



January 27, 2021

Baron's Response to Ignites Article on Tesla Position

Baron Partners Fund (the "Fund") is a non-diversified fund that uses leverage. We believe this structure allows it to benefit from investment opportunities. Non-diversified, levered funds typically have a greater percentage of assets in a single issuer and typically have greater volatility of returns than traditional funds. These risks are clearly explained in the Fund's prospectus. The Fund's beta is 1.09 and its alpha is 5.55% since inception.

The Fund has observed all Investment Company Act and Internal Revenue Code limitations with respect to diversification and concentration. The value of its investment in Tesla has grown significantly because of that company's outstanding performance. We identified and understood these factors before most investors. And we continue to believe they will propel the company's growth for years to come.

The Fund's shareholders have been enormous beneficiaries of the Fund's investment approach. As of December 31, 2020, the Fund's performance ranked 2nd among all U.S. equity funds (2,256 share classes) from its conversion to a mutual fund in 2003.* Its annualized rate of return since its conversion to a mutual fund has been 19.50% (Institutional Shares). In 2020, the Fund returned 149.18% compared to the 35.59% returned by the Russell Midcap Growth Index, the Fund's primary benchmark.

Tesla contributed significantly to the Fund's 2020 performance. The Fund acquired its investment in Tesla between 2014 and 2016 at an average cost of \$43 per share. The current market price of Tesla is \$887 per share.

Portfolio manager Ron Baron has been investing for more than 50 years and is keenly aware of his fiduciary duties to the Fund and its shareholders. Ron, along with his family, is the largest individual shareholder in the Fund, and his interests are aligned with those of other shareholders. To manage the position size within the portfolio, the Fund has sold 20% of its original position since August 2020. We would reduce the position further if the Portfolio Managers believe that the company's fundamentals have changed, or the size of the position creates an unacceptable level of risk.

The Fund has reduced the leverage employed from 21% (\$740 million out of \$3.5 billion gross assets) to 3% (\$234 million out of \$7.9 billion gross assets) since January 2020. This amount is currently considerably below the 33% permitted by the Investment Company Act.

At Baron, we believe the best way to manage risk is through our fundamental research. We strive to know our portfolio companies better than other investors, and to understand the drivers of growth and the business-specific risks. Ron and the investment team are acutely aware of the risks associated with the investment in Tesla and will manage the position accordingly.

***This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 12/31/2020.**

Note, the peer group used for this analysis includes all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for this analysis are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories. There are **2,256** share classes in these nine Morningstar Categories for the period from 4/30/2003 to 12/31/2020.

As of 12/31/2020 The Morningstar Mid-Cap Growth Category consisted of 604, 504, and 383 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Partners Fund (Retail Shares) in the 1st, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 227 share classes.

Morningstar calculates the Morningstar Mid-Cap Growth Category Average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

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

Baron Capital | FAQs on Baron's Investment in Tesla

Baron Partners Fund's annualized returns for the Institutional Shares as of December 31, 2020: 1-year 149.18%, 5-year 37.40%, 10-year 24.04%. Annual expense ratio for the Institutional Shares as of December 31, 2019 was 1.96% (comprised of operating expenses of 1.06% and interest expense of 0.90%).

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, 2031, 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.

Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

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.

Risks: Specific risks associated with non-diversification and leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. 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.

Top 10 Holdings

GICS Sector	Holding	% of Total Investments
Consumer Discretionary	Tesla, Inc.	44.6
Industrials	CoStar Group, Inc.	9.4
Health Care	IDEXX Laboratories, Inc.	5.5
Communication Services	Zillow Group, Inc.	5.2
Consumer Discretionary	Vail Resorts, Inc.	3.6
Financials	Arch Capital Group Ltd.	3.3
Financials	FactSet Research Systems, Inc.	3.2
Industrials	Space Exploration Technologies Corp.	3.0
Consumer Discretionary	Hyatt Hotels Corp.	3.0
Financials	The Charles Schwab Corp.	2.9
	Total	83.7
	Long Equity Exposure	105.3
	Cash & Equivalents	(5.3)

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

Baron Capital | FAQs on Baron's Investment in Tesla

© 2021 Morningstar. All Rights Reserved. The 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. Past performance is no guarantee of future results.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a limited purpose broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).