Dear Baron Health Care Fund Shareholder:

Performance

In the quarter ended June 30, 2020, Baron Health Care Fund (the "Fund") advanced 24.68% (Institutional Shares), compared with the 16.88% gain for the Russell 3000 Health Care Index (the "Benchmark") and the 20.54% gain for the S&P 500 Index. Year-to-date, the Fund increased 13.00% (Institutional Shares) compared with the 1.82% increase for the Benchmark and the 3.08% decline for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 19.08% (Institutional Shares) on an annualized basis compared with the 13.02% gain for the Benchmark and the 9.74% gain for the S&P 500 Index.

NEAL KAUFMAN

PORTFOLIO MANAGER

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

Table I.
Performance
For periods ended June 30, 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]	24.64%	24.68%	16.88%	20.54%
Six Months[3]	12.91%	13.00%	1.82%	(3.08)%
One Year	24.96%	25.32%	12.79%	7.51%
Since Inception (April 30, 2018)[3]	18.78%	19.08%	13.02%	9.74%

The Fund meaningfully outperformed the Benchmark in the quarter by 780 basis points due to favorable stock selection and, to a lesser extent, relative sub-industry weights. Investments in health care equipment, pharmaceuticals, health care technology, and biotechnology and higher exposure to strong performing life sciences tools & services stocks added the most value. The Fund's largest position in the health care technology sub-industry, **Schrodinger, Inc.,** bolstered relative results. Schrodinger was the top contributor on an absolute basis as investors increasingly recognized it as a unique and competitively advantaged business. Strength in health care equipment was broad-based, led by **DexCom, Inc.**, which sells a continuous glucose monitoring device for people with diabetes, and **Inspire Medical Systems, Inc.**, which sells an implantable neurostimulation device to treat obstructive sleep apnea. DexCom's shares rose sharply after first quarter sales exceeded Street expectations due to continued strong demand for the company's device, which is also being used to remotely monitor critically ill patients in the hospital setting during the COVID-19 pandemic. Inspire Medical's shares outperformed due to continued progress securing insurance coverage for its sleep apnea therapy. **Inari Medical, Inc.** also added value after the company's shares surged more than 150% following its successful IPO. Favorable stock selection in pharmaceuticals was largely due to the outperformance of **Sanofi** and **Dechra Pharmaceuticals PLC**. Sanofi's share price benefited from investor enthusiasm surrounding the company's new CEO and the potential to improve the pipeline, turnaround the R&D engine, and make accretive acquisitions. Dechra's stock outperformed as investors anticipated a sharp recovery in veterinary visits. Significantly lower exposure to poor performing large-cap pharmaceutical stocks such as Merck & Co., Inc. and Pfizer Inc. also added value as these companies weighed on the sub-industry after suffering company-specific setbacks and investors rotated out of safer, more defensive stocks. Biotechnology holdings outperformed after appreciating more than 35% as a group, with **argenx SE**, **Biohaven Pharmaceutical Holding Company Ltd.**, and **Zai Lab Limited** leading the way.

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.

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.

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Cash exposure in an up market and underperformance of **The Cooper Companies, Inc.** in health care supplies, detracted the most from relative results. Shares of Cooper, a leading provider of contact lenses and women's health products, underperformed after the company's business was negatively impacted by COVID-19 related disruptions.

We continue to closely monitor the effects of the COVID-19 pandemic on our portfolio holdings. We are particularly focused on making sure the companies in the Fund have sufficient financial flexibility and balance sheet strength to weather challenging economic conditions. We sold HCA Healthcare, Inc. because of our concerns about the severe financial impact of the pandemic on hospitals. On the positive side, several companies in the portfolio are benefiting from providing solutions for the pandemic. For example, **Abbott Laboratories**, **Roche Holding AG**, and **Thermo Fisher Scientific Inc.** offer COVID-19 diagnostics and antibody testing; **Sanofi** and **AstraZeneca PLC** are developing COVID-19 vaccines; **West Pharmaceuticals, Inc.**'s stoppers, seals, and vials will likely be used to package many of the COVID-19 vaccines; **CryoPort, Inc.** is supporting multiple clinical trials of therapeutics and vaccines for COVID-19 with its cryogenic shipping solutions; **DexCom, Inc.**'s G6 device is being used to monitor the blood glucose levels of patients with COVID-19 in hospitals; **Bio-Techne Corporation**'s products are being used to support COVID-19 research and therapeutic development, and the company partnered with Mount Sinai Health System in New York to manufacture and distribute antibody test kits; **Adaptive Biotechnologies Corporation** is using its data on the immune system to help Amgen, Inc. develop neutralizing antibodies to prevent or treat COVID-19; and **Masimo Corporation** is seeing increased demand for its market-leading pulse oximetry and other patient monitoring technologies.

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 June 30, 2020

	Percent Impact
Schrodinger, Inc.	2.21%
argenx SE	1.65
UnitedHealth Group Incorporated	1.16
Abbott Laboratories	1.04
AstraZeneca PLC	1.03

Schrodinger, Inc. has a recurring software revenue business married to its drug development efforts. The company benefits from the widely held belief that it is bringing next generation computers into the biotechnology space. After its successful IPO earlier this year, shares continued to climb given broad excitement relating to its ability to design better drugs. The COVID-19 pandemic reinforced the obvious advantage computer design has over in-lab drug screening given social distancing. We expect strong growth for years to come driven by both sides of its business.

argenx SE contributed to performance after reporting positive results from its Phase 3 trial in Myasthenia Gravis, a long-term neuromuscular disease. These results helped de-risk the investment as it was argenx's first successful phase 3 trial ever and the data quality all but ensures regulatory approval and commercial launch over next 12 months. Given this important inflection point, shares were once again rewarded, and we maintain strong conviction in argenx.

UnitedHealth Group Incorporated is the largest insurer and leading provider of health care services, IT/analytics, and pharmacy benefit manager services in the U.S. Shares rose on a first quarter beat as a sharp decline in elective procedures during the pandemic reduced insurance payouts. We believe UnitedHealth's uniquely diversified and complementary set of skills, services, and expertise allow it to deliver higher-quality, lower-cost health care to its members and customers and view it as a core holding allowing us to participate in the strong secular growth of health care.

Abbott Laboratories contributed to performance in the quarter. Abbott is a global manufacturer and provider of health care products and medical devices. Shares appreciated on increased utilization of the company's diagnostics products for COVID-19 testing and antibody detection. We believe Abbott is well positioned to generate solid growth driven by its diabetes, structural heart, and diagnostics businesses.

AstraZeneca PLC is a multi-national pharmaceutical company developing drugs in oncology, respiratory, and metabolic disorders. Shares increased on solid financial results. The COVID-19 pandemic has also driven up share prices as large-cap health care stocks are viewed as a safe haven in the broader market. In addition, the company is collaborating with Oxford University on its adenovirus vaccine approach. We expect continued growth driven by AstraZeneca's strong underlying business fundamentals.

Table III.
Top detractors from performance for the quarter ended June 30, 2020

	Percent Impact
NextCure, Inc.	–0.03%

NextCure, Inc. is a biotechnology company developing a novel immune checkpoint inhibitor for cancer treatment. Shares fell after a major surge last fall as additional data disclosures have been lacking and investor attention moved to other ideas in the biotechnology space. Most recently, we received an incremental update at the ASCO conference that changed little about the risk/reward of NextCure's investment. We exited the position.

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 June 30, 2020, the Fund held 49 positions. This compares with 576 positions in the Benchmark. International stocks represented 22.2% of the Fund's net assets. The Fund's 10 largest holdings represented 42.4% of net assets. Compared with the Benchmark, the Fund was overweight in life sciences tools & services and health care technology, and underweight in pharmaceuticals and health care services. 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 $669 million to $299 billion with a weighted average market cap of $74.7 billion. This compared with the Benchmark's weighted average market cap of $118.6 billion.

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

- **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 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.

- **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, which showed promising results in a Phase 2 clinical trial. **Vertex Pharmaceuticals Incorporated**, the leader in the treatment of cystic fibrosis, recently launched a new drug 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.

- **Software, Data, and Analytics to Speed Drug Development:** We have investments in companies that use computational platforms, software, data, and analytics to help speed drug development and make it more efficient. Examples include **Schrodinger, Inc.**, which 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 with traditional drug discovery methods; and **Veeva Systems Inc.**, which provides cloud-based software for the life sciences industry that helps clients bring drugs to market faster and more efficiently.

- **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, also known as enlarged prostate; 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: 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 which 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**, **West Pharmaceutical Services, Inc.**, 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 that 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 June 30, 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	$279.7	$1,583.9	6.3%
Sanofi	2020	102.5	128.2	1,258.1	5.0
Roche Holding AG	2020	273.1	298.7	1,239.4	4.9
AstraZeneca PLC	2018	90.0	138.8	1,141.8	4.5
Abbott Laboratories	2018	124.6	161.7	1,136.6	4.5
Schrodinger, Inc.	2020	0.3	5.8	990.7	3.9
Vertex Pharmaceuticals Incorporated	2018	39.0	75.3	884.0	3.5
Thermo Fisher Scientific Inc.	2019	117.4	143.1	837.7	3.3
argenx SE	2018	2.8	10.6	821.4	3.3
Humana Inc.	2019	35.0	51.3	808.5	3.2

Table V.
Fund investments in GICS sub-industries as of June 30, 2020

	Percent of Net Assets
Health Care Equipment	22.4%
Biotechnology	22.2
Pharmaceuticals	16.7
Life Sciences Tools & Services	13.4
Managed Health Care	10.5
Health Care Technology	5.0
Health Care Supplies	3.0
Specialized REITs	2.0
Cash and Cash Equivalents	4.8
	100.0%

Recent Activity

Table VI.
Top net purchases for the quarter ended June 30, 2020

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Sanofi	$128.2	$915.6
UnitedHealth Group Incorporated	279.7	452.4
Roche Holding AG	298.7	412.5
Applied Therapeutics, Inc.	0.8	318.6
ShockWave Medical, Inc.	1.6	251.6

During the June quarter, we established six new positions, including **Shockwave Medical, Inc.**, **Immunomedics, Inc.**, and **CryoPort, Inc.**, which we discuss below, and added to, among others, **Sanofi**, **UnitedHealth Group Incorporated**, **Roche Holding AG**, and **Applied Therapeutics, Inc.**, which we have discussed in prior quarterly letters. We eliminated three positions.

ShockWave provides a medical device for the minimally invasive treatment of atherosclerosis, or plaque buildup and narrowing of the arteries. The ShockWave device uses sonic pressure waves delivered through a balloon catheter to crack the calcium in this artery plaque, allowing for arteries to expand and blood flow to be restored. This is a competitively advantaged approach that minimizes risk of damage to the artery walls and is considered one of the safest tools in the physician's tool kit. ShockWave devices are also able to address calcium buried deep in the blood vessel which is a significant unmet need today. There are several major catalysts for growth, including the potential approval of its device for coronary arteries in the U.S., the ongoing re-launch of their S4 catheter for the challenging arteries below the knee, and a steady path towards improved reimbursement. With 2019 revenues only around 1% of the market opportunity of $4 billion for calcified artery procedures, we believe ShockWave has a long growth runway.

While not a top net purchase, we initiated a position in Immunomedics, a biotechnology company with a commercially approved antibody-drug conjugate (a chemotherapeutic warhead attached via linker to an antibody for more targeted efficacy) called Trodelvy for a subset of aggressive breast cancer called triple negative breast cancer ("TNBC"). Given the high unmet need for these patients, we expect a rapid launch over the next 24 months combined with a steady flow of clinical updates regarding expansion of Trodelvy into earlier lines of TNBC and adjacent cancer indications like hormone positive breast cancer, endometrial cancer, urothelial cancer, and lung cancer. We view the company's growth prospects favorably as an independent biotechnology company. We also view it as an attractive acquisition target for a large-cap biotechnology or pharmaceutical company looking to secure an asset with a long terminal value given low risk of genericization for this type of drug because it is very difficult to replicate and show equivalence.

We also initiated a position in CryoPort, which 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. The company supports 465 clinical trials in total with 62 in Phase 3, and we believe it can see an inflection ingrowth as more products become commercialized from the trial pipeline. On top of the robust packaging and tracking technology and a proprietary cloud-based portal for condition monitoring, CryoPort enjoys a competitive advantage from being embedded into the clinical trial protocols and regulatory filings of biopharmaceutical companies. This makes it sticky and difficult to switch providers during existing trials and for commercial products. For new trials or when transitioning into commercialization, we believe biopharmaceutical companies are less inclined to find a new provider if they already have a validated process and the cost of CryoPort's services is only a small fraction of the drug price. We think CryoPort's first mover advantage in achieving rigorous, validated quality control of shipment conditions, coupled with biopharmaceutical risk aversion and the high value/cost ratio for CryoPort's services, should continue to protect CryoPort's competitive moat. We see a potential revenue opportunity of $870 million for commercial shipment revenues just from the current trials in progress globally in regenerative medicine, which we believe will support significant growth for CryoPort for the next three to five years off of a 2019 revenue base of $34 million.

Table VII.
Top net sales for the quarter ended June 30, 2020

	Amount Sold (thousands)
HCA Healthcare, Inc.	$198.8
Minerva Neurosciences, Inc.	26.0
NextCure, Inc.	22.6

We sold **HCA Healthcare, Inc**. because of our concerns about the severe financial impact of the pandemic on hospitals. We exited **Minerva Neurosciences, Inc**. because the company's Phase 3 clinical trial of its drug for treatment of negative symptoms in schizophrenia failed to meet the key endpoints. We sold **NextCure, Inc**. to manage risk as we await additional clinical data to support the investment thesis.

Outlook

The number of COVID-19 cases in certain states (such as Texas, Florida, Arizona, and California) has been trending higher. Although the current trends are concerning and we don't know with certainty how the coming weeks and months will play out, we do not think the country is headed for another period of total shutdowns with the extraordinary negative impact on businesses that occurred in March and April. We know much more today about the primary way the virus spreads and how to prevent transmission. Doctors are much better at treating COVID-19 patients today. We know that COVID-19 often causes blood clots, which helps guide treatment decisions. We know certain drugs that were studied in clinical trials do not work, while other drugs have shown moderate efficacy in severe patients, giving doctors some preliminary options for treatment. Hospitals are better prepared today with increased testing capacity, critical care equipment, and personal protective equipment for hospital staff. We think suspension of elective medical procedures will be more limited this time and will likely occur primarily in hospitals in hot spot regions rather than broad-based shutdowns including all medical procedures in outpatient and physician office settings.

Over the coming weeks and months, we expect to see clinical data on potentially promising treatment options, including antibodies and antibody cocktails, as well as vaccines. We cannot predict which or when these treatment options or vaccines will be successful and available, but we are confident that ultimately the scientific community will prevail and this pandemic will come to an end.

Despite significant near-term uncertainty, we continue to think the outlook for the Health Care sector is positive.

- Health care spending is growing faster than GDP and the Center for Medicare and Medicaid Services projects health care spending to reach 20% of GDP in 2028, up from 18% in 2018.
- The COVID-19 pandemic will likely lead to increased investment in life sciences research, pandemic preparedness, and health care infrastructure. There is bipartisan support for annual increases in NIH funding.
- We believe the political risk of a transformational change to the health care system that materially impairs health care company profitability has diminished and remains very low. A Biden Presidency would likely result in the strengthening of the Affordable Care Act and expansion of Medicare and Medicaid, which would be positive for many companies in the sector. A Democratic sweep of the Presidency, Senate, and House could lead to higher taxes, a public option for health insurance, and drug pricing reform, but we think these incremental changes are unlikely to derail the positive long-term outlook for the sector.
- The regulatory environment is favorable. The FDA continues to work with the industry to speed drug approvals. The number of new drug approvals has been at record levels the past few years.
- The current financing environment is robust. Biotechnology companies raised $75 billion in the first half of 2020, an increase of approximately 80% vs. the first half of 2019, putting 2020 on track to be the highest ever financing year for the biotechnology industry. This trend is also positive for life sciences tools companies that sell products to biotechnology companies.
- Companies are increasingly using software, data, and analytics for drug discovery, which is leading to higher success rates and faster drug development timelines.
- We believe innovation and scientific advances will lead to cures to diseases and major breakthroughs over the next decade.

Although we expect near-term earnings to be volatile, we are optimistic about the long-term growth prospects for our holdings. We believe the companies in which the Fund invests are unique, competitively advantaged, 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
Portfolio Manager

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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