BARON SMALL CAP FUND

March 31, 2020 | Institutional Shares (BSFIX)

Portfolio Manager

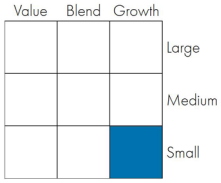
Cliff Greenberg joined Baron in 1997 as a portfolio manager and was named co-chief investment officer in 2020. He has 36 years of research experience. From 1984 to 1996, he worked at HPB Associates as a securities analyst and fund manager; he was named general partner in 1991. Cliff graduated from Cornell University with a B.A. in 1981 and from Columbia Law School with a J.D. in 1984.

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

Investment Strategy

The Fund invests in small-sized U.S. companies with significant growth potential. Investments include fallen angels with strong long-term franchises that have disappointed investors, and special situations where lack of investor awareness creates opportunities. Diversified.



Portfolio Facts and Characteristics

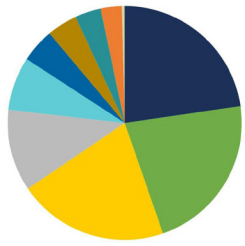
Inception Date	September 30, 1997
Net Assets	$3.03 billion
# of Equity Securities / % of Net Assets	67 / 95.8%
Turnover (3 Year Average)	17.20%
Active Share	93.0%
Median Market Cap[2]	$3.28 billion
Weighted Average Market Cap[2]	$7.95 billion
As of FYE 9/30/2019	**Institutional Shares**
CUSIP	068278803
Expense Ratio	1.05%

Retail and R6 Shares are also available for this Fund.

Top 10 Holdings

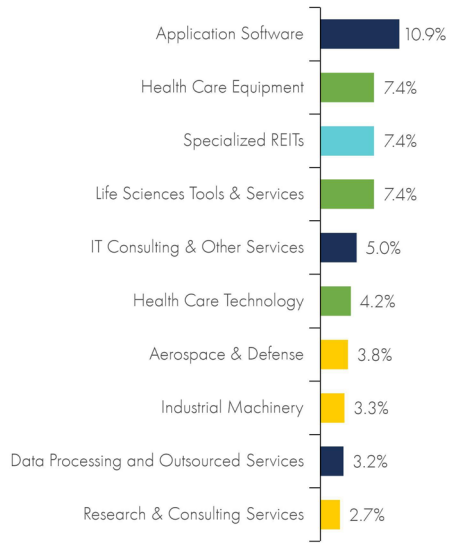
	% of Net Assets
SBA Communications Corp.	4.2
Teladoc Health, Inc.	4.2
Guidewire Software, Inc.	3.9
Gartner, Inc.	3.3
ICON Plc	3.1
Americold Realty Trust	2.9
Clarivate Analytics Plc	2.7
SiteOne Landscape Supply, Inc.	2.7
DexCom, Inc.	2.7
IDEXX Laboratories, Inc.	2.6
Total	**32.3**

GICS Sector Breakdown[1]



- Information Technology 22.7%
- Health Care 22.0%
- Industrials 20.8%
- Consumer Discretionary 11.3%
- Real Estate 7.4%
- Communication Services 4.7%
- Cash & Cash Equivalents 4.2%
- Materials 3.6%
- Financials 2.9%
- Unclassified 0.4%

Top GICS Sub-Industry Breakdown[1]



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

Risks

Risks: Specific risks associated with investing in smaller companies include that the securities may be thinly traded and more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns.

BARON FUNDS

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Historical Performance (Calendar Year %)

Year	BSFIX	Russell 2000 Growth Index	S&P 500 Index
2011	-1.37	-2.91	2.11
2012	18.30	14.59	16.00
2013	38.10	43.30	32.39
2014	1.95	5.60	13.69
2015	-5.01	-1.38	1.38
2016	10.26	11.32	11.96
2017	27.45	22.17	21.83
2018	-7.13	-9.31	-4.38
2019	34.87	28.48	31.49

Performance Based Characteristics[3]

	3 Years	5 Years	10 Years
Std. Dev. (%) - Annualized	20.97	18.33	17.17
Sharpe Ratio	0.11	0.15	0.52
Alpha (%) - Annualized	4.07	2.34	1.51
Beta	0.99	0.92	0.88
R-Squared (%)	94.95	92.62	92.65
Tracking Error (%)	4.72	5.20	5.16
Information Ratio	0.84	0.43	0.11
Upside Capture (%)	100.05	91.60	88.73
Downside Capture (%)	85.13	82.33	82.24

Performance

	Total Return (%)				Annualized Returns (%)					Cumulative Returns (%)
	1st Q 2020	4th Q 2019	3rd Q 2019	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 9/30/1997	Since Inception 9/30/1997
BSFIX-Institutional Shares	-23.34	9.46	-4.68	-23.34	-16.05	4.08	3.93	9.47	8.91	583.01
Russell 2000 Growth Index	-25.76	11.39	-4.17	-25.76	-18.58	0.10	1.70	8.89	4.88	191.96
S&P 500 Index	-19.60	9.07	1.70	-19.60	-6.98	5.10	6.73	10.53	6.56	317.34
Morningstar Small Growth Category Average	-24.59	9.46	-4.17	-24.59	-17.66	1.69	2.77	8.81	N/A	N/A

Top Contributors/Detractors to Performance[2]

BY SUB-INDUSTRIES[1]

Top Contributors	Average Weight(%)	Contribution(%)
Health Care Technology	2.86	1.81
Research & Consulting Services	2.10	0.33
Specialized REITs	5.86	0.14
Unclassified	1.13	0.05
Health Care Supplies	0.30	0.02

Top Detractors	Average Weight(%)	Contribution(%)
Application Software	11.31	-2.72
IT Consulting & Other Services	5.27	-1.77
Life Sciences Tools & Services	7.09	-1.43
Data Processing and Outsourced Services	3.76	-1.42
Human Resource & Employment Services	2.57	-1.33

BY HOLDINGS

Top Contributors	Average Weight(%)	Contribution(%)
Teladoc Health, Inc.	2.86	1.81
Clarivate Analytics Plc	2.10	0.33
DexCom, Inc.	1.97	0.32
Americold Realty Trust	2.21	0.20
Houlihan Lokey, Inc.	0.85	0.06

Top Detractors	Average Weight(%)	Contribution(%)
ASGN Incorporated	2.57	-1.33
Gartner, Inc.	3.57	-1.24
WEX Inc.	2.13	-1.19
Floor & Decor Holdings, Inc.	2.43	-1.16
Installed Building Products, Inc.	2.53	-1.14

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.Investors 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.

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 PA and BAMCO.

3 - Source: FactSet SPAR. Except for Standard Deviation and Sharpe Ratio, the performance based characteristics above were calculated relative to the Fund's benchmark.

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

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

Definitions (provided by BAMCO, Inc.): The indexes are unmanaged. The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large-cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. Morningstar calculates the **Morningstar US Fund Small Growth Category Average** using its Fractional Weighting methodology. The Fund's Institutional Shares have been included in the category since May 29, 2009 and the Fund's Retail Shares since inception. © 2020 Morningstar, Inc. All Rights Reserved. The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **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.

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