Dear Baron Health Care Fund Shareholder:

NEAL KAUFMAN

PORTFOLIO MANAGER

Retail Shares: BHCFX
Institutional Shares: BHCHX
R6 Shares: BHCUX

Performance

In the quarter ended March 31, 2020, Baron Health Care Fund (the "Fund") declined 9.37% (Institutional Shares), compared with the 12.88% decline for the Russell 3000 Health Care Index (the "Benchmark") and the 19.60% decline for the S&P 500 Index. For the one-year period ended March 31, 2020, the Fund increased 6.84% (Institutional Shares) compared with the 2.11% decline for the Benchmark and the 6.98% decline for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased an annualized 8.58% (Institutional Shares) compared with the 5.86% gain for the Benchmark and the 0.76% gain for the S&P 500 Index.

Table I.
Performance†
For periods ended March 31, 2020

	Baron Health Care Fund Retail Shares[1,2]	Baron Health Care Fund Institutional Shares[1,2]	Russell 3000 Health Care Index[1]	S&P 500 Index[1]
Three Months[3]	(9.41)%	(9.37)%	(12.88)%	(19.60)%
One Year	6.59%	6.84%	(2.11)%	(6.98)%
Since Inception (April 30, 2018)	8.29%	8.58%	5.86%	0.76%

As we write this letter, the news headlines are filled with grim daily updates about COVID-19. The COVID-19 pandemic is a life-altering event, one that we hope we will never experience again in our lifetime. At the same time, there is reason to be optimistic. The scientific community and leading health care companies are racing to launch diagnostics, discover novel therapeutics, and develop vaccines. While no one can predict when the pandemic will subside or end, we believe that compared with other historical pandemics (i.e., small pox, cholera, influenza), this one has the benefit of an interconnected global scientific community all focused on "cracking the case" with modern technology, including rapid whole genome sequencing and computer-based structural biology analysis. Both the genetic code and the shape and characteristics of the SARS-CoV-2 virus' key lifecycle proteins have been described and shared in the literature since the virus emerged in China late last year. We believe there will ultimately be positive news, it's just a question of when, not if. We think the long-term impact of the pandemic will be a greater societal appreciation for science and increased investment in life sciences research, pandemic preparedness, and health care infrastructure. We are more convinced than ever that health care will be an attractive place to invest over the long term.

On a relative basis, the Fund's outperformance in the quarter was attributable to favorable stock selection, and, to a lesser extent, higher than normal cash levels in a sharply declining market. On an absolute basis, top contributors to performance included: **Schrodinger, Inc.**, a newly public company that offers a physics-based computational platform for drug discovery; **Acceleron Pharma Inc.**, a biotechnology company launching an anemia medication and developing a therapy for pulmonary arterial hypertension; **Vertex Pharmaceuticals Incorporated**, a biotechnology company that offers life-saving therapies for cystic fibrosis; **Zai Lab Limited**, a biotechnology company based in China that is bringing a portfolio of in-licensed therapies from Western biopharmaceutical companies to the newly opened and fast growing health care market in China; and **Roche Holding AG**, a global large-cap biopharmaceutical company and a new addition to the Fund.

On the negative side, the Fund was hurt by the performance of companies in the managed care, hospital, and medical device sub-industries, including

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, 2019 was 2.80% and 2.39%, respectively, but the net annual expense ratio was 1.10% and 0.85% (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, 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. 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.

1 The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The Russell 3000® Health Care Index is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. The S&P 500 Index measures the performance 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 redemptions of Fund shares.

3 Not annualized.

UnitedHealth Group Incorporated, **HCA Healthcare, Inc.**, **Teleflex Incorporated**, **Silk Road Medical, Inc.**, and **Zimmer Biomet Holdings, Inc.** These particular sub-industries were down sharply because of the disproportionate impact of the COVID-19 pandemic on their businesses. Hospitals are canceling or deferring elective procedures to make beds available for patients with COVID-19. This has a negative impact on the profitability of hospitals, which generate high profit margins on elective procedures. Managed care companies will incur higher costs associated with admissions of COVID-19 patients, lower interest income from lower interest rates, and a loss of membership due to higher unemployment. These negative factors will be offset in part by not having to pay hospitals for expensive elective procedures. Finally, cancellation or deferral of elective procedures will negatively impact many medical device companies that sell products used in medical procedures. As we discuss below, we made a few changes to the portfolio in response to the current pandemic, but we otherwise continue to have conviction in our portfolio holdings despite the expected near-term headwinds to earnings.

Given the recent turmoil in the markets and the prospect of an economic recession, we are focused on making sure the companies in our portfolio have balance sheet strength and adequate liquidity to weather the storm. What we are not doing is buying stocks based on a "COVID-19 only" thesis because we believe such a strategy is too speculative, short-term oriented and ultimately value destructive. On the other hand, several companies in the portfolio have products that are being used or may be used to help with the pandemic. For example**, Abbott Laboratories**, **Roche Holdings AG**, and **Thermo Fisher Scientific Inc.** offer tests for COVID-19 diagnosis; Roche and **Sanofi** have currently marketed drugs that are being studied as potential treatments for COVID-19; **Applied Therapeutics, Inc.** is studying one of its drugs as a potential treatment for acute lung inflammation and cardiomyopathy in critical COVID-19 patients; **Bio-Techne Corporation**'s Ella Automated Immunoassay Platform is being used by the Icahn School of Medicine at Mount Sinai to monitor individual immune responses to COVID-19; **Adaptive Biotechnologies Corporation** is partnering with Amgen Inc. to develop neutralizing antibodies to prevent or treat COVID-19; and **Masimo Corporation** is seeing increased demand for its patient monitoring technologies because of the pandemic.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to the other Baron Funds, we remain focused on finding businesses that we believe have open-ended secular growth opportunities, durable competitive advantages, and strong management teams. We conduct independent research and take a long-term perspective. We are particularly focused on businesses that solve problems in health care, whether by reducing costs, enhancing efficiency, and/or improving patient outcomes.

We continue to think the Health Care sector will offer attractive investment opportunities over the next decade and beyond. Health Care is one of the largest and most complex sectors in the U.S. economy, accounting for approximately 18% of GDP and encompassing a diverse array of sub-industries. Health Care is also a dynamic industry undergoing changes driven by legislation, regulation, and advances in science and technology. We think navigating these changes requires investment experience and sector expertise, which makes the Health Care sector particularly well suited for active management.

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

	Percent Impact
Schrodinger, Inc.	1.67%
Acceleron Pharma Inc.	1.03
Vertex Pharmaceuticals Incorporated	0.42
Zai Lab Limited	0.38
Roche Holding AG	0.38

Schrodinger, Inc. was a successful IPO in the quarter whose stock increased on investor interest in a diversified way to invest in the biotechnology space. Schrodinger has a recurring software revenue business married to its drug development efforts and benefits from the widely held belief that it is bringing next generation computers into the biotechnology space.

Acceleron Pharma Inc. is a biopharmaceutical company developing drugs that regulate the transforming growth factor beta superfamily of proteins, which play fundamental roles in the growth and repair of cells and tissues. Shares appreciated sharply on positive reports for Acceleron's pulmonary arterial hypertension treatment Sotatercept across all studied markers. This represents Acceleron's second potential commercial drug and a new clinical vertical.

Vertex Pharmaceuticals Incorporated, the leader in cystic fibrosis treatment, contributed to performance in the quarter given a flight to quality. Vertex has a strong balance sheet, is in the middle of a fast cash flow growth cycle, and has lifesaving drugs, making it a critical need for patients despite COVID-19 disruptions.

Zai Lab Limited is a China-based biotechnology company in-licensing drugs from developed countries to bring to the Chinese health care market that is still massively underdeveloped. Shares contributed to performance as Zai has benefitted from its transition to a commercial stage company with both Zejula and Optune launched or launching in cancer indications, and from increased investor awareness of the future potential of a Chinese health care/biotechnology market.

Roche Holding AG, a global pharmaceutical company, increased for the period held in the quarter as the company provides a diversified and necessary lineup of drugs as well as diagnostic machines to help detect COVID-19.

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

	Percent Impact
UnitedHealth Group Incorporated	–1.16%
HCA Healthcare, Inc.	–0.76
Teleflex Incorporated	–0.68
Silk Road Medical, Inc.	–0.66
Zimmer Biomet Holdings, Inc.	–0.63

Shares of **UnitedHealth Group Incorporated**, the U.S.'s leading provider of health care services and insurance, fell in the first quarter as investors feared the COVID-19 pandemic would increase medical costs and a potential recession could reduce the rolls of insured. However, in our view, physician capitation, delayed elective procedures, and other care deferrals will be a cushion to COVID-19 claims and post-crisis job losses should reverse given the previous robust economy. We retain long-term conviction in this market-leading company.

HCA Healthcare, Inc. is a large provider of health care services, with 185 hospitals and about 1,800 sites of care, including surgery centers, freestanding ERs, urgent care centers, and physician clinics. It operates in 42 primarily urban markets largely in the Southeast and Southwest. Shares of HCA declined along with other providers on concerns that the COVID-19 outbreak represents a perfect storm of elevated expenses, lower payer mix, and cancellation/deferral of elective procedures with higher pay margins. We retain conviction as we believe HCA is well positioned for the long term.

Teleflex Incorporated detracted from performance in the quarter. Teleflex is a medical device company that sells primarily single-use products used by hospitals and health care providers for common diagnostic and therapeutic procedures in critical care and surgical applications. The stock declined as hospitals delayed medical procedures to make room for patients with COVID-19. While elective procedure delays will likely have a negative short-term impact on sales, we continue to have conviction in the company's long-term growth outlook.

Silk Road Medical, Inc. offers a new method for treating a carotid artery disease called transcarotid artery revascularization. Shares declined in the quarter, along with other medical device companies, due to the negative impact of the COVID-19 pandemic on sales as hospitals defer elective procedures to ensure enough capacity for patients with COVID-19. We think this is a temporary environment and believe Silk Road's sales will recover.

Zimmer Biomet Holdings, Inc. is a medical device company that sells hip and knee implants for use in total joint replacement procedures. Shares declined as elective hip and knee implant procedures are being delayed so hospitals can accommodate patients with COVID-19. Although we believe most, if not all, of these procedures will eventually be performed, we chose to sell the stock during the quarter to reduce our overall exposure to this issue.

Portfolio Structure

We build the portfolio from the bottom up, one stock at a time, using the Baron investment approach. We do not try to mimic an index, and we expect the Fund to look very different from the Benchmark. The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of March 31, 2020, the Fund held 46 positions. This compares with 529 positions in the Benchmark. International stocks represented 19.4% of the Fund's net assets. The Fund's 10 largest holdings represented 44.0% of net assets and the 20 largest holdings represented 65.7% of net assets. Compared with the Benchmark, the Fund was overweight in life sciences tools & services, biotechnology, and health care technology, and it was meaningfully underweight in pharmaceuticals. The Fund includes a mix of stocks ranging from large, stable growth companies to small, pre-commercial biotechnology companies. The market cap range of the investments in the Fund was $236 million to $280 billion with a weighted average market cap of $67.3 billion. This compared with the Benchmark's weighted average market cap of $112.2 billion.

We continue to invest in the following themes:

- **Genomics:** We have an investment in **Illumina, Inc.**, the market leader in DNA sequencing technology. As the cost and time to sequence a human genome have declined to less than $1,000 in under a day, the applications for DNA sequencing are expanding, most notably in cancer diagnosis and treatment, as well as in rare and undiagnosed genetic diseases, non-invasive pre-natal testing, population genomics, and consumer genomics. We have investments in companies using Illumina's DNA sequencing technology and other genomic technology for diagnostics and research applications, including: **Guardant Health, Inc.**, which offers a blood test for cancer therapy selection and is developing blood tests for cancer recurrence monitoring and early detection of cancer; **Adaptive Biotechnologies Corporation,** which offers ClonoSeq for detection and monitoring of minimal residual disease in certain blood cancers and is developing early disease detection tests and other products based on its immune system sequencing platform; and **10X Genomics, Inc.**, whose technology enables life sciences researchers to conduct high throughput single cell analysis using Illumina sequencers.
- **Innovative New Drugs:** We have investments in companies developing innovative new drugs. **argenx SE** is using its unique antibody engineering platform based on the Llama immune system to develop drugs for severe autoimmune diseases and cancer. **Vertex Pharmaceuticals Incorporated**, the leader in the treatment of cystic fibrosis, is launching new drugs that will expand the number of patients with cystic fibrosis who can be treated and has a promising new product pipeline for other diseases. **Arrowhead Pharmaceuticals, Inc.** is developing drugs that silence disease-causing genes and has a rich pipeline of drug targets for rare diseases, cardiometabolic disease, cancer, and hepatitis B.
- **Minimally Invasive Surgery:** Less invasive surgery is less traumatic for the patient, enabling a faster recovery and, in many cases, resulting in cost savings to the system. We have investments in: **Intuitive Surgical, Inc.**, the pioneer in robotic surgery; **Edwards Lifesciences Corp.**, a leader in transcatheter heart valve replacement; **Abbott Laboratories**, a leader in transcatheter mitral valve repair; **Teleflex Incorporated**, which offers a new minimally invasive treatment for benign prostatic hyperplasia (BPH), also known as enlarged prostate; and **Silk Road Medical**, **Inc.**, a newly public company that offers a new minimally invasive approach for the treatment of carotid artery disease.
- **Diabetes Management:** Approximately 30 million Americans have diabetes and another 84 million have prediabetes. Diabetes was the seventh leading cause of death in the U.S. in 2015, and according to the American Diabetes Association, the direct medical costs and indirect expenditures attributable to diabetes in the U.S. were an estimated $327 billion in 2017. Worldwide, the prevalence of diabetes is staggering: over 400 million people globally have diabetes and The International Diabetes Federation estimates that by 2045, this number could reach 629 million people. We have investments in innovative medical technology companies that help patients better manage their diabetes: **DexCom, Inc.**, which offers a continuous glucose monitoring system that eliminates the need for fingersticks; **Insulet Corp.**, which offers a unique tubeless, disposable insulin pump; and **Abbott Laboratories,** which sells the FreeStyle Libre flash glucose monitoring system.

- **Tools Providers to Life Sciences Companies:** We believe several companies that provide products and services to life sciences companies are attractive because they can benefit from the growth in life sciences without the risk inherent in drug development. Our investments in the life sciences tools providers include **Thermo Fisher Scientific Inc.**, **Bio-Techne Corporation**, and **Mettler-Toledo International, Inc.**, among others.
- **Integration between Payors and Providers:** Efforts to control health care costs are driving a shift towards value-based health care, which rewards health care providers for the quality of care they provide rather than the quantity of care. As a result, the lines between health care payors and providers are blurring as providers assume more insurance risk and payors acquire providers to control health care costs. We have investments in **UnitedHealth Group Incorporated**, a leading managed care organization that is the largest employer of physicians in the U.S., and **Humana Inc.**, a leading managed care organization that is the largest hospice operator in the U.S. Both of these companies are well positioned to potentially benefit from enrollment growth in Medicare Advantage, the value-based Medicare program, which is growing more rapidly than traditional Medicare because of its more attractive value proposition to enrollees.
- **Animal Health:** We believe the animal health industry is attractive based on the trends toward greater pet ownership, increased spending on pets, increased consumption of animal protein, and increased focus on food safety. Further, compared with drug development for humans, the animal health industry is characterized by lower regulatory barriers, shorter and less costly R&D, less generic competition, and lower third-party reimbursement risks. We have investments in **Dechra Pharmaceuticals PLC** and **Zoetis Inc.**, both of which develop and sell medicines for pets and food producing animals; and **IDEXX Laboratories, Inc.**, the leading provider of diagnostic instruments and assays used for pet care in veterinarian offices.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
UnitedHealth Group Incorporated	2018	$227.2	$236.6	$938.7	6.3%
Abbott Laboratories	2018	124.6	139.2	881.5	5.9
AstraZeneca PLC	2018	90.0	117.2	879.8	5.9
Roche Holding AG	2020	273.1	279.7	762.1	5.1
Vertex Pharmaceuticals Incorporated	2018	39.0	61.7	724.6	4.8
Thermo Fisher Scientific Inc.	2019	117.4	113.1	553.0	3.7
argenx SE	2018	2.8	5.6	480.4	3.2
Schrodinger, Inc.	2020	0.3	2.7	466.5	3.1
Humana Inc.	2019	35.0	41.5	456.9	3.0
Edwards Lifesciences Corp.	2018	26.8	39.1	455.9	3.0

Table V.
Fund investments in GICS sub-industries as of March 31, 2020

	Percent of Net Assets
Health Care Equipment	23.7%
Biotechnology	21.9
Pharmaceuticals	14.9
Life Sciences Tools & Services	12.3
Managed Health Care	10.7
Health Care Technology	4.2
Health Care Supplies	2.5
Specialized REITs	1.8
Health Care Facilities	1.3
Cash and Cash Equivalents	6.7
	100.0%

Recent Activity

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

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Roche Holding AG	$279.7	$721.1
Sanofi	109.7	229.2
Applied Therapeutics, Inc.	0.7	225.4
AstraZeneca PLC	117.2	211.4
Schrodinger, Inc.	2.7	183.9

We initiated a position in **Roche Holding AG**, a global leading biopharmaceutical company. We have been evaluating Roche for over a year given our belief that the company has high caliber, multi-disciplined diagnostics and therapeutics expertise. We decided to buy the stock this quarter when the stock pulled back significantly along with the overall market. We believe the stock trades at an attractive valuation for a company with Roche's durable growth profile, balance sheet strength, and cash flow characteristics. We think the company's growth will be driven by multiple new commercial product launches (Tecentriq, Venclexta, Hemlibra, Ocrevus, Gazyva, Polivy) and we believe the company has a best-in-class pipeline (Mosenetuzumab, Etrolizumab, Ipatasertib, a SERD inhibitor and a Pi3K*a* inhibitor). We think these positive drivers will more than offset biosimilar pressure to key franchises (Herceptin, Rituxan, Avastin).

We initiated a position in **Sanofi**, another global leading biopharmaceutical company. We believe Sanofi is in the very early stages of a turnaround with a new CEO, margin expansion potential, a cornerstone asset (Dupixent), and an attractive new product pipeline with potential to accelerate the company's future revenue growth. In addition, we believe management has options to create shareholder value through the potential sale/spin-out of Sanofi's consumer business and potential monetization of Sanofi's equity stake in Regeneron.

We initiated a position in **Applied Therapeutics, Inc.,** a small biotechnology company developing aldose reductase inhibitors for a rare disease called Galactosemia and for Diabetic Cardiomyopathy as well as for other diseases associated with diabetes. Early data for the company's drug for Galactosemia showed promise. The company's drug for Diabetic Cardiomyopathy has blockbuster potential. We like management's approach to drug development, focusing on high unmet need indications, validated molecular targets, and verification via biomarkers. This strategy has potential to drive faster and cheaper drug development.

We added to our position in **AstraZeneca PLC**, a large-cap biopharmaceutical company, due to our belief that the company has good growth prospects driven by multiple blockbuster drugs, including Tagrisso, Enhertu, Lynparza, and Imfinzi.

We initiated a position in **Schrodinger, Inc.**, a newly public company that offers a physics-based computational platform for drug discovery based on a method called free energy perturbation. Specially, the company's platform can predict the binding affinity of a drug molecule with a high degree of accuracy. The binding affinity of a drug molecule to a target protein is the key driver of its efficacy. The company believes its platform enables scientists to discover high-quality, novel molecules more rapidly, at lower cost, and with a higher likelihood of success compared with traditional drug discovery methods. In addition to having a stable, growing licensed software business that provides near-term revenue and cash flow, Schrodinger has partnerships with multiple leading biopharmaceutical companies and equity stakes in several biotechnology startups, all of which have potential to generate significant milestones, royalty revenue, and other economic benefits in the future. We see additional optionality from the company's pipeline of internal, wholly owned drug discovery programs. Schrodinger's platform has been developed over 30 years, and we believe it would be very difficult for any competitor to replicate it. We also believe Schrodinger has a best-in-class management team.

Table VII.
Top net sales for the quarter ended March 31, 2020

	Amount Sold (thousands)
Merck & Co., Inc.	$766.6
Zimmer Biomet Holdings, Inc.	434.2
Alcon Inc.	213.8
Teladoc Health, Inc.	159.3
Bio-Techne Corporation	138.9

We sold our position in **Merck & Co., Inc.** because of concerns about over dependence on one product, Keytruda, and our lack of conviction in the new product pipeline. We sold our positions in **Zimmer Biomet Holdings, Inc**. and **Alcon Inc.** to manage the Fund's overall exposure to medical device companies whose sales are driven by elective medical procedures. We sold our position in **Teladoc Health, Inc.** and reduced our position in **Bio-Techne Corporation** because of valuation.

Outlook

Former FDA Commissioner Scott Gottlieb, MD and his colleagues at the American Enterprise Institute have published a road map for navigating through the COVID-19 pandemic. The report outlines four phases: slowing the spread in Phase 1; state-by-state reopening in Phase II; establishing immunity protection and lifting of physical distancing in Phase III; and rebuilding the country's readiness for the next pandemic in Phase IV. As we write this letter, we are still in Phase I. We are optimistic that over the coming weeks/months, we will progress into the next Phases and get back to some level of normalcy. We are hopeful there will be positive clinical data relating to therapies for COVID-19 in the coming weeks/months. We also expect antibody testing to become widely available. This will enable people to see whether they have been exposed to the virus and have antibodies present in their blood. People who have antibodies will have some viral immunity, thus allowing them to return to work and restart the economy. Ultimately, we need a vaccine that is safe and effective. Estimates vary widely about how long this will take, with most estimates ranging from 12-24 months.

The political debate has shifted dramatically over the past few months. The presumed Democratic nominee is running on a platform that aims to bolster the Affordable Care Act. With no leading candidate advocating Medicare for All, the risk of a transformational change to the health care system that would threaten the long-term viability of profit-making health care companies is significantly lower today than it was a few months ago. We think political attacks on the biopharmaceutical industry will diminish as the industry emerges with solutions to the COVID-19 pandemic. We think drug pricing reform is likely off the table for the time being. The COVID-19 pandemic has led to loosening of regulations related to telemedicine and the FDA has been rapidly granting emergency use authorizations related to the pandemic. We think this deregulation trend will continue. We also believe there will be increased investment in life sciences research and health care infrastructure. We think health care will be a great place to invest over the long term.

Although we expect near-term earnings to be negatively impacted by the COVID-19 pandemic, we are optimistic about the long-term growth prospects for our holdings. It is difficult to predict when stocks will begin to reflect a return to more normalized earnings. For that reason, we remain focused on our core strategy. We believe the companies in which we have invested are unique, competitively advantaged, and well managed growth companies.

I would like to acknowledge and thank my colleague Josh Riegelhaupt, Assistant Portfolio Manager of Baron Health Care Fund, for his indispensable contributions to the Fund.

Thank you for investing in Baron Health Care Fund. I remain an investor in the Fund, alongside you.

Sincerely,

Neal Kaufman

Neal Kaufman
Portfolio Manager

Baron Health Care Fund

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 investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. 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 manager 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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