Dear Baron Durable Advantage Fund Shareholder:

Performance

Baron Durable Advantage Fund (the "Fund") declined 15.7% (Institutional Shares) during the second quarter, roughly in line with the 16.1% decline for the S&P 500 Index (the "Index"), the Fund's benchmark. Year-to-date, the Fund has declined by 24.4% compared to the 20.0% decline for the Index.

Table I.
Performance
Annualized for periods ended June 30, 2022

	Baron Durable Advantage Fund Retail Shares[1,2]	Baron Durable Advantage Fund Institutional Shares[1,2]	S&P 500 Index[1]
Three Months[3]	(15.71)%	(15.67)%	(16.10)%
Six Months[3]	(24.45)%	(24.37)%	(19.96)%
One Year	(14.44)%	(14.22)%	(10.62)%
Three Years	10.77%	11.02%	10.60%
Since Inception (December 29, 2017)	10.35%	10.60%	9.97%

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BDAFX
Institutional Shares: BDAIX
R6 Shares: BDAUX

The correction that started in late 2021 and intensified during the first quarter of 2022, turned into a full-fledged bear market driven by the combination of high inflation, a rising interest rate environment, and broad investor concerns over the health of the economy. While many equity indexes are down in the 20% range year-to-date, growth indexes such as the Russell 1000 Growth or the Russell 3000 Growth, the MSCI ACWI Growth, or the NASDAQ-100 are down in the 30% range, while value indexes such as the Russell 1000 Value or the Russell 3000 Value are down in the low teens. Within the S&P 500 Index, companies with higher multiples are down more – such that the median year-to-date decline for stocks in the top half of the Index by P/E (with a cut-off of 20 times; calculated using next 12 months consensus estimates), was 24%, compared to a 10% median decline for stocks in the bottom half of the Index by P/E. In this context, we are not too disappointed with the Fund's performance especially considering the fact that we have no exposure to traditional "value" stocks, have no investments in Energy or Utilities businesses (the Index's two best performing sectors year-to-date with returns of ***31.8%*** and **-0.6%**, respectively) as well as our sole focus on holding the highest quality companies, which tend to trade at higher multiples (the Fund's forward P/E multiple was 30 times to start the year compared to 22 times for the Index) and were therefore more exposed to multiple contraction.

From a performance attribution standpoint, our 40bps of outperformance in the quarter was due to stock selection, which contributed 95bps to relative returns. This was partially offset by sector allocation effect, which detracted 55bps. By GICS sector, Information Technology (IT), Consumer Discretionary, and Financials were our three best performing sectors, responsible for 251bps of positive relative performance, driven by stock selection within IT (contributing 161bps) and Financials (contributing 43bps) as well as our relative underweight to Consumer Discretionary (contributing 98bps), which was the worst sector in the Index during the quarter. The strength in those three sectors was partially offset by our results in Consumer Staples and Communication Services, which detracted 110bps combined. Not owning Energy and Utilities cost us another 72bps. At the sub-industry level within IT, we mostly benefited from strong stock selection in semiconductors – where our holdings **Texas Instruments** and **Monolithic Power Systems** declined 18.0% as a group compared to the 29.5% decline for the sub-industry within the Index. Similarly, our data processing & outsourced services holdings – **Mastercard** and **Visa**, performed better than the Index, down only 11.1% as a group.

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2021 was 1.91% and 1.48%, respectively, but the net annual expense ratio was 0.95% and 0.70% (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, 2032, 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 **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The index is unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

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.

At the company-specific level, while only 2 of our investments contributed positively to absolute returns in the quarter, we did not suffer any real blow-ups, with just 4 holdings declining more than 20% (**Meta Platforms**, **Alphabet**, **Brookfield Asset Management**, and **Monolithic Power Systems**) and 19 of our holdings declining between 10% and 20%. Our 2 largest positions, Alphabet and **Microsoft**, detracted 346bps from absolute results, while 11 additional investments detracted at least 50bps each. *Most importantly, however, despite the continued stock price declines during the quarter, we believe they are unlikely to result in permanent losses of capital.*

Amid the broader sell-off in growth stocks, Microsoft's stock declined by 23.4% year-to-date and by 16.6% in the second quarter due to growing investor concerns over a slowdown in PC sales and potential delays in enterprise server purchases and cloud migrations with a weaker economy. While the company has not seen a slowdown yet, reporting revenue growth of 21% and operating income growth of 23% (year-over-year in constant currency) during its last quarterly results, it is likely that Microsoft would be impacted by a weakening economy in the near term due to its scale (approximately $200 billion run rate). We would note however, that Microsoft's business model today is much more resilient to a slowdown than it has been historically. This is namely due to the transition from hardware-dependent sales to a recurring revenue model. In the past, when consumers bought a PC, they would normally pair the purchase with a Windows and an Office software package and would pay for the license once. As a result, a slowdown in PC or server sales would naturally lead to a significant slowdown in Microsoft's sales. Today, a majority of revenues are recurring so this is no longer the case since not paying for your Azure cloud usage would cause you to lose access. Additionally, and despite Microsoft's significant scale, we believe it has ample room to compound growth for years into the future. For example, according to Gartner, cloud was still only about 9.5% of overall IT spending in 2021. Satya Nadella, Microsoft's CEO, spoke during the company's recent earnings call on the drivers behind its durability of growth:

"One is just the competitiveness of our tech stack, all up sort of from infrastructure all the way to the SaaS applications… we feel we are ***competitive and increasingly so, coming out of the pandemic, to gain share****…I'd also say that in many of these places, we have price leadership… if there is any macro headwind where you* ***have more value for less price*** *means you win…The second thing is in the conversations we are having with our customers…* ***I don't hear of businesses looking to their IT budgets or digital transformation projects as the place for cuts****. If anything, some of these projects are the way they're going to accelerate their transformation or, for that matter, automation…* ***in an inflationary environment, the only deflationary force is software****…* ***So all we think of is the TAMs that we are competing in are large. As a percentage of GDP, tech spend is, on a secular basis, by the end of the decade, going to double****. We just want to keep driving usage, driving share and be competitive."*

Another example is **S&P Global**, the leading rating agency and data provider, whose stock declined 29.0% year-to-date and 17.5% during the second quarter as a result of growing investor concerns over the slowdown in debt issuance. While debt issuance volumes have seen a dramatic decline – the worst quarterly decline in a decade (down 41% year-over-year in the second quarter based on Goldman Sachs estimates), – and this led management to withdraw its 2022 guidance in early June, we do not believe it would result in a permanent loss of capital. First, ratings represent only about 30% of S&P Global's total revenues. Second, despite inherent volatility in quarterly or annual issuance, over the long-term issuance volumes follow the trends in levels of debt outstanding, which has compounded in the mid-single digits for many years. Lastly, we believe that S&P Global's strong competitive positioning will enable it to continue benefiting from pricing power, while taking advantage of secular tailwinds such as the growth in passive and ESG investing, international expansion, and the growing demand for data analytics.

While the intrinsic values of our businesses continue to compound, the multiple[1] of our holdings has declined by 25% since the beginning of the year. Part of the multiple decline can be attributed to the increase in discount rates, leading to lower present values for future profits since they are discounted by a higher rate. However, we believe there are several factors that could offset much of the negative impact:

- **Pricing power**: The terminal value of a business is dependent as much on the discount rate used as it is dependent on *terminal growth rates*. Since many of our businesses offer critical solutions to their customers, they have pricing power with a proven ability to pass on the cost of inflation over the full business cycle. Therefore, even if inflation remains elevated for longer, the likelihood of them being able to offset it is high, and so their terminal growth rate would also increase.
- **Business resiliency**: During times of economic stress, companies tend to cut spending on non-critical, non-revenue generating items. Additionally, they will consolidate spending on their most important vendors. Our businesses tend to be leaders in their industries and be critical for their customers, and hence we expect them to fare better.
- **Attractive business models**: Our portfolio companies tend to be capital-light, have clean balance sheets without significant financial leverage or cash burn, have a sticky customer base, and many of them have recurring, subscription-based revenue models.

Over the short term, macro considerations such as inflation, the price of oil, and investor confidence will likely determine how our investments will *trade*, but over the following five years, it will be their revenues and earnings and cash flows that will determine their true intrinsic values. In the long run, stock prices always, always follow the intrinsic values of businesses. We have no edge whatsoever over the former. We believe we have a significant edge in figuring out the latter.

Table II.
Top contributors to performance for the quarter ended June 30, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
UnitedHealth Group Incorporated	$481.9	0.06%
Ecolab Inc.	52.2	0.05

UnitedHealth Group Incorporated is a leading diversified health and well-being company whose divisions include insurance arm, United Healthcare and health care services arm, Optum, which offers care delivery and other services. Shares increased 1.1% on strong first quarter results (revenues were up 14% year-over-year), and the company increased its annual guidance. The performance was driven by Optum as a result of a growing adoption of

[1] We compare the Fund's P/E multiples between December 31, 2021 and June 30, 2022 based on consensus expectations for the next 12 months.

value-based solutions. We believe UnitedHealth leads the health care industry in innovation and execution as evidenced by its strong value proposition leading to Medicare Advantage share gains, strong cost controls, and its leadership position in the shift to value-based care.

Ecolab Inc., a global leader in water, hygiene, and infection prevention solutions and services, contributed during the quarter despite the decline in its share price namely due to the fortunate timing of our sale. Ecolab faces inflationary headwinds in its business as the cost of the raw materials used to make its products has sharply increased. The company has put in place price increases and energy-related surcharges to mitigate some of these cost pressures, which demonstrate the pricing power of the business. We decided to sell our position and re-allocate to higher conviction ideas.

Table III.
Top detractors from performance for the quarter ended June 30, 2022

	Quarter End Market Cap (billions)	Percent Impact
Alphabet Inc.	$1,437.8	–1.95%
Microsoft Corporation	1,920.8	–1.51
S&P Global Inc.	114.6	–0.92
Meta Platforms, Inc.	436.4	–0.90
Accenture plc	184.7	–0.86

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares of Alphabet declined 21.6% in the quarter due to concerns about slower global growth impacting the company's core advertising business. We retain conviction in Alphabet's merits as it continues to benefit from growth in mobile and online video advertising, which accrues to its core assets of search, YouTube, and the Google ad network. We are further encouraged by Alphabet's investments in Cloud, AI, and Autonomous Driving (through its Waymo subsidiary).

Shares of **Microsoft Corporation**, a leading global provider of software solutions, declined 16.6% in the quarter along with the broader software group as well as due to growing concerns of a potential macro-driven slowdown. This is despite the company posting strong quarterly financial results and successfully absorbing headwinds from the war in Ukraine. The company had 21% revenue growth, 23% operating income growth, and 35% growth in Microsoft Cloud (all year-over-year in constant currency), which now represents 47% of total revenues. As discussed above, we continue to believe Microsoft remains a durable and growing business as companies across all industries look to digitally transform, taking advantage of the continuously expanding solution set Microsoft has to offer.

Shares of rating agency and data provider **S&P Global Inc.** fell 17.5% during the second quarter, due to much lower debt issuance activity during the quarter. Goldman Sachs estimates global debt issuance fell 41%, the worst quarterly decline in over a decade, reflecting greater investor risk aversion, rising interest rates and spreads, and a drop-off in M&A activity. S&P Global's management suspended annual guidance in early June due to uncertain and volatile market conditions. As mentioned above, we believe this ratings weakness is temporary and the non-ratings businesses (comprising over 70% of revenue) should continue growing nicely. Over the long term, the company should continue benefiting from the secular trends of increasing bond issuance, growth in passive investing, and demand for data and analytics, while enjoying meaningful and durable competitive advantages that, in our view, are only strengthening following the merger with IHS Markit.

Shares of **Meta Platforms, Inc.**, the owner of Facebook, the world's largest social network, fell 28.4% during the second quarter due to quarterly results that missed consensus estimates, driven by the impact of Apple's new privacy changes in its iOS operating system. These changes have made it harder for Facebook to measure the effectiveness of its advertising across its mobile apps. In the longer term, we expect Facebook to continue utilizing its leadership in mobile to provide global advertisers targeted marketing capabilities at scale, with substantial monetization optionality ahead in newer areas such as Reels (Meta's competing solution to TikTok) and e-commerce.

Accenture plc provides consulting and technology services to corporate clients worldwide. Quarterly financial results exceeded Street expectations with 22% revenue growth and 23% operating income growth. However, shares fell 17.5% during the quarter due to adverse foreign currency movements weighing on next quarter's guidance and investor concerns about macroeconomic uncertainty impacting client demand. We believe demand for Accenture's services will be resilient over the long term and the company will continue gaining share in a large global market helping its clients digitally transform.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark composition and weights) determining the size of each individual investment. Sector weights tend to be an outcome of the stock selection process and are not meant to indicate a positive or a negative "view."

While many market participants try to manage increased market volatility by diversifying across more holdings, we tend to do the opposite and gravitate towards our highest conviction ideas. As a reminder, we do not equate market volatility to risk (we think of risk in terms of the probability of a permanent loss of capital) and view market volatility as an opportunity to upgrade the risk-reward profile of the portfolio. Accordingly, the weight of our top 10 and top 20 positions has increased, representing 54.9% and 87.2% of the Fund, respectively as of June 30, 2022. This compares to 46.3% and 77.3% as of the end of 2021, respectively.

Similarly, we have reduced the number of names in the portfolio, exiting the quarter with 26 investments compared to 33 as of the end of 2021. IT and Financials, our biggest sectors, represented 58.0% of the Fund. Health Care, Communication Services, Consumer Discretionary, Consumer Staples, and Industrials represented another 40.3% of the Fund.

Table IV.
Top 10 holdings as of June 30, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$1,920.8	$3.0	8.8%
Alphabet Inc.	1,437.8	2.2	6.5
Amazon.com, Inc.	1,080.6	1.9	5.6
UnitedHealth Group Incorporated	481.9	1.8	5.3
Thermo Fisher Scientific Inc.	212.7	1.7	5.0
Arch Capital Group Ltd.	17.1	1.7	4.9
Accenture plc	184.7	1.7	4.8
S&P Global Inc.	114.6	1.6	4.7
Mastercard Incorporated	306.8	1.6	4.7
Danaher Corporation	184.3	1.6	4.6

Recent Activity

During the second quarter, we initiated one new investment: the e-commerce and cloud computing leader, **Amazon.com**. We took advantage of the market correction to add to six existing positions: **Meta Platforms**, **Brookfield Asset Management**, **Intuit**, **HEICO**, **Monolithic Power Systems**, and **CME Group**. We reduced 17 positions and liquidated 5 smaller holdings (**BlackRock**, **Ecolab**, **Fair Isaac**, **Nice**, and **SS&C**) as we further consolidated the portfolio to our higher conviction ideas.

Table V.
Top net purchases for the quarter ended June 30, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Amazon.com, Inc.	$1,080.6	$2.2
Meta Platforms, Inc.	436.4	0.8
Brookfield Asset Management Inc.	73.0	0.4
Intuit Inc.	108.7	0.4
HEICO Corporation	15.7	0.1

The only new purchase during the quarter was **Amazon.com, Inc.**, which became a top three holding for the Fund. While we have owned Amazon for many years in our other higher growth strategies, it was never a great fit for this strategy since it was not established enough, its cloud business was too early stage, and its other new businesses, such as advertising were also nascent in their penetration curves. Today, we believe that while Amazon remains early enough, such that the runway for growth is still long, it has become much more established and with proven unit economics. We also thought that the 35% decline in Amazon's stock during the quarter presented a unique opportunity to build a position in potentially the most competitively advantaged business on earth at a significant discount to its intrinsic value.

The stock price decline was driven by the slowdown in e-commerce growth due to the reopening of the economy as well as Amazon's capacity overbuild, which is impacting near-term profitability. This, however, would not result in significant impairment to the company's intrinsic value, in our view, as the company will grow into its larger footprint over time. According to the U.S. Census Bureau, domestic e-commerce was only 14.3% of retail (as of the first quarter of 2022) and Amazon remains the market share leader with around 40%. Internationally, the opportunity remains large as Amazon still has less than a 2% market share of international retail spending. Its advertising share is also only 3% and growing, underpinned by the structural closed-loop systems it enables (merchants know exactly whether their ad dollars resulted in a purchase since they are all done on the Amazon platform), which enables accurate targeting and measurement. Lastly, Amazon Web Services (AWS), Amazon's leading cloud computing service, has a good runway for growth as the industry still represents only 9.5% out of the $4.3 trillion of global IT spending according to Gartner. Areas such as logistics and health care present additional optionality.

More importantly however, Amazon remains one of the most innovative companies in the world, which we believe will create significant value over the long term. This is how Andy Jassy, Amazon's CEO, ended his first annual shareholder letter:

"Albert Einstein is sometimes credited with describing compound interest as the eighth wonder of the world ("He who understands it, earns it. He who doesn't, pays it"). We think of iterative innovation in much the same way. Iterative innovation creates magic for customers. Constantly inventing and improving products for customers has a compounding effect on the customer experience, and in turn on a business's prospects.

Time is your friend when you are compounding gains. Amazon is a big company with some large businesses, but it's still early days for us. We will continue to be insurgent – inventing in businesses that we're in, in new businesses that we've yet to launch, and in new ideas that we haven't even imagined yet. It remains Day 1."

Lastly, Amazon's current market cap of $1.1 trillion offers, in our view, a significant discount to the company's intrinsic value. We believe, for example, that AWS by itself would be worth more than that amount in several years. As of the first quarter of 2022, AWS had $74 billion in run rate revenues growing at 37%, with 35% operating margins. We believe AWS can continue compounding at more than 20% for the next five years, reaching over $220 billion in revenues by 2027, driving over $80 billion of operating profits and over $60 billion of after-tax profits. AWS at that point will still be in a rapid growth phase, but even if we assume it does not continue to grow rapidly, and apply a terminal value at that point, using a nominal GDP-plus growth rate of approximately 6% along with around 11% WACC, or a 20 times multiple, it would result in roughly $1.2 trillion of value. This back of the envelope analysis assigns no value to everything else Amazon does – retail, logistics, advertising, etc.

We also took advantage of market volatility to add to several existing positions. We added to **Meta Platforms, Inc.**, since we thought that the market correction was overdone considering the company's unique competitive positioning with a stable user base and still one of the best business models in the world, which generates high incremental profits. Despite continued near-term uncertainty, driven by the potential impact of a macro slowdown on advertising budgets, the impact of iOS changes, and the growth of TikTok, we believe that the risks are priced in. We believe that as engagement of Reels grows, Meta would be able to both compete with TikTok and improve monetization. We also continued building our new **Brookfield Asset Management Inc.** position, while the volatility in the price of **Intuit Inc.** and **HEICO Corporation** enabled us to add to those positions as well.

Table VI.
Top net sales for the quarter ended June 30, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Alphabet Inc.	$1,437.8	$1.0
Microsoft Corporation	1,920.8	0.7
Arch Capital Group Ltd.	17.1	0.7
BlackRock Inc.	96.4	0.6
Ecolab Inc.	52.2	0.6

During the second quarter, we reduced 17 positions, including **Alphabet Inc.**, **Microsoft Corporation**, and **Arch Capital Group Ltd.**, and sold **BlackRock Inc.** and **Ecolab Inc.** along with three other smaller positions as we further consolidated the portfolio on our higher conviction ideas and in order to finance investor redemptions.

OUTLOOK

There's been a regime change and it is impossible to tell when this bear market will end. In the short term, prices for stocks (and valuations) are almost always driven by investor sentiment, which in turn is driven by exogenous factors (inflation, interest rates, oil, etc.) and the way investors perceive them (investor confidence). However, we observe that stock appreciation over the long term depends significantly more on a business's ability to sustain its *duration of growth* rather than the entry *multiple* that an investor has paid for it. This is because business fundamentals compound exponentially, while the price paid for a stock is a linear function. Mathematically, the annualized return would equal the product of the *change in multiple* and the *compounded growth* in the underlying fundamentals, annualized:

$$Return\ CAGR = \left(\frac{Multiple\ at\ time\ T}{Multiple\ today} x(1+r)^T\right)^{1/T} - 1 = \left(\frac{Multiple\ at\ time\ T}{Multiple\ today}\right)^{\frac{1}{T}} x(1+r) - 1$$

Most of the businesses we own in this strategy have proven track records of *durable growth*, companies that are undisputed leaders in their industries with sizable competitive advantages that we believe to be both sustainable, and in some cases, insurmountable. This gives us a lot of conviction that *Time* (or the T in the above equation) is on our side. When growth is durable, the intrinsic value of a business compounds at healthy rates over very long periods of time in a way, *making time work for us*. Getting back to the math, as T in the above equation gets larger (or as time passes), the first part of the equation (or the multiple correction) increases asymptotically to 1, the annualized return gets closer and starts to approach how well the business itself is doing. For instance, if company A compounds free-cash-flow per share at a 15% rate, it would double in approximately 5 years. Now, if we overpaid for company A by 50%, our return would be impaired to a CAGR of just 6%, instead of the original 15%. However, if company A is able to compound at the same rate for 15 years (instead of 5), it will grow over 8 times! In this case, overpaying by the same 50%, would decrease our annualized rate of return from 15% to approximately 12%, still a good result. "Time is the friend of the wonderful business and the enemy of the mediocre"[2]... We believe our Fund is filled with wonderful businesses.

While the overwhelming majority of market participants are preoccupied with the here and now, we are focused on the *duration of growth*. Though the future is inherently uncertain, bear markets and meaningful stock price declines have historically offered attractive buying opportunities for long-term investors. We believe the intrinsic values of the businesses we own, and the cumulative "weight" of our portfolio companies have continued to grow while their stocks have fallen significantly. In our view, the margin of safety has widened considerably, and the prospective investment returns of our portfolio look very attractive at this time.

Every day, we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

Our goal is to invest in large-cap companies with, in our view, strong and durable competitive advantages, proven track records of successful capital allocation, high returns on invested capital, and high free-cash-flow generation, a significant portion of which is regularly returned to shareholders in the form of dividends or share repurchases. It is our belief that investing in great businesses at attractive valuations will enable us to earn excess risk-adjusted returns for our shareholders over the long term. We are optimistic about the prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.

Sincerely,

Alex Umansky
Portfolio Manager

[2] Warren Buffett

Baron Durable Advantage Fund

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 the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Fund invests primarily in equity securities, which are subject to price fluctuations in the stock market. In addition, because the Fund invests primarily in large-cap company securities, it may underperform other funds during periods when the Fund's securities are out of favor. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The 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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Price/Earnings Ratio (next 12-months): is a valuation ratio of a company's current share price compared to its mean forecasted 4 quarter sum earnings per share over the next twelve months. If a company's EPS estimate is negative, it is excluded from the portfolio-level calculation.

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