

DEAR BARON FIFTH AVENUE GROWTH FUND SHAREHOLDER:

PERFORMANCE

We hope that you and your loved ones are managing these extraordinary times as well as possible, and that you are staying safe. We also want to express our deep and sincere gratitude to all of the #firstresponders and #frontlinehealthcareworkers who risk their well-being and their lives every day, so that we can overcome the Coronavirus ("COVID-19") pandemic.

Baron Fifth Avenue Growth Fund (the "Fund") declined 9.5% (Institutional Shares) during the first quarter, which compared favorably to the losses of 14.1% for the Russell 1000 Growth Index ("R1KG") and 19.6% for the S&P 500 Index ("SPX"), the Fund's benchmarks. It was a tough start to the year, but we managed to do a reasonably good job preserving shareholder capital in what clearly was a challenging environment.

Table I.
Performance

Annualized for periods ended March 31, 2020

| | Baron Fifth Avenue Growth Fund Retail Shares ^{1,2} | Baron Fifth Avenue Growth Fund Institutional Shares ^{1,2,3} | Russell 1000 Growth Index ¹ | S&P 500 Index ¹ |
|-------------------------------------|--|---|---|----------------------------------|
| Three Months ⁴ | (9.55)% | (9.48)% | (14.10)% | (19.60)% |
| One Year | 2.13% | 2.38% | 0.91% | (6.98)% |
| Three Years | 14.38% | 14.67% | 11.32% | 5.10% |
| Five Years | 11.32% | 11.61% | 10.36% | 6.73% |
| Ten Years | 12.60% | 12.88% | 12.97% | 10.53% |
| Fifteen Years | 8.97% | 9.17% | 9.69% | 7.58% |
| Since Inception (April 30, 2004) | 8.74% | 8.92% | 9.27% | 7.67% |

The Fund performed reasonably well throughout the quarter. It was up 4.2% in January versus a gain of 2.2% for the R1KG and a flat return for the SPX; down 4.5% in February against losses of 6.8% for the R1KG and 8.2% for the SPX, and down 9.1% in March compared to down 9.8% for the R1KG and down 12.4% for the SPX. No one is ever happy with a drawdown, but in a relative performance business, this was pretty good.

As is typical for this Fund, most of the outperformance came from stock selection, which accounted for 346 basis points (bps) with an additional 113bps

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, 2019 was 1.06% and 0.80%, but the net annual expense ratio was 1.00% and 0.75% (net of the Adviser's fee waivers, restated to reflect current fee waivers). 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.

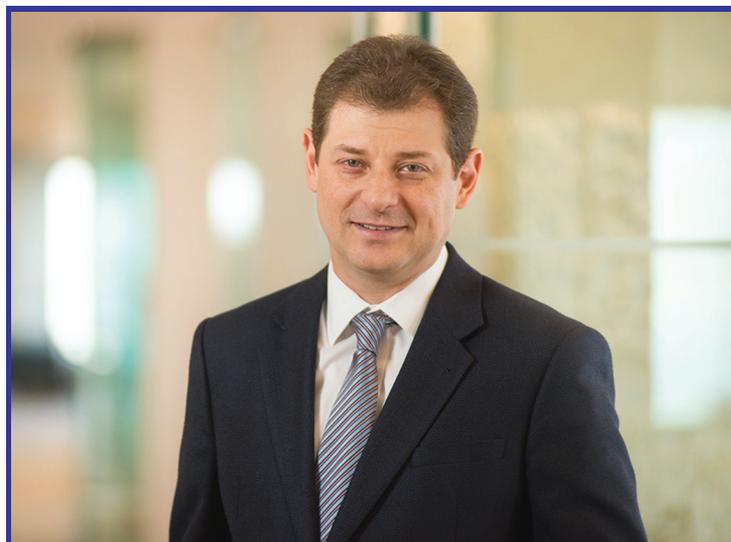
The Fund's 1-year historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

¹ The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The Russell 1000[®] Growth Index measures the performance of large-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.

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 Performance for the Institutional Shares prior to May 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 May 29, 2009 did not reflect this fee, the returns would be higher.

⁴ Not annualized.



ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

coming from the effect of sector allocation. While we only had eight gainers in the first quarter, many of them were some of our larger investments, with **Amazon, Veeva Systems, Equinix, Vertex Pharmaceutical, RingCentral, Adyen, Slack Technologies, and CrowdStrike** contributing a total of 278bps to absolute returns. Four of these investments had double-digit price gains – RingCentral (+26%), Slack Technologies (+20%), CrowdStrike (+12%), and Veeva Systems (+11%). This is particularly noteworthy in the context of most indexes declining close to 20%. We also had our fair share of detractors with **Mastercard, PagSeguro Digital, Visa, StoneCo, and Intuitive Surgical** costing the Fund at least 75bps each.

From the GICS sector perspective, stock selection was particularly strong in the Consumer Discretionary (Amazon and Alibaba), Health Care (Veeva and Vertex), Real Estate (we only have one investment—Equinix), and Financials (S&P Global) sectors. The Fund also benefited from not investing in Industrials, Energy, Consumer Staples, and Materials, with very modest positive contributions from being overweight Consumer Discretionary and Information Technology.

Baron Fifth Avenue Growth Fund

According to Morningstar, for the period ended March 31, 2020, the Fund ranked in the top 10% for its 1-year return, top 6% for its 3-year return, top 8% for its 5-year return, and top 7% since the Fund's restructuring at the end of 2011.* Since that time, it has returned 224.2% cumulatively, outperforming the R1KG by 28.5%, the SPX by 80.1%, and the Morningstar Large Growth Category Average by 71.6%. Strong results in our view.**

How much will you pay me to fill up my car?

We live (and invest) in unusual times. The spot price for oil went negative today. That's not a misprint. The price of crude oil, as measured by the "front-month" (May 2020 delivery) contract, went not only below zero, but it went down to negative \$38 per barrel. It took me **10** years to internalize the concept of negative interest rates, and now this? Neither concept was covered (or contemplated) when I was in school. From February 19 to March 23, the S&P 500 declined 33.8%. The most staggering and quickest stock market decline (according to talking heads on TV) in history, as the world economies grapple with implications of the COVID-19 pandemic.

Wikipedia defines a black swan event as an occurrence that deviates beyond what is normally expected of a situation and that would be extremely difficult to predict. The term was, of course, popularized by Nassim Nicholas Taleb in his 2007 book, *The Black Swan: The Impact of the Highly Improbable*. One of the black swan events' key characteristics is that it is inappropriately rationalized after the fact, with the benefit of hindsight.

We believe that the COVID-19 global pandemic qualifies as such an event. A number of "experts" have already emerged claiming to have anticipated the devastating impact of the virus and many more will emerge, over time, explaining how they figured out the right time to sell, the right time to buy, and the exact time to double down. We will not be part of that crew. From our perspective, it is important to understand and to acknowledge that today, what we don't know > what we do know. This isn't the first time we find ourselves in this situation. The bursting of the Tech bubble in late 2000, closely followed by the terror attacks of 9/11, and the financial crisis in 2008-2009 left many capital allocators with a similar equation.

We often tell our shareholders that in the world of investing, the only constant is change. This ostensibly applies to the world outside investing as well. In fact, it was Charles Darwin who once said: "those who survive are NOT the strongest or the most intelligent, but the most adaptable to change!" Focusing and understanding disruptive change is one of the core tenets of our investment process. It is our opinion that COVID-19 will prove to be a meaningful economic and a real life disruption. Having lived and made capital allocation decisions through two prior meaningful economic and real life disruptions, we still have more questions than answers, but we can offer the following observations and a single insight:

1. This crisis is much more broad-based than the prior two which were primarily contained to specific industries (technology and financials) or specific instruments. The financial crisis in 2008 was indeed more global in nature than 2000-2002, but it does not come close to comparing to this one in terms of the magnitude of the global recession.

2. 16.8 million Americans applied for first-time unemployment benefits in the last three weeks. Global unemployment as a result of the Coronavirus is projected to peak somewhere between 25% and 40%. While this will certainly be temporary, both the depth and the duration of this decline remain difficult to predict.
3. Algorithmic and high-frequency trading now account for a significantly larger portion of overall trading (over 90% of average daily volumes by many estimates), amplifying increased volatility and further distorting price discovery.
4. On the one side, you have a pandemic—a challenge, a disease unlike anything we have encountered before. On the other, you have the global, coordinated, and synchronized response from every central bank of importance. Every government on the planet coming together and fighting this with everything they've got. There are more than enough smart people to figure out how to get this done. It is not a question of if, but when, which by definition, favors every investor with a long-time horizon.
5. Valuing businesses properly will become more difficult, as 2020 will likely be a write-off year for many companies. But it will expose faulty business models and accelerate the rate of change.

This leads us to the single insight we can offer at this time: the economy will NOT be the same as it was before the COVID-19 crisis. When disruptive change occurs, it is critically important to understand whether that change supports and strengthens companies' competitive advantages or if it will cause them to be left behind.

The tech revolution of the late 1990's and early 2000's was led by the \$100 billion+ behemoths Lucent, Nortel Networks, and JDS Uniphase. All gone 10 years later. Companies like IBM, Cisco Systems, General Electric, and Exxon Mobil were among the most valuable businesses in the world. They were not able to adapt to the disruptive change and are all worth less 20 years later. It's not only Lehman Brothers and Bear Stearns, both almost 100-year old businesses at the time, that are no longer with us, it's that the financial crisis of 2008 and the resultant regulatory changes, permanently impaired that sector's business models and their ability to generate returns on equity anywhere near what they were able to generate before. So much so, that after one of the biggest 12-year bull markets in history, their stock prices are still generally 30% to 50% below the peak that was achieved prior to the crisis. We think because this crisis is more broad-based, the ramifications will likely be wider and even more far reaching.

The good news for us is that we have a lot of experience analyzing disruptive change, and a process that helps us identify businesses that are well positioned to benefit from it. We always think about the quality of the business and its competitive advantage first. Why is that competitive advantage durable? Will it enable the business to compound its intrinsic value over long periods of time? These are the most critical questions that we must answer prior to making any investment. Many of these companies are unique and emerge from downturns in a stronger competitive position than they

* Morningstar calculates the Morningstar US Fund Large Growth Category average using the Morningstar 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. As of 3/31/2020, the Category consisted of 1,358, 1,231, 1,086, and 812 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Fifth Avenue Growth Fund Institutional Share Class in the 10th, 6th, 8th, and 15th percentiles, respectively.

** Mr. Umansky became the portfolio manager of the Fund on November 1, 2011. Since that date, the Fund has returned 214.30% cumulatively, which compares to 194.69% for the Russell 1000 Growth Index and 146.02% for the S&P 500 Index, outperforming the Morningstar US Fund Large Growth Category average by 67.30% over the 8+ year period. As of 3/31/2020, the annualized returns of the Morningstar US Fund Large Growth Category average were (3.72)%, 8.65%, 7.64%, and 10.99% for the 1-, 3-, 5-, and 10-year periods, respectively.

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were in when they went into it because they sell a critical product or service that is vital to their customers. For example, Veeva's software is the operating system for health care companies, Illumina's sequencers are powering most of modern drug development, including COVID-19 efforts; and RingCentral's Unified Communications cloud service enables companies to continue operating under the work-from-home mandate. We favor businesses with recurring revenue models, low leverage, and significant amounts of cash on the balance sheet to not only withstand a liquidity crunch and a likely recession, but also to continue to invest in their own business.

Table II.
Top contributors to performance for the quarter ended March 31, 2020

| | Quarter End Market Cap (billions) | Percent Impact |
|-------------------------|---|-------------------|
| Amazon.com, Inc. | \$970.6 | 0.84% |
| Veeva Systems Inc. | 23.3 | 0.53 |
| RingCentral, Inc. | 18.5 | 0.43 |
| Slack Technologies Inc. | 14.9 | 0.32 |
| CrowdStrike, Inc. | 11.9 | 0.26 |

Amazon.com, Inc. is the world's largest retailer and cloud service provider. Shares were up 5.5% in the first quarter as unit growth remained strong in the fourth quarter at over 22% on continued one-day shipping expansion and AWS (Amazon Web Service) posted another strong quarter of over 34% year-on-year growth. As the COVID-19 pandemic spread, Amazon continued to outperform, thanks to the durability of its business model in both the e-commerce and the cloud sides of the business. As mentioned above, we also view COVID-19 as a potential accelerator to the penetration of e-commerce (especially in grocery), and to the penetration of cloud computing. Amazon remains early in disrupting multiple large markets including e-commerce with around 15% penetration, advertising at 1% to 2%, logistics, health care, and more. We also think AWS still has a long runway for growth with cloud penetration of around 6% in 2019 out of the \$3.7 trillion global spending on Information Technology (according to Gartner).

Veeva Systems Inc. offers customer relationship management, content, collaboration, and data management solutions tailored mostly to the life sciences industry. Veeva's stock was up 11.2% in the March quarter as investors expect it to better withstand a COVID-19-related disruption thanks to its growing, leading, and differentiated product line, strategic relationship with its customers, robust liquidity, subscription business model, and attractive profitability profile. Our long-term conviction in Veeva is rooted in the ongoing evolution of its platform, the growth of its Vault solution, and the ability to deliver significant value to customers over long periods of time, resulting in an impressive growth and margin profile.

RingCentral, Inc. provides global cloud communications and collaboration solutions across multiple channels (voice, video, and messaging). RingCentral's stock was up 25.9% in the first quarter as the COVID-19 pandemic led a large number of employers globally to initiate work-from-home policies, crystalizing the need for a communications platform that is agile, scalable and global, such that employees can communicate wherever they are. With RingCentral's 2 million users, it remains in the first inning of the migration from premise-based communications solutions to the cloud.

Slack Technologies Inc. is a cloud-based collaboration platform, enabling customers to communicate, share information, and collaborate on projects. Slack is used by over 12 million users daily, has over 100,000 paid customers, and it is growing rapidly. Shares of Slack were up 19.6% during the first quarter, after reporting a significant increase in both the number of users and user engagement as more companies transitioned to a remote workforce. With expectations for long-term workflow adjustments, we

believe Slack is now even better positioned to achieve its long-term growth potential, supporting accelerating communication initiatives across a large number of companies and users.

CrowdStrike, Inc. is a leading cybersecurity cloud service provider, offering next-generation endpoint detection and remediation solutions. Shares of CrowdStrike were up 12.1% during the first quarter, as growth exceeded expectations (+89% year-over-year) with the company continuing to gain market share and since investors expect CrowdStrike's business to prove resilient in a recessionary scenario. We believe CrowdStrike has just scratched the surface of what it could do with its rapidly growing platform and are excited about its future potential to gain wallet share in the cybersecurity space as customers consolidate spending on its platform.

Table III.
Top detractors from performance for the quarter ended March 31, 2020

| | Quarter End Market Cap (billions) | Percent Impact |
|--------------------------|---|-------------------|
| Mastercard Incorporated | \$242.8 | -1.28% |
| PagSeguro Digital Ltd. | 6.3 | -0.94 |
| Visa, Inc. | 316.2 | -0.79 |
| StoneCo Ltd. | 6.0 | -0.76 |
| Intuitive Surgical, Inc. | 57.4 | -0.75 |

Mastercard Incorporated is a leading global payment network. The company reported good quarterly financial results with 16% revenue growth and 26% EPS growth and provided guidance for mid-teens revenue growth in 2020. However, the stock underperformed later in the quarter, ending the first quarter down 19.0% as the COVID-19 pandemic caused a slowdown in consumer spending, driving management to withdraw full-year guidance due to the uncertain economic outlook. The announced retirement of CEO Ajay Banga also weighed on sentiment. We continue to own the stock due to Mastercard's wide moat, high barriers to entry and the opportunity to keep growing for many years as it benefits from the continued growth in global consumer spending as well as the secular shift from cash to electronic payments (with cash still used in over 80% of global transactions).

PagSeguro Digital Ltd. is a Brazilian payment processor, focused on facilitating small and micro-merchants in Brazil to accept different forms of credit, debit, and digital currency transactions. Shares of PagSeguro declined 43.4% during the first quarter reflecting an expected decrease in merchant sales due to the impact of measures taken to combat COVID-19. A near-term decline in payment volume will be a headwind to PagSeguro's revenues, though earnings should be less impacted due to the high proportion of variable costs in its cost structure. We remain confident in our long-term thesis for the company due to its focus on the underserved micro-merchant segment in Brazil, with only 1.5 million consumers out of a population of 70 million unbanked people in Brazil. We further believe that PagSeguro's platform, increasingly recognized brand, and rapidly improving penetration, have the potential to dramatically lower transaction costs for these micro-merchants. Over time, we expect PagSeguro to gain significant market share from the bank-controlled incumbent payment processors, who continue to overcharge and underserve this growing merchant community.

Visa, Inc. is a leading global payment network. The company reported solid quarterly financial results with 10% revenue growth and 12% EPS growth and announced the acquisition of Plaid, which connects fintech companies with banks. However, the stock underperformed later in the quarter, ending the first quarter down 14.1% as the COVID-19 pandemic caused a slowdown in consumer spending and led management to cut guidance for the March quarter. We continue to own the stock due to Visa's long runway for growth and strong competitive advantages.

Baron Fifth Avenue Growth Fund

StoneCo Ltd. is a Brazilian payment processor that serves the underbanked medium-sized business customer. Shares of Stone declined 45.4% during the quarter as the volume of payments, a major driver of revenue, is expected to decline due to social distancing measures impacting retail sales negatively. We see no solvency or liquidity risk for the company, but earnings will decline while such measures are in place. We expect these impacts to be temporary and we remain excited about StoneCo's longer-term opportunity to enable credit, debit, and other forms of electronic payments in a large portion of the Brazilian economy, which is significantly underserved by the traditional banking sector.

Intuitive Surgical, Inc. is the market leader in robotic surgery. The stock declined 16.2% in the quarter since the company's sales are driven by high-ticket capital equipment purchases by hospitals and by the number of procedures in which the company's robotic systems are being used. Both capital equipment budgets and procedure-related instrument purchases will be negatively impacted by the current COVID-19 pandemic as hospitals are delaying capital investments while also deferring elective procedures, focusing on treating patients with COVID-19. Longer term, however, with still fewer than 5% of surgical procedures performed with the da Vinci robots, we continue to believe Intuitive Surgical has a long runway for growth and expect the company to do well as procedure volumes resume and continue to grow over time.

PORTFOLIO STRUCTURE

The Fund's portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level determining the size of each investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view." As of March 31, the top 10 positions represented 54.3% of the Fund, the top 20 were 84.7%, and we exited the quarter with 29 investments. Information Technology, Consumer Discretionary, Health Care, Communication Services, and Financials made up 92.7% of the portfolio. The remaining 7.3% was made up of Equinix, Inc., which is a REIT classified under Real Estate, as well as cash.

Table IV.
Top 10 holdings as of March 31, 2020

| | Quarter End Market Cap (billions) | Quarter End Investment Value (millions) | Percent of Net Assets |
|---|---|--|--------------------------|
| Amazon.com, Inc. | \$970.6 | \$34.5 | 11.7% |
| Alibaba Group Holding Limited | 521.7 | 18.1 | 6.1 |
| Mastercard Incorporated | 242.8 | 16.1 | 5.5 |
| Veeva Systems Inc. | 23.3 | 15.7 | 5.3 |
| Alphabet Inc. | 798.9 | 14.2 | 4.8 |
| Visa, Inc. | 316.2 | 13.8 | 4.7 |
| Illumina, Inc. | 40.1 | 12.2 | 4.2 |
| Equinix, Inc. | 53.4 | 12.2 | 4.2 |
| Intuitive Surgical, Inc. | 57.4 | 12.1 | 4.1 |
| Fidelity National Information Services, Inc. | 75.0 | 10.9 | 3.7 |

RECENT ACTIVITY

During the first quarter, we added to nine existing investments including: ServiceNow, RingCentral, Twilio, Splunk, and Slack Technologies. Consistent with our philosophy of sticking to the highest conviction ideas in times of increased uncertainty we eliminated 5 of our lowest conviction ideas and exited the quarter with 29 holdings.

Table V.
Top net purchases for the quarter ended March 31, 2020

| | Quarter End Market Cap (billions) | Amount Purchased (millions) |
|-------------------------|---|-----------------------------------|
| ServiceNow, Inc. | \$54.4 | \$4.1 |
| RingCentral, Inc. | 18.5 | 1.1 |
| Twilio Inc. | 12.5 | 1.1 |
| Splunk, Inc. | 20.0 | 1.0 |
| Slack Technologies Inc. | 14.9 | 0.9 |

During the quarter, our biggest add was to **ServiceNow, Inc.**, a position we initiated in the fourth quarter of 2019. As a reminder (see full write-up in our fourth quarter 2019 letter), ServiceNow is a provider of cloud-based solutions for workflow management, IT service management, and IT operations management. While it's quite possible that ServiceNow will see a negative near-term impact from COVID-19, as enterprise customers delay purchase decisions on new projects, and perhaps seek to defer payments (which can impact billings), longer term we believe that COVID-19 will prove to be a tailwind, accelerating digital transformation trends and the adoption of cloud.

Similarly, the other names we added to during the quarter stand to benefit in the long term as COVID-19 accelerates several ongoing disruptions, increasing our estimate of their intrinsic value. **RingCentral, Inc.** and **Slack Technologies Inc.** for example will benefit from the growing need for organizations to stay connected (internally and externally) from anywhere and across any modality. Few events could have crystalized the advantages of those modern communications solutions better than the current mandate to work from home. **Twilio Inc.**, while likely facing COVID-19 related headwinds in the near term due to its usage-based revenue model and exposure to the transportation and hospitality sectors, will also benefit in the long term, as organizations accelerate digital transformations. Likewise, **Splunk, Inc.** will also benefit in the long term. Doug Merritt, its CEO, described during the fourth quarter 2019 earnings call how their solution is powering digital transformations, helping companies better utilize data:

*"Stepping back, what we know for sure is that digitalization or digital transformation is becoming a real, tangible and critical global initiative. Digital security has become a board level discussion for global enterprises to start-ups planning to go public and there is an increased focus on digital technologies to help solve some of humanity's biggest challenges. **This makes it clear that over the next five years, every organization must become a digital organization and data is the fuel powering a digital organization. At Splunk, we're empowering customers with capabilities they simply can't get anywhere else at the time that they need it the most.**"*

Table VI.

Top net sales for the quarter ended March 31, 2020

| | Quarter End Market Cap or Market Cap When Sold (billions) | Amount Sold (millions) |
|--------------------------|---|------------------------------|
| IAC/InterActiveCorp | \$19.8 | \$6.5 |
| Booking Holdings, Inc. | 78.4 | 4.2 |
| Kotak Mahindra Bank Ltd. | 32.1 | 2.4 |
| Sage Therapeutics, Inc. | 1.5 | 1.3 |
| PagSeguro Digital Ltd. | 6.3 | 1.1 |

During the quarter, we eliminated several investments that we believe could be disproportionately hurt by COVID-19, including **Booking Holdings, Inc.** and **Kotak Mahindra Bank Ltd.** We also sold names in which we had lower conviction such as **IAC/InterActiveCorp**, a holding company that pro forma for the pending separation of Match Group (MTCH), will consist of majority holdings in ANGI Homeservices Inc. and Care.com, with other assets including the online publisher DotDash and the video platform, Vimeo. Despite IAC's strong cash position, we decided to exit our position because post its pending separation from Match, IAC will be primarily a vehicle for owning ANGI, which we believe is a lower-quality business with a history of poor execution and an ongoing business model transition to an as yet unproven fixed price strategy. We also decided to sell our position in **Sage Therapeutics, Inc.** after they reported a failed phase-3 clinical trial late last year. Lastly, we reduced our **PagSeguro Digital Ltd.** holding, a Brazilian payments company that is expected to see significant near-term headwinds from COVID-19, reallocating to higher conviction ideas.

OUTLOOK

What a difference three months make.

In early January we were reviewing last year's performance and we pointed out how it was almost impossible to lose money in 2019. Well, it proved to be equally difficult to make money in the first quarter of 2020. Government bonds and gold were up a bit, but every stock market index in the world that we looked at lost money, and most of the ones that matter and that we traffic in, lost a lot. As Nassim Taleb explained in his wonderful book, the hindsight bias will convince some of you that what we are experiencing now was not only possible but was in fact very likely. The 2020 recession was "in fact" unavoidable, a talking head proclaimed recently on CNBC. We have now heard a few people state that this current pandemic was entirely

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: The Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk. There is no guarantee that these objectives will be met.

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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predictable, although at least one of them could not coherently explain the difference between a pandemic and an epidemic. These are classic signs of a Black Swan event, and we certainly believe we are in the midst of one.

The good news is that we believe we have been here before. Well, not exactly here, but there are enough similarities that we feel like we have a bit of an advantage over many market participants today. We remain balanced and patient, and we have the benefit of many lessons learned. Remember, there is no compression algorithm for experience. We will stick to our process because we have a lot of confidence (and data, and track record) that it works.

There are two paragraphs we end most of our letters with and believe that the COVID-19 pandemic makes them even more relevant now than ever:

Every day we live and invest in a world full of uncertainty. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes (up and down), 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 the 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 remains to maximize long-term returns without taking significant risks of a permanent loss of capital. We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading significantly below their intrinsic values.

We hope you and your families stay safe during this challenging time.

Sincerely,



Alex Umansky
Portfolio Manager