Dear Baron Real Estate Income Fund Shareholder:

Performance

We are pleased to report that the Baron Real Estate Income Fund (the "Fund") generated strong performance for the nine months ended September 30, 2019.

During this period, the Fund gained 28.44% (Institutional Shares), exceeding its primary benchmark index, the MSCI US REIT Index, which gained 25.71%.

In the most recent quarter ended September 30, 2019, the Fund generated a 6.46% return, modestly underperforming the MSCI US REIT Index, which gained 7.38%.

Table I.
Performance
For periods ended September 30, 2019

	Baron Real Estate Income Fund Retail Shares[1,2]	Baron Real Estate Income Fund Institutional Shares[1,2]	MSCI US REIT Index[1]
Three Months[3]	6.67%	6.46%	7.38%
Nine Months[3]	28.66%	28.44%	25.71%
One Year	14.01%	13.98%	16.84%
Since Inception (December 29, 2017)	7.82%	7.93%	10.12%

In the first nine months of 2019, the relative appeal of dividend-paying securities, such as REITs (73% of the Fund's net assets), increased as interest rates declined approximately 100 basis points. On September 30, 2019, the 3.8% weighted average dividend yield of U.S. REITs compared favorably to the 1.68% yield on U.S. 10-Year Treasuries.

Several additional factors have contributed to strong performance for many of the Fund's investments in REITs and other commercial real estate-related companies, and we believe these factors remain in place. For a more detailed discussion of why we continue to believe that the prospects for the Fund remain attractive, we urge you to review our perspective on the outlook for the Fund in the "Outlook" section later in this letter.

We also encourage you to read the "Portfolio Structure" section presented later in this letter. There, we discuss our key observations regarding the portfolio's structure and strategy.

JEFFREY KOLITCH

PORTFOLIO MANAGER

Retail Shares: BRIFX
Institutional Shares: BRIIX
R6 Shares: BRIUX

Table II.
Top contributors to performance for the quarter ended September 30, 2019

	Quarter End Market Cap (billions)	Percent Impact
Americold Realty Trust	$ 7.1	0.94%
Equinix, Inc.	48.9	0.84
Invitation Homes, Inc.	15.9	0.70
Brookfield Infrastructure Partners L.P.	19.6	0.52
Sun Communities, Inc.	13.5	0.48

The shares of **Americold Realty Trust** continued to perform well in the most recent quarter due to solid business results and the expectation for a continuation of strong long-term business prospects. The company is the only REIT that focuses on owning and operating temperature-controlled warehouses. It has the largest portfolio of these warehouses in the U.S. and globally. We think Americold is well positioned to deliver superior growth relative to most REITs due to strong demand trends, limited supply, and opportunities to improve occupancy and rents in its current portfolio.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2018 was 10.47% and 7.18%, respectively, but the net annual expense ratio was 1.05% and 0.80% (net of the Adviser's fee waivers), respectively. *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 or call 1-800-99BARON.*

1 The index is unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The index and the Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results.

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

3 Not annualized.

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We continue to anticipate that Americold will bolster its growth by developing additional warehouses and by making acquisitions of other temperature-controlled warehouses.

Despite Americold's share price more than doubling from $16 to $38 (ex-dividends) since its initial public offering in January 2018, we continue to believe the shares remain attractively valued relative to most REITs and the private market. We remain bullish about the long-term prospects for the company and its shares.

The shares of **Equinix, Inc.**, the largest global data center company in the world and a top holding of the Fund, increased 15% in the third quarter. Key highlights from recent quarterly results include:

- Strong business momentum: The company reported its second highest quarterly new booking activity in its history, and management expressed its expectation for sustained strength in new business demand.
- Continued improvement in its balance sheet: Equinix received its second investment grade rating which should lead to lower debt financing rates, broader investment appeal for its shares, and, perhaps, a higher-valuation multiple for the company.
- $1 billion partnership with the Government of Singapore: Equinix announced a $1 billion joint venture partnership to develop and operate data centers in Europe with one of the world's largest sovereign wealth funds, GIC Private Limited (formerly, the Government of Singapore Corporation). Management anticipates additional partnership agreements that should support Equinix's global growth ambitions.

In addition to the key highlights noted above, we remain bullish on the long-term growth prospects for Equinix because we believe the company is well positioned to benefit from the powerful secular demand prospects that we have discussed in detail in prior letters: strong growth in Information Technology ("IT") outsourcing; increased cloud computing adoption; and, powerful data demand trends.

The shares of **Invitation Homes, Inc.** increased 11% in the most recent quarter as the company continued to report strong business results that included solid occupancy and rent increases as well as impressive expense management.

Invitation Homes is a REIT, and it is the largest owner and operator of single-family rental homes in the U.S. with more than 80,000 homes located in 13 states. Its primary business strategy focuses on acquiring, renovating, leasing, and operating single-family homes as rentals.

We recently attended Invitation Homes' first-ever investor and analyst day. The meeting reinforced our strong conviction that the long-term prospects for the company are compelling.

Our enthusiasm for Invitation Homes is due to the following considerations:

1. Favorable industry fundamentals

   We believe the macro opportunity for single-family home rentals is compelling. Demand continues to grow against a backdrop of low supply, thereby creating favorable long-term prospects for strong rent and cash flow growth.

   Single-family home rental demand is being fueled by positive demographics and lifestyle trends. It is estimated that approximately 12.5 million new households will be formed over the next 10 years. Each household will require shelter (i.e., own or rent a home or apartment). We expect that many new households will choose to rent a home, perhaps from Invitation Homes, because of the increasing desire of consumers to maintain flexibility by renting a home rather than committing to home ownership. The company offers high-quality homes and service in attractive neighborhoods without the commitment of home ownership.

   Regarding supply, there is a shortfall in single-family home construction that is likely to continue due to rising construction costs (i.e., labor and materials) that are outpacing household income growth. Regulatory hurdles are also creating barriers to new supply.

2. Strategically located real estate portfolio and scale and service advantages

   The company has assembled the premier single-family home rental portfolio in the U.S. Its real estate portfolio is focused on geographic markets exhibiting strong household and employment growth, with 70% of revenue generated from the Western U.S. and Florida. According to management, household formation in Invitation Homes' geographic markets grows at twice the rate of the U.S. national average, single-family new home supply growth is 30% lower than the national average, and home price appreciation has been 34% greater than the U.S. average since 2012.

   Invitation Homes owns more than 4,700 homes in each of its geographic markets and has a local management team in each market that provides high-touch quality service to its tenants. The company's scale advantages and strong management of its properties contribute to industry-leading profitability margins and growth.

3. Compelling long-term growth opportunity

   We believe Invitation Homes is likely to maintain one of the fastest long-term growth rates among all REITs, because we anticipate that management will capitalize on multiple paths of growth. Growth opportunities include:

   Organic growth: The company's well-located real estate portfolio, scale advantages, and efficient management of its properties has led to strong net operating income (cash flow) growth in the last few years. We expect the company's cash flow growth to continue to outpace that of most REITs.

   External growth: We believe there is a substantial opportunity for Invitation Homes to supplement the growth in its portfolio by acquiring additional homes for rent. The single-family home for rent market in the U.S. is highly fragmented. There are approximately 16 million single-family rental homes in the U.S. Invitation Homes is the largest single-family rental owner with 80,000 homes, which represents only 0.5% of the entire rental market! We believe the company could double the size of its portfolio of homes over time.

   Ancillary and operating initiative growth: Management anticipates that in the years ahead it may be able to supplement its rental income and create more than $1 billion of value by generating ancillary income (i.e., enhanced smart home, pest control, landscape, and pet services, etc.) and other operating initiatives.

4. Excellent management team and Board of Directors

   In addition to spending considerable time with the company's CEO Dallas Tanner and CFO Ernie Friedman, we recently met with additional members of the company's management team at its first-ever investor day. In our opinion, Invitation Homes has a deep and experienced management team with a track record of innovation and execution and, in our opinion, a top-notch Board of Directors. We are confident that the management team will continue to create significant shareholder value in the years ahead.

Brookfield Infrastructure Partners L.P. is one of the largest globally diversified owners and operators of high-quality infrastructure assets in the world. Core infrastructure investments include utilities, data centers, wireless towers, and transport (ports and rails).

Since its public listing in 2008, Brookfield's management team has achieved an impressive track record of growing the company's earnings per share 16% annually and its dividend 10% annually. Over this period, the company's shares have increased, on average, 18% per year.

We remain optimistic about the company's long-term prospects. Brookfield generates stable and growing cash flows–95% of its cash flow is either regulated or under long-term contracts. The company, with its well-capitalized balance sheet and deep and experienced management team, is well positioned to capitalize on several years of infrastructure investment opportunities around the world, which should enhance future growth. We view Brookfield's organic and acquisition-related growth prospects, current valuation, and 4.2% dividend as attractive.

The shares of **Sun Communities, Inc.**, a REIT that is a leading owner and operator of manufactured home and recreational vehicle communities, continued to perform well in the most recent quarter due to solid operating results. We are optimistic about the company's long-term prospects. Sun Communities and its largest peer, **Equity Lifestyle Properties, Inc.** (also owned in the Fund), continue to benefit from favorable demand/supply dynamics. They are beneficiaries of strong demand from budget-conscious home buyers such as retirees and millennials and negligible new inventory due to high development barriers. Both companies have superior long-term cash flow growth prospects and lower capital expenditure needs than most other REIT categories.

Table III.
Top detractors from performance for the quarter ended September 30, 2019

	Quarter End Market Cap (billions)	Percent Impact
Extended Stay America, Inc.	$ 2.8	–0.29%
Host Hotels & Resorts, Inc.	12.6	–0.10
Penn National Gaming, Inc.	2.2	–0.10
MGM Resorts International	14.5	–0.09
Red Rock Resorts, Inc.	2.4	–0.09

In the most recent quarter, market concerns regarding a global slowdown in economic growth weighed on the share prices of the Fund's most cyclically oriented companies – hotel companies (**Extended Stay America, Inc.** and **Host Hotels & Resorts, Inc.**) and casino and gaming companies (**Penn National Gaming, Inc.**, **MGM Resorts International**, and **Red Rock Resorts, Inc.**).

Hotel Companies

The shares of Extended Stay America, Inc., a lodging REIT with 554 owned hotels and approximately 61,500 owned rooms, declined in the third quarter due to disappointing operating results and management's announcement that the terms currently available for its contemplated corporate restructuring to unlock shareholder value were not sufficiently compelling. This announcement was a surprise, because we had anticipated that the company would announce the separation of its brand from its owned real estate to create shareholder value.

Trading at only 8.8 times 2019 estimated cash flow and with a dividend yield of 6.3%, we believe the company's shares are compelling relative to the private market values for many of its hotels and relative to many of its public market hotel peers. Nevertheless, we are currently re-evaluating our investment thesis in the company.

In the most recent quarter, the shares of Host Hotels & Resorts, Inc., the world's largest lodging REIT, declined following results that were below our expectations. We continue to have a favorable view of the company because it owns and operates a large portfolio of premier hotels in strong geographic markets that should generate strong growth over time. Management maintains a strong and liquid investment grade balance sheet and is a disciplined capital allocator through hotel acquisitions and share buybacks. We view the company's current valuation at less than 10 times 2019 estimated cash flow and its 4.8% dividend yield as compelling.

Casino and Gaming Companies

Our research indicates that business conditions are prospectively stable for the Fund's casino and gaming companies. We believe concerns regarding the economic growth outlook and the possibility that consumer spending may moderate are worse than the reality.

In our opinion, the risk-reward prospects for the Fund's casino and gaming companies are favorable. The shares of these companies have generally lagged due to macro concerns about the possibility of a U.S. recession in 2020 and a corresponding slowdown in consumer spending. Furthermore, unfavorable weather in the second quarter and for a portion of the third quarter likely weighed on shares. Current business conditions do not portend a notable slowdown in business activity, even though the share prices have, in our opinion, largely priced in a recession!

Penn National Gaming, Inc.: At its recent price of only $18.50 per share, with a 2019 estimated cash flow multiple of only 5.9 times EBITDA, and the company's highly attractive 18% free cash flow yield, we believe Penn's valuation is attractive. In our view, Penn's high free cash flow generation, management's focus on deleveraging its balance sheet, and the possibility of strategic initiatives to drive shareholder value (perhaps the sale of owned real estate) are not reflected in Penn's share price.

MGM Resorts International: We remain optimistic about MGM's potential for compelling share price appreciation. The company's domestic real estate assets are trading at a valuation of less than 8 times 2020 estimated cash flow–much cheaper than its casino and gaming peers. MGM offers an appealing combination of high-quality real estate assets, a leading presence in Las Vegas (one of the stronger real estate markets in the U.S.), a solid growth outlook, dividend growth prospects, and improving free cash flow. The company expects to generate free cash flow of $4.5 billion to $5.0 billion between 2018 and 2020. MGM has earmarked $2 billion for share repurchases, which at its recently depressed price of only $27.50 per share, would equate to buying back approximately 14% of the company.

Red Rock Resorts, Inc.: With Red Rock's shares trading at only 8.6 times 2020 estimated cash flow (EBITDA) and a 14% free cash flow yield, we think the shares are highly compelling in large part because the company owns 100% of its real estate and generates the majority of its cash flow in the Las Vegas Locals market, a market that possesses favorable economic characteristics. In our opinion, Red Rock's owned real estate would be valued at a significant premium to its public market price in the private market.

Portfolio Structure

The Fund is currently invested in 13 real estate categories, with approximately 73% in REITs, 24% in other real estate categories, and the remainder in cash (see Table IV below).

REITS (73.2% of net assets):

We remain bullish about the Fund's investments in several REIT categories:

- West Coast Office REITs: We are optimistic about the long-term prospects for the Fund's West Coast office REITs (**Hudson Pacific Properties, Inc.**, **Kilroy Realty Corporation**, and **Douglas Emmett, Inc.**). Each of these companies is benefiting from strong tenant demand trends driven by technology and media companies, limited construction activity, rising rents, and solid growth prospects.

- Other REITs: In this category, we invest in a cold storage REIT (**Americold Realty Trust**) and a life-sciences REIT (**Alexandria Real Estate Equities, Inc.**). In our opinion, each company owns and operates the premier real estate portfolio in their respective niches and are well positioned for strong long-term growth.

- Industrial REITs: Business conditions for the Fund's industrial REIT holdings (**Prologis, Inc.**, **Rexford Industrial Realty, Inc.**, and **Duke Realty Corporation**) are strong. Each company is witnessing robust warehouse demand and rent growth partly in response to emergent e-commerce needs resulting from the accelerated growth of online sales as customers continue to seek faster delivery.

- Data Center REITs: Our data center REITs (**Equinix, Inc.** and **QTS Realty Trust, Inc.**) are poised to benefit from the secular demand tailwinds of strong growth in information technology outsourcing, increased cloud computing adoption, and the growth in U.S. mobile data and internet traffic.

- Multi-Family REITs: We expect our investments in multi-family REITs (**AvalonBay Communities, Inc.**, **Equity Residential,** and **Essex Property Trust, Inc.**) to generate increases in occupancies and rents from solid job and wage growth. Many new households are increasingly choosing to rent rather than buy a home, and this trend should also serve as a positive tailwind.

- Single-Family Rental REITs: We are bullish on the prospects for our investment in the single-family rental REIT category (**Invitation Homes, Inc.**) because we believe the demand outlook for single-family home rentals should continue to outstrip supply, thereby creating a favorable backdrop for strong rent and cash flow growth. We believe that Invitation Homes has assembled the premier single-family home rental portfolio in the U.S.

- Manufactured Housing REITs: We expect our two premier manufactured housing companies in this niche REIT category (**Equity Lifestyle Properties, Inc.** and **Sun Communities, Inc.**) to continue to benefit from favorable demand/supply dynamics. They are the beneficiaries of strong demand from budget-conscious home buyers such as retirees and millennials, and negligible new inventory due to high development barriers. Both companies have superior long-term cash flow growth prospects and lower capital expenditure needs than most other REIT categories.

- Triple Net REITs: Our gaming REITs (**MGM Growth Properties LLC** and **Gaming and Leisure Properties, Inc.**) own quality casino and gaming real estate properties. Both have attractive and well-covered dividends, accretive acquisition growth opportunities, and are, in our opinion, compelling investments.

- Wireless Tower REITs: Our tower REITs (**American Tower Corp.** and **Crown Castle International Corp.**) are, in our view, positioned to grow for several years as the demand for data intensive devices accelerates, and new wireless technologies continue to improve. New technologies and greater data demand require a greater number of antennae that will continue to benefit tower companies.

Real Estate Companies Other Than REITs (23.8% of net assets):

We are also optimistic about the Fund's investments in our non-REIT companies:

We believe that many of the Fund's non-REIT real estate investments (such as **MGM Resorts International**, **GDS Holdings Limited**, **Brookfield Infrastructure Partners L.P.**, **Penn National Gaming, Inc.**, **Marriott Vacations Worldwide Corp.**, **Extended Stay America, Inc.**, **Kennedy-Wilson Holdings, Inc.**, and **Red Rock Resorts, Inc.**) provide some diversification from REITs and, in many cases, an appealing combination of attractive dividends, strong growth, and solid share price appreciation potential.

Table IV.
Fund investments in REIT categories as of September 30, 2019

	Percent of Net Assets
Non-REIT Real Estate Companies	23.8%
Office REITs	11.8
Other REITs	10.9
Industrial REITs	10.0
Data Center REITs	8.2
Multi-Family REITs	7.1
Single-Family Rental REITs	6.7
Manufactured Housing REITs	6.5
Triple Net REITs	4.7
Wireless Tower REITs	4.5
Health Care REITs	1.8
Hotel REITs	0.6
Timber REITs	0.4
	97.0
Cash and Cash Equivalents	3.0
Total	100.0%

Table V.
Top 10 holdings as of September 30, 2019

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Americold Realty Trust	$ 7.1	$276.8	6.8%
Invitation Homes, Inc.	15.9	273.2	6.7
Equinix, Inc.	48.9	239.9	5.9
Kilroy Realty Corporation	7.9	186.8	4.6
MGM Resorts International	14.5	186.3	4.6
GDS Holdings Limited	5.8	185.9	4.6
Hudson Pacific Properties, Inc.	5.2	181.7	4.5
Prologis, Inc.	53.7	181.2	4.5
Alexandria Real Estate Equities, Inc.	17.5	166.8	4.1
Brookfield Infrastructure Partners L.P.	19.6	151.6	3.7

Recent Activity

Table VI.
Top net purchases for the quarter ended September 30, 2019

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Hudson Pacific Properties, Inc.	$ 5.2	$26.5
Brookfield Infrastructure Partners L.P.	19.6	26.4
Carnival Corporation	29.8	26.1
Invitation Homes, Inc.	15.9	22.9
HCP, Inc.	17.5	21.4

In the most recent quarter, we bought additional shares in **Hudson Pacific Properties, Inc.**

Hudson Pacific is a West Coast office REIT that owns and develops first-class office buildings in San Francisco, Silicon Valley, Los Angeles, and Seattle. The company has assembled a high-quality real estate portfolio in markets that should deliver solid long-term absolute and relative growth given strong economic and demographic prospects.

West Coast office fundamentals are among the strongest in the U.S. The demand outlook is attractive as West Coast job growth, particularly from technology, media, and life sciences companies, continues to outpace the national average by a wide margin. Additionally, new construction activity remains limited due to high construction costs and zoning/entitlement restrictions. Consequently, this favorable imbalance between demand and supply should lead to solid occupancy and rent gains, together with strong cash flow growth for the next few years.

In 2020, we expect cash flow growth to accelerate meaningfully due to strong occupancy and rental growth in its operating and development portfolio. We believe the shares of Hudson Pacific are attractively valued and offer compelling return potential in the next few years.

We recently acquired additional shares in **Brookfield Infrastructure Partners L.P.** Please see the "Top Contributors" section for our more detailed thoughts on the company.

In the most recent quarter, we initiated a small position in **Carnival Corporation**, the world's largest cruise company with a fleet of 102 ships. Following disappointing operating results, particularly in Europe, Carnival's share price declined more than 20% from its peak earlier in 2019. We believe we acquired the shares at an attractive valuation of only 10 times 2020 estimated earnings per share–far below its long-term average multiple of 16 times earnings per share. We also view the company's 4.8% dividend yield as attractive. We believe the company's current challenges are largely reflected in its share price.

Longer term, we maintain a positive view of the cruise line industry and the company for the following reasons:

- Favorable industry configuration–the three largest cruise line companies (Carnival Corporation, Royal Caribbean, and Norwegian Cruise Line) constitute approximately 80% of the industry;
- Manageable new ship additions;
- Millennials have become a rapidly growing and important segment of the cruise industry;
- High barriers to entry given that a new ship typically costs between $800 million to $1 billion; and,
- Rational pricing strategies

We recently acquired additional shares in **Invitation Homes, Inc.** Please see the "Top Contributors" section for our more detailed thoughts on the company.

In the most recent quarter, we acquired additional shares in **HCP, Inc.**, a health care REIT that owns a $20 billion real estate portfolio, weighted toward attractive life science and medical office properties which generate stable cash flows. Recent operating results have been better than expected across all segments of the company's real estate portfolio. We anticipate that management will continue to supplement the company's organic growth in its operating portfolio with growth from acquisitions and real estate development. The company maintains a strong investment grade balance sheet and pays an attractive 4.1% dividend.

Table VII.
Top net sales for the quarter ended September 30, 2019

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
JBG SMITH Properties	$ 5.2	$52.9
Host Hotels & Resorts, Inc.	12.6	38.6
Park Hotels & Resorts Inc.	5.3	34.9
Pebblebrook Hotel Trust	3.6	25.6
NEXTDC Limited	1.4	23.7

In the third quarter, we chose to exit **JBG SMITH Properties**, despite our favorable view of management and the long-term prospects for JBG, because business conditions remain challenged in a portion of the company's Northern Virginia sub-markets. At this stage, we believe other REITs offer more compelling return potential.

Recently, we decreased the Fund's exposure to hotel REITs because we believe there is superior growth and near- to medium-term return prospects in other REIT and real estate-related companies. We reduced the Fund's investments in **Host Hotels & Resorts, Inc.** and **Pebblebrook Hotel Trust**. We exited the Fund's investment in **Park Hotels & Resorts Inc.**

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We exited the Fund's investment in **NEXTDC Limited**, an Australian data center company, due to ongoing operating issues. Nonetheless, we remain optimistic about the company's long-term growth prospects, and we may revisit the company in the future.

Outlook

We are certainly mindful of the angst that looms over the market. There is a long list of unclear outcomes including economic growth prospects, the Fed's future actions on interest rates, the U.S.-China trade war, the 2020 U.S. Presidential election, and various geopolitical and humanitarian crises.

We continue to believe, however, that the prospects for the Baron Real Estate Income Fund remain attractive.

The foundation for our constructive view is based on the following considerations:

1. **Positive Prospects for REITs**

   Key positives that we believe may continue to benefit REITs include:

   - Generally steady and growing commercial real estate fundamentals;
   - New construction activity that has moderated due to high construction and labor costs, thereby lessening concerns of possible oversupply;
   - Largely domestic real estate portfolios which may offer relative appeal given that U.S. growth prospects are generally superior versus most other regions;
   - Well-covered and attractive dividends (3.8% on average);
   - Compelling investment if interest rates continue to stabilize or decline;
   - Substantial private capital investment potential from private equity firms and other large institutions who are pursuing real estate investments;
   - Low leveraged balance sheets with staggered debt maturities; and,
   - Generally reasonable, and in some cases cheap, REIT valuations and stock prices.

2. **We remain bullish about the prospects for the Fund's other real estate investments**

   We believe that the Fund's other real estate investments (such as **MGM Resorts International**, **Brookfield Infrastructure Partners L.P.**, **Penn National Gaming, Inc.**, **Red Rock Resorts, Inc.**, **GDS Holdings Limited**, **Marriott Vacations Worldwide Corp.**, and **Kennedy-Wilson Holdings, Inc.**) currently offer strong growth and share price appreciation potential.

3. **The Fund is structured with best-in-class REITs and other real estate companies that offer significant return potential**

   We believe the Fund is populated with quality companies with, in our view, excellent management teams, strong growth prospects, leading competitive positions, liquid balance sheets, and attractive valuations.

Thank you for your past and continuing support. I remain a major shareholder of the Baron Real Estate Income Fund, alongside you.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. Prices of equity securities may decline significantly over short or extended period of time. Debt or fixed income securities such as those held by the Fund, are also subject to derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

Please note that we define "best-in-class" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. This statement represents our opinion and is not based on a third-party ranking.