Dear Baron Real Estate Income Fund Shareholder:

Performance

We are pleased to report that the Baron Real Estate Income Fund (the "Fund") gained 17.91% (Institutional Shares) in the quarter ended March 31, 2019. The Fund's increase exceeded that of its primary benchmark index, the MSCI US REIT Index, which gained 15.92%.

We 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.

We also urge you to review our perspective on the outlook for the Fund in the "Outlook" section later in this letter.

Table I.
Performance
For periods ended March 31, 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]	17.86%	17.91%	15.92%
One Year	11.29%	11.61%	19.16%
Since Inception (December 29, 2017)	3.59%	3.91%	7.27%

Table II.
Top contributors to performance for the quarter ended March 31, 2019

	Quarter End Market Cap (billions)	Percent Impact
Equinix, Inc.	$37.9	1.45%
Americold Realty Trust	4.5	1.20
GDS Holdings Limited	5.0	1.09
Marriott Vacations Worldwide Corp.	4.2	0.99
American Tower Corp.	86.9	0.94

We have a long history of investing in real estate data center companies.

Data centers are highly-specialized buildings that contain the information technology infrastructure (i.e., computer servers, storage, and networking equipment) for corporations, governments, and other organizations. These buildings are equipped with generators, batteries, and cooling equipment to handle the power requirements needed to keep information technology equipment functioning during power outages.

JEFFREY KOLITCH
PORTFOLIO MANAGER

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

The Fund has assembled what we consider as "best-in-class" data center companies. Two examples include:

- **Equinix, Inc.** is the largest and leading global data center company in the world.
- **GDS Holdings Limited** is the leading developer and operator of data centers in China.

The Fund's investments in these two data center companies performed well in the most recent quarter, resulting from their strong business results and broad expectations for continued high demand for data centers. We remain bullish on the long-term prospects for both Equinix and GDS.

The beneficial demand tailwinds for the data center industry include:

Strong Growth in Information Technology ("IT") Outsourcing: We estimate that businesses will be outsourcing 60% to 70% of their data center requirements in the next five years (currently 30% to 40%), because it is often more cost effective for companies to outsource their data center needs to third-party providers. This enables them to redirect their own capital expenditures to other corporate initiatives.

Increased Cloud Computing Adoption: Companies that provide cloud computing services are important data center tenants. They include Amazon, Google, IBM, Microsoft, Alibaba, Tencent, and Baidu. The adoption

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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 estimated expense ratio is 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 with an 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 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.

of cloud computing by enterprises is expected to increase meaningfully in the years ahead. We estimate that total cloud spending will grow from $70 billion to $240 billion, thus providing a clear multi-year tailwind for data centers.

Powerful Data Demand Trends: For the next five years, we project *U.S. mobile data traffic* will grow 40% annually, while we project *global internet traffic* will grow 27% annually. We project the *number of connected devices* will grow from 18 billion in 2018 to 34 billion by 2025. This huge amount of data needs to be processed, transported, and stored. This is bullish for data centers.

The shares of **Americold Realty Trust** continued to perform well in the first quarter after reporting strong business results. 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 of warehouses, and ample opportunities for Americold to improve occupancy and rents in its current portfolio.

We also anticipate that Americold will bolster its growth by developing additional warehouses, and by acquiring other temperature-controlled warehouses. On April 16, the company announced the $1.2 billion strategic acquisition of Cloverleaf Cold Storage, the fifth largest U.S. temperature-controlled owner and operator in the U.S. This acquisition reinforces Americold's position as the largest owner and operator of temperature-controlled warehouses, while enhancing the company's long-term growth prospects. We maintain that Americold's long-term outlook is strong, and its shares remain attractively valued relative to most REITs.

The shares of **Marriott Vacations Worldwide Corp.**, a leading timeshare company with more than 100 resorts, gained 33.2% in the first quarter. Solid business results and management's optimistic outlook for the balance of 2019 contributed to strong share price performance.

We are bullish about the company's long-term prospects, and consequently acquired additional Marriott shares at what we believe are good prices. Its shares are attractively valued at only 7.7 times 2020 estimated cash flow and only 11.5 times estimated earnings per share. The company's customer loyalty program, the Marriott Rewards Loyalty Program with 110 million members, serves as a key competitive advantage, and a major source to further growth.

In the most recent quarter, the Fund's investment in wireless cell tower company, **American Tower Corp.**, performed well due to its strong business results and widespread expectations for continued strength in demand.

We remain quite optimistic on the short- and long-term prospects for American Tower (and other tower companies) for the following reasons:

- **Secular Growth Prospects:** The long-term demand and growth outlook for data-intensive devices, such as cellphones, remains exceptionally strong.
  - U.S. mobile data traffic is expected to grow more than 40% annually for at least the next five years according to data provided by Cisco VNI 2016, Ericsson Mobility Report June 2018, and AV&Co. Research & Analytics. This dramatic growth in wireless data demand will lead to significantly greater leasing activity and equipment installations on wireless tower locations in order to maintain the quality of the wireless carriers' signals and to support 4G network technology.
  - We expect that the new and emerging 5G technology will extend the growth trajectory for wireless cell tower companies many years into the future because this technological advance will provide numerous benefits to mobile users, including much faster video download speeds.
  - In addition to smartphones, the "connected home," which enables the interconnection of multiple wireless devices, the "connected car" and the emergence and growth of wireless delivery of cable TV, will each require increased wireless bandwidth, and consequently should extend and intensify the strong secular demand growth for the wireless tower companies.
- **Unique Business Models:** Wireless towers have excellent cash flow and various economic features.
  - Tenants sign leases that provide long-term revenue and cash flow visibility for the tower companies. These leases are typically non-cancellable, and generally include an initial term of 5 to 10 years with multiple renewal terms at the option of the tenant. Rent increases are fixed and typically average 3% annually.
  - The economic characteristics of a wireless tower are fairly unique. For example, most towers have capacity for four tenants. Typically, the cash flow generated from the first tenant will cover the construction cost of the tower, and will also generate a modest single-digit investment return. However, adding additional tenants, wireless equipment, and upgrades, provides significantly higher investment returns because additional tower tenants can be added at minimal incremental cost, therefore more than 90% of this additional revenue flows through to cash flow.

    According to American Tower, a U.S. tower with three tenants will generate a strong 24% return on its investment capital with more than an 80% cash flow margin. Outside the U.S., American Tower's capital investment returns are also high, typically ranging from 25% to 32%.
- **High Barriers to Entry, Limited Competition, and Scale Advantages:**
  - High Barriers to Entry: Despite excellent cash flow and economic characteristics, there tend to be high barriers to entry and limited competition. Why? Most people do not want to see wireless towers in their backyard. As such, government zoning approvals for new towers are often difficult to obtain.
  - Limited Competition: In most developed markets, there tend to be only a few large wireless carriers (in the U.S, there are four: AT&T, Verizon, Sprint, and T-Mobile). Most incumbent tower companies have two to three carriers on their towers. Consequently, a new tower in the same area has limited opportunity to win new business. As such, competition tends to be limited.
  - Scale Advantages: The Baron Real Estate Income Fund has invested in those wireless tower companies that own and operate large portfolios of towers. These large tower companies are often able to achieve superior terms and efficiencies in purchasing, construction, management, and other costs given their scale advantages.

Table III.
Top detractors from performance for the quarter ended March 31, 2019

	Market Cap When Sold (billions)	Percent Impact
CyrusOne Inc.	$5.6	–0.07%

We are pleased that in the first quarter all but one of the Fund's holdings contributed to positive absolute performance. The one detractor was **CyrusOne Inc**., a data center company that declined modestly. We exited CyrusOne at the beginning of 2019 and re-allocated the capital to higher conviction investments.

Portfolio Structure

The Fund is currently invested in 13 real estate categories, with 75% in REITs, 20% in our other real estate categories, and the remainder in cash (see Table IV below).

The four largest categories represent 52.8% of the Fund's net assets:

1. Real Estate Companies Other Than REITs (19.7% of net assets)

This category of non-REITs has performed well in 2019, following its underperformance in 2018's turbulent market environment when many of these companies did not offer the "shelter" that many dividend-paying REITs provided. We believe that the Fund's non-REIT real estate investments (such as **MGM Resorts International**, **Penn National Gaming, Inc.**, **Red Rock Resorts, Inc.**, **GDS Holdings Limited**, and **Marriott Vacations Worldwide Corp.**) currently offer superior growth and share price appreciation potential than a number of REITs.

2. Office REITs (13.6% of net assets)

Our investments in Office REITs are multi-dimensional, and the Fund's largest REIT allocation.

Our largest office REIT holdings are in 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. For our more complete thoughts regarding West Coast office REITs, please see the "Recent Activity" section later in this letter.

The Fund also has investments in several East Coast-centric office REITs:

- **JBG SMITH Properties** owns, operates, develops, and invests in a portfolio of well-located office, apartment, retail, and mixed-use buildings concentrated in the sub-markets of Washington, DC. The company is poised to generate strong cash flow growth in the years ahead driven by anticipated occupancy and rent gains in its operating portfolio. The build-out of its development pipeline could double the size of the company's operating portfolio. We believe the key catalyst for growth in the years ahead is the fact that Amazon has decided to establish its second corporate headquarter in the Washington, DC area. Notably, 42% of JBG's land holdings are located within a half mile of Amazon's headquarters, and Amazon has already agreed to purchase more than 4 million square feet from the company. For our more complete thoughts regarding JBG, please see the "Recent Activity" section later in this letter.
- New York-centric office REITs (**SL Green Realty Corp.** and **Vornado Realty Trust**) currently face dual headwinds. The first is that a number of their older buildings require renovation to address the desires of many tenants, and the second is that they face an excess supply of new competitive office buildings. Demand for office space, however, remains robust, and we believe the shares of SL Green and Vornado trade at substantial valuation discounts to their net asset values (the prices that their real estate would sell for in the private market.) We estimate that the current share price of each company is 20% to 30% below its net asset value, the largest valuation discount we have seen for these companies in the last five years.
- **Boston Properties, Inc.** owns high-quality office buildings predominantly on the East Coast. Approximately 80% of the company's net operating income is generated on the East Coast (New York, Boston, Suburban Virginia, Washington, DC, Maryland, and New Jersey) and 20% of the company's net operating income is generated on the West Coast (San Francisco, Los Angeles, and San José). In our opinion, Boston Properties has assembled a highly desirable portfolio of office assets, and it is well positioned to capitalize on attractive growth prospects over the next few years.

3. Other REITs (10.2% of net assets)

In the "Other" REITs category, the Fund has investments in **Americold Realty Trust** (discussed earlier in this letter) and **Alexandria Real Estate Equities, Inc.**

Alexandria is the only pure-play publicly-traded landlord and developer to the life science industry, boasting a real estate portfolio of approximately 20 million square feet. The company designs and improves facilities for lease to pharmaceutical, biotechnology, life science product and service companies, not-for-profit scientific research institutions, universities, and other related government agencies. Alexandria's real estate portfolio is focused in the key "brain-trust" markets that are engaged in high concentrations of research activity–Northern California, Boston, North Carolina, Seattle, and San Diego.

We remain enthusiastic regarding the company's long-term growth prospects. Management believes it can grow its revenues 100% from 2017 levels by 2022. This is a far greater growth projection than for just about every other publicly-traded REIT. This forecast is based on the strength that Alexandria is witnessing in life science business fundamentals, its real estate development success, its healthy balance sheet, and its highly desirable real estate portfolio. Alexandria enjoys a leading position in its real estate markets with a 28% market share. Remarkably, demand is exceptionally strong, with tenant requirements for about eight times the space that Alexandria has available from its 2019 lease expirations. We believe the shares are poised for meaningful appreciation.

4. Industrial REITs (9.3% of net assets)

Business conditions for the Fund's industrial REIT holdings (**Prologis, Inc.**, **Duke Realty Corporation**, and **Rexford Industrial Realty, Inc.**) 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.

In April, Prologis, the world's largest owner, operator, and developer of industrial logistics real estate (the Fund's largest industrial REIT holding), reported healthy first quarter business results. Management cited "continued market strength," boosting its growth expectations to reflect its view that "our 2019 outlook is more optimistic today than it was 90 days ago."

Table IV.
Fund investments in REIT categories as of March 31, 2019

	Percent of Net Assets
Non-REIT Real Estate Companies	19.7%
Office REITs	13.6
Other REITs	10.2
Industrial REITs	9.3
Multi-Family REITs	7.5
Data Center REITs	7.4
Manufactured Housing REITs	5.6
Triple Net REITs	5.2
Wireless Tower REITs	4.9
Single Family Rental REITs	3.9
Hotel REITs	3.5
Health Care REITs	2.3
Mall REITs	1.9
	95.0
Cash and Cash Equivalents	5.0
Total	100.0%

Table V.
Top 10 holdings as of March 31, 2019

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Americold Realty Trust	$ 4.5	$239.7	6.9%
Equinix, Inc.	37.9	172.2	5.0
Prologis, Inc.	45.4	150.7	4.4
MGM Resorts International	13.8	143.2	4.1
Hudson Pacific Properties, Inc.	5.3	136.4	3.9
Invitation Homes, Inc.	12.7	135.6	3.9
Kilroy Realty Corporation	7.7	126.1	3.7
Alexandria Real Estate Equities, Inc.	16.1	114.0	3.3
GDS Holdings Limited	5.0	112.7	3.3
American Tower Corp.	86.9	107.2	3.1

Recent Activity

Table VI.
Top net purchases for the quarter ended March 31, 2019

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Invitation Homes, Inc.	$12.7	$96.2
Hudson Pacific Properties, Inc.	5.3	87.4
Kilroy Realty Corporation	7.7	67.2
JBG SMITH Properties	5.1	58.4
Americold Realty Trust	4.5	55.4

In the most recent quarter, we acquired shares in the following five REITs, each of which we characterize as "best-in-class" companies with strong long-term growth prospects and solid share price appreciation potential. Note that this statement represents our opinion and is not based on a third-party ranking.

Invitation Homes, Inc. 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. The company is focused on geographic markets exhibiting strong household and employment growth, with 70% of revenue generated from the Western U.S. and Florida. We believe the company has assembled the premier single-family home rental portfolio in the U.S.

We are optimistic about the prospects for Invitation Homes primarily 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.

Demand conditions for rental homes are attractive due to increasing household formation and income growth, a decline in home purchase affordability, and the continued drop in homeownership relative to the increasing propensity to rent. Regarding new construction activity, there is a limited supply of single-family rental homes in the U.S. housing market, increasingly constrained by rising construction costs. In our opinion, Invitation Homes, with its well-located real estate portfolio and impressive management team, has a strong runway for growth in the years ahead by generating solid rent increases and cash flow growth and, perhaps, acquiring additional homes for rent.

We are bullish on the multi-year prospects for West Coast office REITs **Hudson Pacific Properties, Inc.**, **Kilroy Realty Corporation**, and **Douglas Emmett, Inc.** In the most recent quarter, the Fund acquired additional shares in Hudson Pacific and Kilroy Realty.

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 science companies, continues to outpace the U.S. 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.

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.

Kilroy Realty owns, develops, acquires, and manages real estate assets (primarily office buildings) in the coastal regions of San Francisco, Seattle, Los Angeles, Orange County, and San Diego. We recently spent time with CEO John Kilroy. John and his management team have positioned Kilroy to grow its net operating income (cash flow) by approximately 70% over the next five years through occupancy gains and rent increases in its operating portfolio and the completion of its development pipeline.

During the company's most recent quarterly earnings conference call, management said that it was witnessing the strongest market conditions the company has seen with limited supply and solid demand resulting in declining vacancy rates and higher rents.

In our opinion, the shares of both Hudson Pacific and Kilroy Realty are currently valued at attractive discounts to their private market values.

In the most recent quarter, we traveled to Washington, DC twice to meet with the management team of **JBG SMITH Properties**. We believe the prospects for the company are strong, and have acquired shares at what we believe are attractive prices.

JBG owns a portfolio of well-located office, apartment, retail, mixed-use buildings, and land holdings concentrated in the sub-markets of Washington, DC. The REIT was formed in July 2017 when Vornado Realty Trust spun off its DC business and combined it with privately held JBG Companies. JBG has a long history focused on the DC metro market since the late 1990s, and a solid track record of creating value. Its management team is recognized as one of the premier developers, owners, and operators of commercial real estate in the greater DC area.

The company is poised to generate strong cash flow growth in the years ahead driven by anticipated occupancy and rent gains in its 17 million square foot operating portfolio. Further, JBG's build-out of its 20 million square feet of land holdings could double the size of the company's operating portfolio.

We believe a key catalyst for growth in the years ahead is the fact that Amazon has decided to establish its second corporate headquarters in the Washington, DC area ("National Landing"). This should result in a "domino-effect" of increasing demand because 42% of JBG's land holdings are located within a half mile of Amazon's headquarters. Amazon has already agreed to purchase more than 4 million square feet from the company, which may increase to 8 million square feet. Amazon plans to add at least 25,000 employees in the Washington, DC area. Over time, we believe that number may reach 40,000 new Amazon employees. We also anticipate that several other companies may, over time, hire at least 50,000 new employees in the area–all of which should lead to occupancy and rent gains and an increase in the value of the real estate holdings for JBG. JBG will be the developer, property manager, and retail leasing agent for Amazon in the company's National Landing area.

Management believes that it will grow its net operating income (cash flow) at an annualized rate of 9.4% over the next five to six years. This anticipated annual growth rate compares favorably to the average annual growth rate of only 2.5% to 3.0% for most REITs. At its recent share price of $42, we believe the shares are attractively valued.

In the first quarter, we acquired additional shares of **Americold Realty Trust**. We remain bullish on the company's multi-year prospects and believe the shares remain attractively valued.

Table VII.
Top net sales for the quarter ended March 31, 2019

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
Digital Realty Trust, Inc.	$23.4	$106.9
American Tower Corp.	86.9	106.1
Equinix, Inc.	37.9	46.9
Public Storage	35.1	44.9
Crown Castle International Corp.	53.2	39.3

In the most recent quarter, we reduced our investments in **American Tower Corp.**, **Equinix, Inc.**, and **Crown Castle International Corp.** reflecting a modest re-balancing of the portfolio. However, we continue to own these companies, and we remain optimistic about their business prospects.

We exited **Digital Realty Trust, Inc.** and **Public Storage**, re-allocating this capital to higher conviction investment opportunities.

OUTLOOK

In our 2018 year-end letter, we stated that we are bullish on the 2019 outlook for the Baron Real Estate Income Fund. Currently, amid the Fund's strong first quarter gains (17.91%), **we continue to remain bullish:**

1. **Positive Prospects for REITs**

These are some of the key positives that we believe will benefit REIT performance in 2019:

- 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;
- Generally reasonable, and in some cases cheap, REIT valuations and/or stock prices;
- Solid balance sheets and high dividend yields (4.3% on average);
- Compelling investment if interest rates continue to stabilize or decline; and
- Substantial private capital investment potential from Blackstone Real Estate and others who are pursuing real estate investments.

2. **We are quite 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**, **Penn National Gaming, Inc.**, **Red Rock Resorts, Inc.**, **GDS Holdings Limited**, and **Marriott Vacations Worldwide Corp.**) 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.

Examples include:

Real Estate Categories	Company Examples
Data Center REITs	Equinix, Inc. and QTS Realty Trust, Inc.
Wireless Tower REITs	American Tower Corp. and Crown Castle International Corp.
Multi-Family apartment REITs	AvalonBay Communities, Inc., Equity Residential, and Essex Property Trust, Inc.
Industrial REITs	Prologis, Inc., Duke Realty Corporation, and Rexford Industrial Realty, Inc.
Hotel REITs	Host Hotels & Resorts, Inc. and Park Hotels & Resorts Inc.
Single-Family Rental REITs	Invitation Homes, Inc.

Real Estate Categories	Company Examples
West Coast-focused Office and Other REITs	Hudson Pacific Properties, Inc., Kilroy Realty Corporation, Douglas Emmett, Inc., and Alexandria Real Estate Equities, Inc.
Manufactured Housing REITs	Equity Lifestyle Properties, Inc. and Sun Communities, Inc.
Triple Net Gaming REITs	MGM Growth Properties LLC and Gaming and Leisure Properties, Inc.
Non-REIT Real Estate Companies	MGM Resorts International, GDS Holdings Limited, Marriott Vacations Worldwide Corp., Penn National Gaming, Inc., and Red Rock Resorts, Inc.

To Our Shareholders

We greatly appreciate your investment in the Baron Real Estate Income Fund.

I am proud to report that I am a major shareholder of the Baron Real Estate Income Fund, alongside you.

Thank you for your support.

Sincerely,

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 contains 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.

Discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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