September 30, 2018

Institutional Shares (BREIX)

Baron Real Estate Fund
Fact Sheet

BAMCO, Inc., Registered Investment Adviser

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The Fund may not achieve its objectives. Portfolio holdings may change over time.

Definitions (provided by BAMCO, Inc.): 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 indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The **MSCI US REIT Index** is an unmanaged 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 **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The indexes and the Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results. Morningstar calculates the **Morningstar US Fund Real Estate Category Average** using its Fractional Weighting methodology. The Fund's Institutional Shares have been included in the category since December 31, 2010. **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). **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. **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. **R-Squared:** measures how closely a fund's performance correlates to the performance of the benchmark index, and thus is a measurement of what portion of its performance can be explained by the performance of the index. Values for R-Squared range from 0 to 100, where 0 indicates no correlation and 100 indicates perfect correlation. **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. **Information Ratio:** measures the excess return of a fund divided by the amount of risk the fund takes relative to the benchmark index. The higher the information ratio, the higher the excess return expected of the fund, given the amount of risk involved. **Upside Capture:** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture:** explains how well a fund performs in time periods where the benchmark's returns are less than zero. **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. **EPS Growth Rate (3-5 year forecast):** indicates the long-term forecasted EPS growth of the companies in the portfolio, calculated using the weighted average of the available 3-to-5 year forecasted growth rates for each of the stocks in the portfolio provided by FactSet Estimates. The EPS Growth rate does not forecast the Fund's performance. **Price/ Earnings Ratio (trailing 12-months):** is a valuation ratio of a company's current share price compared to its actual earnings per share over the last twelve months. **Price/Book Ratio:** is a ratio used to compare a company's stock price to its tangible assets, and it is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. **Price/Sales Ratio:** is a valuation ratio of a stock's price relative to its past performance. It represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. Price/Sales is calculated by dividing a stock's current price by its revenue per share for the last 12 months. Historical portfolio characteristics are provided by Compustat and FactSet Fundamentals. **Weighted Harmonic Average:** is a calculation that reduces the impact of extreme observations on the aggregate calculation by weighting them based on their size in the fund.

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Portfolio Facts and Characteristics

	Fund	MSCI USA IMI Extended Real Estate Index
# of Equity Securities / % of Net Assets	47 / 93.2%	-
Turnover (3 Year Average)	50.86%	-
Active Share	75.0%	-
Median Market Cap†	$8.59 billion	$2.58 billion
Weighted Average Market Cap†	$28.40 billion	$46.76 billion
EPS Growth (3-5 year forecast)†	14.1%	11.1%
Price/Earnings Ratio (trailing 12-month)*†	17.0	19.6
Price/Book Ratio*†	2.8	2.1
Price/Sales Ratio*†	2.5	2.2

* Weighted Harmonic Average
† Source: FactSet PA – Compustat, FactSet and BAMCO. Internal valuations metrics may differ.
R6 Shares are also available for this Fund.

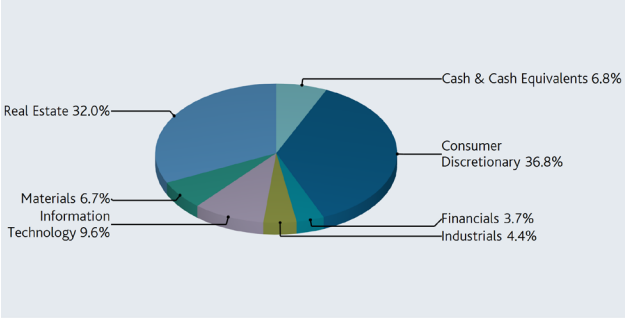
Performance Based Characteristics[2]

	3 Years	5 Years	Since Inception
Std. Dev. (%) - Annualized	13.75	13.15	15.56
Sharpe Ratio	0.54	0.57	0.88
Alpha (%) - Annualized	-3.64	-2.81	1.16
Beta	1.12	1.09	1.02
R-Squared (%)	78.59	78.07	83.93
Tracking Error (%)	6.50	6.22	6.24
Information Ratio	-0.45	-0.39	0.20
Upside Capture (%)	95.03	96.46	103.72
Downside Capture (%)	118.90	115.29	98.45

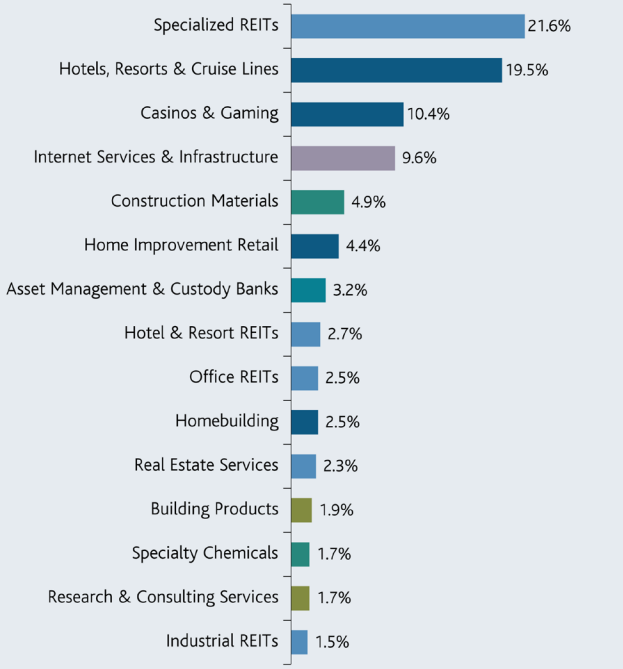
Top 10 Holdings

Top 10 Holdings	% of Net Assets
American Tower Corp.	5.9
Equinix, Inc.	5.8
InterXion Holding N.V.	5.0
Home Depot, Inc.	4.4
MGM Resorts International	4.0
Penn National Gaming, Inc.	3.2
Brookfield Asset Management, Inc.	3.2
GDS Holdings Limited	2.8
Norwegian Cruise Line Holdings, Ltd.	2.7
Vulcan Materials Company	2.7
Total	**39.7**

GICS Sector Breakdown[1]



Top 15 GICS Sub-Industry Breakdown[1]



Colors of Sub-Industry bars correspond to sector chart above.

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.

Investment Strategy

The Fund invests broadly in real estate businesses with significant growth potential. It maintains exposure across different industries and all capitalization ranges. Diversified.

Portfolio Manager

Jeff Kolitch joined Baron in 2005 as a research analyst specializing in real estate and was named portfolio manager in 2009. He has 26 years of research experience. Previously, Jeff was with Goldman Sachs & Co. from 1995 to 2005, where in 2002 he was named a managing director of its Equity Capital Markets group. Jeff graduated from the Wharton School, University of Pennsylvania with a B.S. in Economics in 1990, and from the Kellogg Graduate School of Management, Northwestern University with a Masters of Management in 1995.

Investment Principles

- Long-term perspective allows us to think like an owner of a business
- Independent and exhaustive research is essential to understanding the long-term fundamental growth prospects of a business
- We seek appropriately capitalized open-ended growth opportunities, exceptional leadership, and sustainable competitive advantages
- Purchase price and risk management are integral to our investment process

Fund Facts

Inception Date	December 31, 2009
Net Assets	$851.04 million
Institutional Shares	
CUSIP	06828M801
Expense Ratio[3]	1.06%

1 - Industry sector or sub-industry group levels are provided from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"). All GICS data is provided "as is" with no warranties. The Adviser may have reclassified/classified certain securities in or out of a sub-industry. Such reclassifications are not supported by S&P or MSCI.
2 - Source: FactSet SPAR. Except for Standard Deviation and Sharpe Ratio, the performance based characteristics above were calculated relative to the Fund's benchmark.
3 - As of FYE 12/31/2017

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Baron Real Estate Fund Institutional Shares (BREIX)

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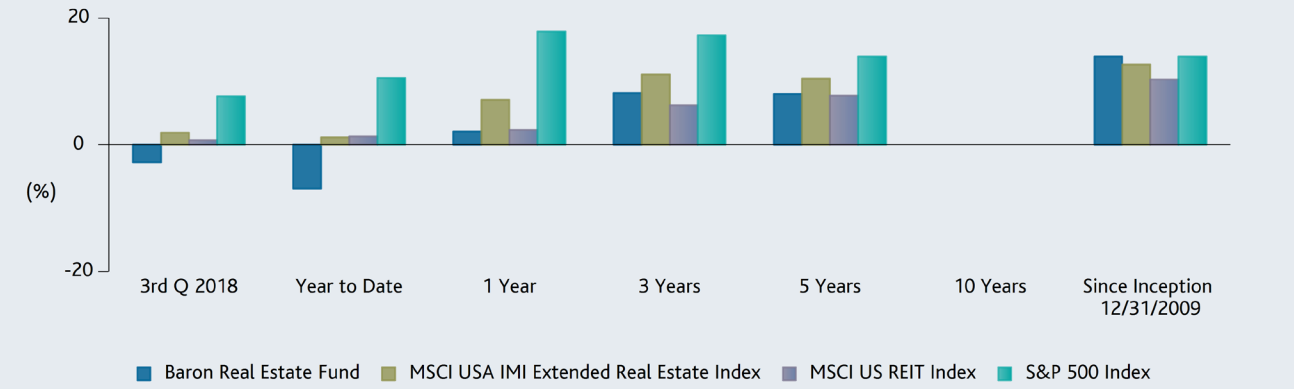
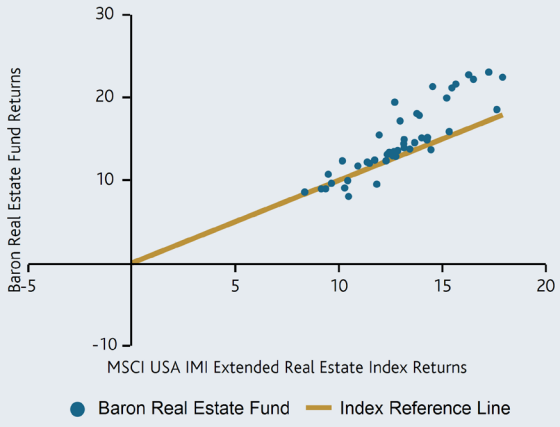
Performance as of September 30, 2018



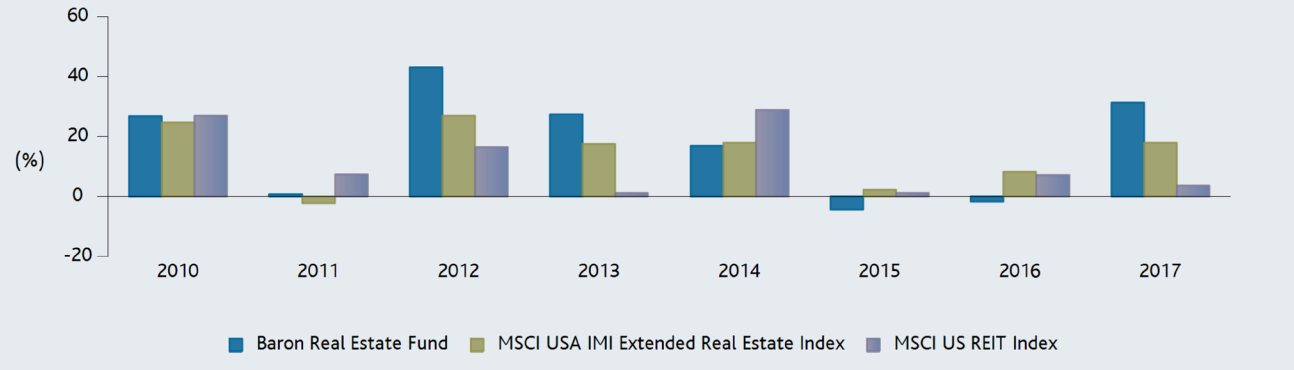
	Total Returns(%)				Annualized Returns(%)									
	3rd Q 2018		Year to Date		1 Year		3 Years		5 Years		10 Years		Since Inception 12/31/2009	
	Return	+ –	Return	+ –	Return	+ –	Return	+ –	Return	+ –	Return	+ –	Return	+ –
BREIX - Institutional Shares	-2.76		-6.91		2.12		8.18		8.05		N/A		13.94	
MSCI USA IMI Extended Real Estate Index	1.91	-4.67	1.18	-8.09	7.10	-4.98	11.13	-2.95	10.47	-2.42	N/A		12.66	1.28
MSCI US REIT Index	0.78	-3.54	1.32	-8.23	2.37	-0.25	6.30	1.88	7.78	0.27	N/A		10.34	3.60
S&P 500 Index	7.71	-10.47	10.56	-17.47	17.91	-15.79	17.31	-9.13	13.95	-5.90	N/A		13.96	-0.02
Morningstar Real Estate Category Average	0.58	-3.34	1.22	-8.13	3.39	-1.27	7.24	0.94	8.56	-0.51	N/A		N/A	

The blue shading represents Fund outperformance vs. the corresponding benchmark. The yellow shading represents underperformance.

BREIX has outperformed the MSCI USA IMI Extended Real Estate Index 83% of the time (since its inception and using rolling 5-year annualized returns).



Historical Performance(Calendar Year %)



	2010	2011	2012	2013	2014	2015	2016	2017
BREIX - Institutional Shares	26.90	0.80	42.99	27.48	16.93	-4.42	-1.75	31.42
MSCI USA IMI Extended Real Estate Index	24.81	-2.26	27.00	17.44	17.96	2.27	8.24	18.04
MSCI US REIT Index	26.98	7.48	16.47	1.26	28.82	1.28	7.14	3.74

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.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.

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Review and Outlook

Since the start of 2018, several headwinds have negatively impacted most real estate-related stocks. This trend continued through the end of the third quarter, and while the MSCI USA IMI Extended Real Estate Index posted modest gains in the quarter, it significantly lagged the major indexes. Key headwinds included increases in interest rates, a slowdown in the U.S. housing market, and a moderation of business fundamentals in real estate categories such as casino and gaming, construction materials, and some commercial real estate companies.

Baron Real Estate Fund declined in the third quarter. Investments in the hotels & leisure, real estate operating companies, and REITs categories were the largest contributors. Top contributor Royal Caribbean Cruises Ltd. and second largest contributor Norwegian Cruise Line Holdings Ltd. drove positive performance in hotels & leisure. Global alternative asset manager Brookfield Asset Management, Inc. boosted performance of the real estate operating companies category. Although the portfolio's REIT positions had mixed returns, contributors outweighed detractors to drive modest overall gains.

Holdings in the building products/services, homebuilders & land developers, and casinos & gaming operators categories were the largest detractors. With four of the top five detractors, building products/services had a weak quarter. The category included Vulcan Materials Company and Summit Materials, Inc., respectively the top and second largest detractors from performance. Homebuilders & land developers experienced declines in all of the portfolio's holdings in the category, including third largest detractor Installed Building Products, Inc. Casinos & gaming operators detracted on overall sector weakness.

While we believe that no one has a crystal ball regarding how macroeconomic changes, political events, and central bank actions may unfold, and what the market's reaction will be, we see several cautionary signs that temper our near-term outlook for real estate and the market. Most notably, we are closely monitoring the recent increase in interest rates and signals from the Fed, given somewhat hawkish recent commentary from Fed Chairman Powell. Nevertheless, while our antenna remains up, we maintain a long-term favorable outlook.

Large segments of real estate-related stocks have declined sharply in 2018 in what feels like a "sell now, ask questions later" mentality. In our opinion, this broad-based and sharp price correction has left many real estate-related companies at valuations that are at the lowest levels in several years. We are identifying a number of attractive investment opportunities at what we believe to be compelling valuations.

Top Contributors/Detractors to Performance for the Quarter Ended September 30, 2018

Contributors

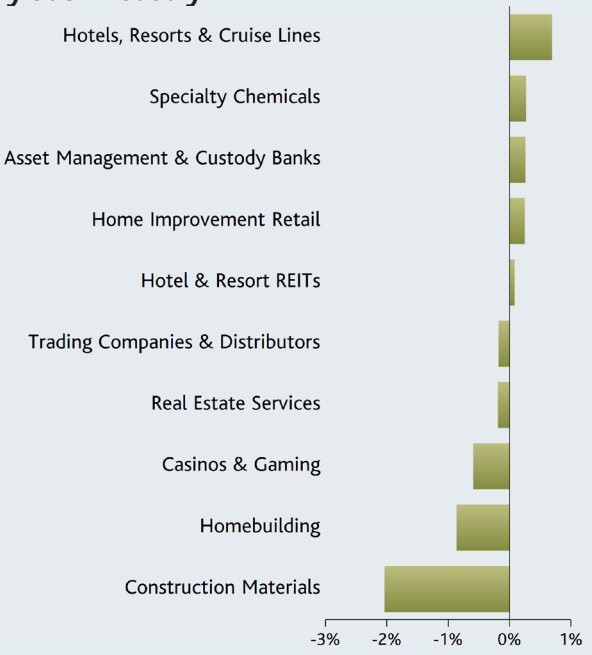
- Shares of **Royal Caribbean Cruises Ltd.**, a global cruise operator, appreciated along with the rest of the industry, driven by strong yield results despite accelerating supply. The company closed on its SilverSeas acquisition that gives it exposure to the high-end cruise traveler and should offer strong cross-marketing opportunities among its Royal, Celebrity, and SilverSeas brands. We believe Royal Caribbean's balance sheet and free cash flow remain strong and should offer additional value over time.
- Shares of **Norwegian Cruise Line Holdings, Ltd.**, a global cruise line operator, appreciated along with the rest of the industry, driven by strong yield results despite accelerating supply. Norwegian's itinerary changes for 2019 and 2020 and the relocation of its China ship to Alaska also helped boost the stock price. The company maintains a strong balance sheet and cash flow profile that we believe should provide additional value in the years ahead.
- Shares of **InterXion Holding N.V.** a provider of network-dense, carrier-neutral colocation data center services across Europe, contributed to performance due to robust results and the company's recent announcement of increased capital spending for the year driven by strong customer demand. We continue to hold the stock due to durable secular tailwinds in cloud adoption and IT outsourcing, strong pre-leasing trends, and the company's high probability of acquisition as the last pure-play European operator of scale.

Detractors

- **Vulcan Materials Company** is a U.S.-based manufacturer and distributor of aggregates used in private and public construction activity. Vulcan detracted from performance during the third quarter on results that missed Street forecasts. We retain conviction because of encouraging demand trends and a valuation we perceive as attractive.
- **Summit Materials, Inc** is a U.S.-based manufacturer and distributor of construction materials, including aggregates, cement, ready-mix concrete, and asphalt used in private and public construction activity. Second quarter financial results and full-year guidance that fell short of Street expectations drove weak performance. We retain conviction because of the company's differentiated growth strategy and a valuation we perceive as inexpensive.
- Shares of **Installed Building Products, Inc.**, a distributor and installer of fiberglass insulation and complementary products serving residential and non-residential construction markets, detracted from performance. Concerns that the U.S. residential construction sector is slowing as well as company-specific margin headwinds from input inflation and new locations that have not yet stabilized drove weak performance. We retain conviction based on the company's differentiated business model and growth strategy and a valuation we perceive as inexpensive.

Contribution to Return[1]

By Sub-Industry



By Holdings

Top Contributors	Average Weight(%)	Contribution(%)
Royal Caribbean Cruises Ltd.	2.04	0.46
Norwegian Cruise Line Holdings, Ltd.	2.27	0.44
InterXion Holding N.V.	4.32	0.31
The Sherwin-Williams Company	2.36	0.27
Brookfield Asset Management, Inc.	2.77	0.26

Top Detractors	Average Weight(%)	Contribution(%)
Vulcan Materials Company	4.22	-0.70
Summit Materials, Inc.	1.70	-0.64
Installed Building Products, Inc.	1.62	-0.54
Eagle Materials Inc.	1.82	-0.35
Martin Marietta Materials, Inc.	1.73	-0.34

1 - Source: FactSet PA.

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Top 10 Holdings as of September 30, 2018

Company	Investment Premise
American Tower Corp. (AMT) is the largest independent wireless tower operator worldwide, with close to 170,000 towers in 13 countries on five continents.	Increasing demand for wireless voice and data coverage is driving leasing activity for wireless carriers. Because zoning for new towers is difficult to obtain, leasing on an existing tower (tenant colocation) is typically the best option. American Tower has been expanding internationally, bringing the U.S. tower model to new markets. We expect new tenants and higher colocation activity to drive continued strong organic cash flow growth. In addition, we believe American Tower will continue to acquire tower portfolios opportunistically.
Equinix, Inc. (EQIX) is a network neutral operator of 200 data centers across 52 metros and 24 countries in North America, Europe, and Asia-Pacific. It provides highly reliable facilities and offers low latency interconnection to and among business partners, networks, and cloud service providers.	We believe Equinix continues to benefit from a number of key long-term trends, including growth in internet traffic, globalization, IT outsourcing, cloud computing, and mobility. Equinix began operating as a REIT in early 2015 and with the improved cost of capital, has announced several strategic acquisitions across the globe. We believe these acquisitions will create meaningful cost and revenue synergies, further enhancing Equinix's global platform. We also believe Equinix can continue to outgrowth the market organically and supplement growth with prudent acquisitions.
InterXion Holding N.V. (INXN) is a European provider of cloud and carrier-neutral colocation data center services. It has over 50 data centers across 13 cities in 11 countries, over 132,000 square meters of equipped space, and 1,600 customers.	With its expansive, pan-European footprint, we think InterXion is well positioned to benefit from strong secular tailwinds as the European market is still in the early stages of cloud adoption and IT outsourcing, roughly two years behind the U.S. InterXion has a sticky customer base with low churn and network effects and 95% recurring revenue. In our view, it also benefits from significant barriers to entry, as it takes three to four years to plan, permit, and build a data center.
Home Depot, Inc. (HD) is the largest home improvement retailer in the U.S. It operates 2,270 stores in the U.S., Canada, and Mexico.	Home Depot is a best-in-class company, and is well positioned to continue benefiting from the growth of U.S. repair and remodel spending. We believe that the company can grow earnings per share by close to 10% annually over the next several years from continued growth in home improvement spending, market share gains, stable margins, and share repurchases funded with free cash flow.
MGM Resorts International (MGM) is a casino hospitality company with properties in Macau, Las Vegas, and other regions across the U.S. 75% of its EBITDA is in the U.S., while 25% is from Macau. The company owns a 74.5% stake in gaming REIT MGM Growth Properties and a 56% stake in MGM China.	MGM Resorts has a pipeline of projects, with the August 2018 opening in Massachusetts and the December 2018 redevelopment of its Monte Carlo casino in Vegas into Park MGM. These projects, combined with a recovery in Macau, should add significant value over time, in our view. We also believe the ongoing recovery in Las Vegas post the October 2017 shooting will drive results. While the company is levered, we believe it will lower leverage organically as the new projects open and continue to return capital to shareholders through increased dividends and buybacks.
Penn National Gaming, Inc. (PENN) is the largest and most diversified regional casino operator, with 23 facilities in 17 jurisdictions. It has recently been making acquisitions and is currently finalizing its largest deal, the buyout of Pinnacle Entertainment.	We think Penn is one of the best regional operators of gaming with a strong and experienced management team. The company has a history of acquiring quality gaming companies at favorable prices. We think there is much potential for it to grow through the ramp up of a racetrack with slot machines in Massachusetts, the acquisition of the Tropicana in Las Vegas, and the expected closing of the Pinnacle Entertainment acquisition by year end. Penn should generate substantial synergies from the Pinnacle deal that we expect will add significant value for shareholders over time.
Brookfield Asset Management, Inc. (BAM) is a leading global alternative asset manager and one of the largest investors in real assets. Brookfield focuses on real estate, renewable power, infrastructure, and private equity assets.	Brookfield's underling assets generate high levels of predictable and sustainable cash flows, require minimal capital expenditures, and have solid barriers to entry, in our view. Growth opportunities include: 1) ability to further scale its asset management business (35-40% of the value); 2) increased occupancy in office assets; 3) new development opportunities in water infrastructure (desalination, irrigation, etc.) and technology infrastructure assets (fiber, cell phone towers, smart city sensors); and 4) additional platform acquisitions.
GDS Holdings Limited (GDS) is a China-based operator of data centers with 16 data centers, five markets and more than 100,000 square meters in service. More than 50% of its revenues come from Chinese internet companies such as Alibaba, Tencent, and Baidu.	We believe GDSis poised to benefit from the explosion of cloud growth in China as the preferred provider to Alibaba and Tencent. Cloud adoption is still in its infancy in the market, and GDS is capturing more than its fair of incremental deployments due to its proven track record and carrier neutral value proposition.
Norwegian Cruise Line Holdings, Ltd. (NCLH) is a global cruise line operator with itineraries in North America, the Mediterranean, the Baltics, Central America, Bermuda, and the Caribbean. It is the smallest of the three big cruise lines, with 25 ships under the Norwegian, Oceania and Regent brands.	The industry is still underpenetrated and while capacity is accelerating from 5% to 7% the next few years, it is not impacting net yields. We think Norwegian should benefit the most from this new supply, as it has a new ship coming online every year through 2027. These new ships command higher pricing and help further increase net yields, which are already at peak levels. In our view, this should lead to stronger margins and higher cash flow, which can be invested in new ships, used to pay down debt, or returned to investors through dividends and share repurchases.
Vulcan Materials Company (VMC) is a leading supplier of aggregates products (crushed stone, sand, and gravel) for the construction industry, used for infrastructure, nonresidential, and residential projects.	In our view, Vulcan is a high-quality company in a high barrier to entry industry. We think the company is poised to grow significantly over the next several years from a continued cyclical recovery across its construction end markets and price increases. Vulcan should also benefit from the recently enacted federal highway bill and associated state spending, which should provide a secular growth tailwind over the next several years, in our view. We believe the valuation is reasonable relative to the quality of the company and growth potential.

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