DEAR BARON HEALTH CARE FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended March 31, 2021, Baron Health Care Fund (the "Fund") advanced 0.58% (Institutional Shares), compared with the 2.14% gain for the Russell 3000 Health Care Index (the "Benchmark") and the 6.17% gain for the S&P 500 Index. For the one-year period ended March 31, 2021, the Fund increased 63.93% compared with the 39.92% increase for the Benchmark and the 56.35% gain for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 25.06% on an annualized basis compared with the 16.49% gain for the Benchmark and the 17.14% gain for the S&P 500 Index.

Table I.
Performance
For periods ended March 31, 2021

	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]	0.53%	0.58%	2.14%	6.17%
One Year	63.57%	63.93%	39.92%	56.35%
Since Inception (April 30, 2018)	24.74%	25.06%	16.49%	17.14%

NEAL KAUFMAN

PORTFOLIO MANAGER

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

In the quarter ended March 31, 2021, the Fund trailed the Russell 3000 Health Care Index by 156 basis points due to a combination of relative sub-industry weights and cash exposure in an up market. The Fund was also hurt by its bias towards small- and mid-cap stocks, which sold off in the latter half of the quarter as investors rotated into large caps during a period of heightened volatility.

Life sciences tools & services and health care equipment investments contributed the most to relative results. Favorable stock selection in life sciences tools & services was driven by long-read DNA sequencing systems provider **Pacific Biosciences of California, Inc.** and high-quality purified proteins and reagent solutions developer **Bio-Techne Corporation**. Pacific Biosciences was the largest contributor for a second consecutive quarter due to increasing excitement about the potential for its long-read DNA sequencing platform to gain traction in new markets. Bio-Techne was another top contributor after the company's organic growth accelerated to 19% in its most recently reported quarter, driven by widespread strength across the business. Recent additions **Olink Holding AB** and **MaxCyte, Inc.** also performed well within this sub-industry. Strength in health care equipment came from **CryoPort, Inc.**, a premier provider of cold chain logistics solutions, and **Inari Medical, Inc.**, a medical device company that offers clot removal devices for pulmonary embolism and deep vein thrombosis. CryoPort's stock price rose after the company closed on a public offering to bolster its balance sheet, and Inari's shares performed well as the company continued to see strong traction with its products despite the ongoing pandemic. Performance in this sub-industry was also enhanced by **ShockWave Medical, Inc.**, which is changing the landscape of how calcified cardiovascular disease is treated with its intravascular lithotripsy technology. In February, the company announced FDA approval of its product for use in coronary artery disease, which we believe can be a significant growth driver as the product launches in the U.S.

Apart from cash, investments in biotechnology and managed health care and lower exposure to strong performing health care services and health care facilities stocks detracted the most from relative results. Weakness in biotechnology was broad based, led by sharp declines from **Beam Therapeutics Inc.**, **Denali Therapeutics Inc.**, and **Arrowhead**

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, 2020 was 1.73% and 1.45%, 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, 2031, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 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. 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. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are 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 redemptions of Fund shares.

3 Not annualized.

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Pharmaceuticals, Inc. The abrupt rise in interest rates in the latter half of the quarter sparked a sell-off in these and other biotechnology stocks. Within managed health care, lower exposure to this better performing sub-industry and underperformance of for-profit health insurance company **Humana Inc.** hurt relative results. Humana's shares underperformed due to concerns about limited earnings visibility relative to peers because of several short-term dynamics in Humana's Medicare Advantage business. The poorly timed purchase of health savings accounts provider **HealthEquity, Inc.** also weighed on performance in the sub-industry.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to 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, 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 sector 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, 2021

	Percent Impact
Pacific Biosciences of California, Inc.	0.79%
Bio-Techne Corporation	0.42
UnitedHealth Group Incorporated	0.41
CryoPort, Inc.	0.40
Olink Holding AB	0.37

Pacific Biosciences of California, Inc. provides long-read DNA sequencing systems to scientists conducting genetic analysis. Shares performed well for the quarter. We believe there is increasing excitement about the potential for its platform to move beyond research into clinical applications. The recently appointed CEO was previously Chief Commercial Officer at Illumina, and we think he is well qualified to commercially execute on Pacific Biosciences' differentiated long-read platform.

Bio-Techne Corporation is a leading developer and manufacturer of high-quality purified proteins and protein analysis and other life sciences tools, which it sells to biomedical researchers and clinical research laboratories. The stock did well in the quarter after the company reported an acceleration in organic growth in the December quarter, driven by strength across the business including a small contribution from COVID-19- related products. We continue to believe Bio-Techne has a solid long-term outlook with multiple growth drivers.

Shares of **UnitedHealth Group Incorporated** reacted positively to more favorable 2021 guidance than previewed at the company's December 2020 investor day. Medical costs returned to a seasonal baseline, inclusive of COVID-19-related impacts. We consider UnitedHealth a core holding and a way to play positive demographic, population health, and value-based reimbursement trends. Despite its size, we think the company can grow earnings at a mid-teens rate over the long-term.

CryoPort, Inc. provides cryogenic shipping solutions, or transport at extremely low temperatures below 150 degrees Celsius, to preserve high value biological samples like cell and gene therapies. Shares performed well for the quarter after the company closed a public offering to bolster its balance sheet. We see significant upside just from the current pipeline of trials already being supported, with a continued inflection in growth as more products flow through this pipeline into commercial shipments.

Olink Holding AB offers a protein detection platform that can be read out on genomics instruments. Shares have performed well since the company's IPO in March. There is significant interest in the proteomics space, and we believe Olink is well positioned as it ramps distributed kits. Beyond research, we see the company as a good pick-and-shovel play as it supplies high-value proteomic information to next-generation diagnostics firms.

Table III.
Top detractors from performance for the quarter ended March 31, 2021

	Percent Impact
Beam Therapeutics Inc.	–0.55%
Denali Therapeutics Inc.	–0.46
Biohaven Pharmaceutical Holding Company Ltd.	–0.39
Arrowhead Pharmaceuticals, Inc.	–0.38
BridgeBio Pharma, Inc.	–0.36

Beam Therapeutics Inc. is a biotechnology company pioneering a novel technology called base editing, which allows for individual base pairs (the letters of DNA) to be modified. Shares fell along with other biotechnology stocks driven by a sudden rise in treasury yields. Early stage biotechnology stocks are particularly sensitive to interest rates because their cash flows are further in the future. We believe we are entering into a phase of significant advancement for the gene editing field that will eventually lead to curative therapies, and we think Beam has a unique platform technology.

Denali Therapeutics Inc. is a biotechnology company developing therapies for neurodegeneration, including both targeted drugs and delivery systems for crossing the blood/brain barrier. Shares fell in concert with the broader market rotation from growth to value that resulted in significant weakness in biotechnology stocks. From a fundamentals perspective, Denali reported incrementally positive updates from its Hunter Syndrome program in the quarter, although this development was more impactful in the prior quarter when initial data was released.

Biohaven Pharmaceutical Holding Company Ltd. is a biotechnology company dedicated to neurologic drug discovery. It launched its lead asset, migraine medication Nurtec, last year, and the company is transitioning towards profitability. Shares declined when Biohaven issued a secondary offering in March that took investors by surprise and seemed early in relation to an expected second indication for Nurtec in the prophylactic prevention of migraine, which expands its market. We exited our position.

Arrowhead Pharmaceuticals, Inc. is a developer of RNAi-based therapeutics for a host of genetic disorders primarily focused on the liver with eventual planned expansion into treatments for the lung, muscle, and tumors. The stock declined in conjunction with the general market rotation from growth into value and the unwind in biotechnology stocks. There were no real fundamental events for Arrowhead in the quarter, and we retain conviction as we expect more significant activity later in the year.

BridgeBio Pharma, Inc. is a biotechnology company focused on developing drugs with an underlying genetic mechanism of action in a decentralized business model. Shares of BridgeBio declined during a risk off quarter for biotechnology stocks. We retain conviction. Many positive developments occurred in the quarter, including a successful financing; positive data from its first program in ADH1 disease, a rare genetic disease with a range of debilitating symptoms; and the company's first FDA approval (for Nulibry, which treats a rare inborn error of metabolism).

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 its Benchmark. We loosely group the portfolio into three categories of stocks: earnings compounders, high-growth companies, and biotechnology companies. We define earnings compounders as companies that we believe can compound earnings at double-digit rates over the long term. We define high-growth stocks as companies we expect to generate mid-teens or better revenue growth and which may not be profitable today but which we believe can be highly profitable in the future. We expect the portfolio to have a mix of earnings compounders, high-growth, and biotechnology companies. Our allocations among these three categories can change depending upon our view of the opportunity set and the market environment.

As of March 31, 2021, the Fund's active share was 71.1%. The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of March 31, 2021, the Fund held 55 positions. This compares with 637 positions in the Benchmark. International stocks represented 14.9% of the Fund's net assets. The Fund's 10 largest holdings represented 38.2% of net assets. Compared with the Benchmark, the Fund was overweight life sciences tools & services, biotechnology, and health care technology, and it was underweight pharmaceuticals, health care equipment, and health care services. The market cap range of the investments in the Fund was $148 million to $352 billion with a weighted average market cap of $63.2 billion. This compared with the Benchmark's weighted average market cap of $136.5 billion.

We discuss below some examples of investment themes in which we are investing. We do not intend this list to be exhaustive. We own stocks in the portfolio that do not fit neatly into the themes below. We evaluate each stock on its own merits.

- **Genomics and Proteomics:** We have an investment in **Illumina, Inc.**, the market leader in DNA sequencing technology. With Illumina sequencers, scientists can sequence a human genome for roughly $600 in less than one day. As a result, the applications for DNA sequencing are rapidly expanding. DNA sequencing is being used in cancer diagnosis and treatment, diagnosis of rare genetic diseases, non-invasive pre-natal testing, population genomics, and COVID-19 surveillance. We also have investments in genomics applications companies, including: **Guardant Health, Inc.**, which offers blood tests for cancer therapy selection and cancer recurrence monitoring and is developing a blood test for early detection of colon cancer; **Adaptive Biotechnologies Corporation**, which offers ClonoSeq for detection and monitoring of minimal residual disease in 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 and spatial genomic analysis using Illumina sequencers. We also own **Pacific Biosciences of California, Inc.**, which offers a differentiated long-read sequencing platform for genetic analysis. Recently, we added two stocks in the emerging proteomics space: **Seer, Inc.** and **Olink Holding AB**. Genomics involves the reading of DNA, which is a *static* indicator of health status, while proteomics involves the analysis of proteins, which is a *dynamic* indicator of end function. Proteomics is an emerging space with many early-stage companies, and we expect to increase our investments in the area as we identify companies that meet our criteria.

- **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. **Acceleron Pharma Inc.** is developing a novel new drug for pulmonary arterial hypertension that showed promising results in a Phase 2 clinical trial. **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. **BridgeBio Pharma, Inc.** is developing a portfolio of breakthrough medicines for genetic diseases and cancers with genetic drivers.

- **Technology-Enabled Drug Development:** We have investments in companies that use technology to help speed drug development and make it more efficient. **Schrodinger, Inc.** offers a physics-based computational platform for drug discovery, enabling scientists to discover high-quality, novel molecules more rapidly, at lower cost, and with a higher likelihood of success compared to traditional drug discovery methods. **Veeva Systems Inc.** provides cloud-based software for the life sciences industry that helps clients bring drugs to market faster and more efficiently. **Certara, Inc.** offers biosimulation software that biopharmaceutical companies use to predict how medicines behave in the human body.

- **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 enlarged prostates; and **Silk Road Medical, Inc.**, which offers a new minimally invasive approach for the treatment of carotid artery disease.

- **Diabetes Management:** Approximately 34 million Americans have diabetes and another 88 million have prediabetes. Diabetes was the seventh leading cause of death in the U.S. in 2017, 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, with over 400 million people globally have diabetes. 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.** offers a continuous glucose monitoring system, which eliminates the need for fingersticks. **Insulet Corp.** offers a unique tubeless, disposable insulin pump, and **Abbott Laboratories** 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**, **West Pharmaceutical Services, Inc.**, and **Mettler-Toledo International, Inc.**, among others.

- **Medicare Advantage:** Every day, approximately 10,000 people in this country turn 65 and become eligible for Medicare. Individuals have a choice between enrolling in traditional fee-for-service Medicare ("Original Medicare") or a Medicare Advantage plan managed by a private sector health insurer. Medicare Advantage is growing rapidly because of its more attractive value proposition to Medicare beneficiaries. Medicare Advantage plans cover all the services that Original Medicare cover plus additional benefits such as vision, hearing, dental, and wellness (gym memberships). Some Medicare Advantage plans also cover transportation to doctor visits, over-the-counter drugs, adult-day care services, and assistance for daily living. Medicare Advantage plans also have annual out-of-pocket spending limits, which provide financial protection against the cost of catastrophic illness or accident. The Center for Medicare and Medicaid Services estimates that Medicare Advantage penetration will rise from 36% of all Medicare beneficiaries in 2020 to 50% in 2025. There is bipartisan political support for Medicare Advantage. We have investments in **UnitedHealth Group Incorporated** and **Humana Inc.**, two leading managed care organizations that we believe are well-positioned to benefit from enrollment growth in Medicare Advantage.

- **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, 2021

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
UnitedHealth Group Incorporated	2018	$227.4	$351.7	$8.2	6.5%
ICON Plc	2018	8.0	10.4	5.4	4.2
Thermo Fisher Scientific Inc.	2019	117.6	179.7	5.0	4.0
Abbott Laboratories	2018	124.6	212.3	5.0	3.9
Bio-Techne Corporation	2018	5.7	14.8	4.8	3.8
Humana Inc.	2019	35.0	54.1	4.4	3.5
BridgeBio Pharma, Inc.	2020	4.8	9.2	4.1	3.2
Acceleron Pharma Inc.	2018	1.6	8.2	4.1	3.2
argenx SE	2018	2.8	14.1	3.8	3.0
Teleflex Incorporated	2018	12.2	19.4	3.7	2.9

Table V.
Fund investments in GICS sub-industries as of March 31, 2021

	Percent of Net Assets
Health Care Equipment	21.4%
Life Sciences Tools & Services	21.4
Biotechnology	21.0
Managed Health Care	10.9
Pharmaceuticals	4.4
Health Care Technology	3.4
Health Care Services	2.2
Health Care Supplies	2.0
Specialized REITs	1.8
Health Care Facilities	1.3
Cash and Cash Equivalents	10.2
	100.0%

Recent Activity

During the March 2021 quarter, we established eight new positions and exited seven positions. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended March 31, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
ICON Plc	$ 10.4	$4.8
Bio-Techne Corporation	14.8	3.3
Thermo Fisher Scientific Inc.	179.7	2.8
BridgeBio Pharma, Inc.	9.2	2.6
UnitedHealth Group Incorporated	351.7	2.3

We added to our position in **ICON Plc**, the sixth largest global contract research organization ("CRO") in terms of revenue. ICON provides outsourced drug and device development and commercialization services to pharmaceutical, biotechnology, medical device, and government and public health organizations. During the quarter, ICON announced an agreement to acquire PRA Health Sciences, Inc., the fifth largest CRO, in a cash and stock deal valued at $12 billion. ICON's stock price declined after the transaction was announced because investors were concerned about integration risks and potential for customer losses. Some ICON investors also didn't like that the company's balance sheet would go from a net cash position to 4.5 times pro forma net leverage. We saw the decline in the stock price as an opportunity to buy a very good business with an excellent management team at an attractive valuation. After the deal closes, ICON will be the second largest global CRO in an industry where scale really matters. We view the combination as a merger of two well-run clinical CROs that are both enjoying robust growth and solid bookings, with similar cultures and management structures, complementary strengths and limited client overlap. The CRO sector is experiencing healthy growth driven by record levels of biotechnology funding, solid biopharmaceutical R&D spending and continued outsourcing of clinical development. We think the merger will be highly accretive, mid-teens in the first year and 20% thereafter. We think synergy goals are relatively modest, and most are on the cost side. There are also revenue synergies to be realized, including cross-selling ICON's central lab and patient recruitment network and PRA's data services and mobile capabilities as well as having a broader, more competitive geographic footprint especially in Asia. CROs are cash generative businesses, and leverage is expected to come down rapidly over the next couple of years. Long term, management targets high single-digit revenue growth and mid-teens earnings growth. We see significant upside in the stock price over a multi-year period.

We added to **Bio-Techne Corporation**, a life sciences tools company. Bio-Techne has a stable and growing base business which consists of selling high-quality, high-margin, consumable proteins and antibodies to academic and biopharmaceutical scientists for research purposes. On top of that, Bio-Techne has multiple growth drivers, including an automated protein analysis business; an exosome-based liquid biopsy diagnostics platform; and a portfolio of products used in the production of cell and gene therapies. The company's organic revenue growth has accelerated to the double digits, operating margins are in the mid-to-high 30% range with the potential to exceed 40% over time, and the business generates strong free cash flow which can be used for bolt-on acquisitions or share repurchases. We think Bio-Techne is just scratching the surface of its opportunity and we see a long runway for profitable growth.

We added to our positions in **Thermo Fisher Scientific Inc.**, **BridgeBio Pharma, Inc.**, and **UnitedHealth Group Incorporated**. We wrote about these companies in our December quarterly letter.

Table VII.
Top net sales for the quarter ended March 31, 2021

	Amount Sold (millions)
Pacific Biosciences of California, Inc.	$2.0
Sanofi	1.8
AstraZeneca PLC	1.2
Vertex Pharmaceuticals Incorporated	0.8
Iqvia Holdings Inc.	0.6

We reduced our position in **Pacific Biosciences of California, Inc.** due to valuation. We sold **Sanofi** because of concerns about the company's vaccine business given the emergence and success of mRNA vaccine platforms. We sold **AstraZeneca PLC** because of concerns about increased competition. We reduced **Vertex Pharmaceuticals Incorporated** because of concerns that the company's long-term growth may be more dependent upon acquisitions than originally thought. We sold **Iqvia Holdings Inc**. to manage overall exposure to CROs.

Outlook

Despite ongoing uncertainties about the COVID-19 pandemic and potential changes in health care policy, the trends in the sector continue to be positive. Biotechnology funding and new drug approvals are both on a record pace so far this year. The Biden Administration proposed a significant increase to the budget for the National Institutes of Health, which would be positive for life sciences research if enacted. We think medical device companies and health care services companies are starting to see a return to more normalized procedure volumes. Longer term, we continue to believe health care is in a transformational period marked by rapid innovation and advances in science.

As we approach the three-year anniversary of the Fund's launch, we remain optimistic about the long-term growth prospects for the Health Care sector broadly and for our holdings more specifically. We believe the companies in which the Fund invests are unique, competitively advantaged, well-managed growth companies. We continue to work hard to identify new ideas that meet our investment criteria.

I would like to thank my colleague Josh Riegelhaupt, Assistant Portfolio Manager of Baron Health Care Fund, for his invaluable 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
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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Health Care Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Active Share a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management.

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