON FOCUSED GROWTH FUND  
BARON ASSET FUND  
BARON DURABLE ADVANTAGE FUND  
BARON FIFTH AVENUE GROWTH FUND  
BARON OPPORTUNITY FUND  
BARON PARTNERS FUND  
BARON EMERGING MARKETS FUND  
BARON INTERNATIONAL GROWTH FUND  
BARON GLOBAL ADVANTAGE FUND  
BARON HEALTH CARE FUND  
BARON REAL ESTATE FUND  
BARON REAL ESTATE INCOME FUND  
BARON WEALTHBUILDER FUND

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