DEAR BARON HEALTH CARE FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended September 30, 2020, Baron Health Care Fund (the "Fund") advanced 11.64% (Institutional Shares), compared with the 6.48% gain for the Russell 3000 Health Care Index (the "Benchmark") and the 8.93% gain for the S&P 500 Index. Year-to-date, the Fund increased 26.16% (Institutional Shares) compared with the 8.41% increase for the Benchmark and the 5.57% gain for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 22.41% (Institutional Shares) on an annualized basis compared with the 14.53% gain for the Benchmark and the 12.61% gain for the S&P 500 Index.

Table I.
Performance
For periods ended September 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]	11.57%	11.64%	6.48%	8.93%
Nine Months[3]	25.97%	26.16%	8.41%	5.57%
One Year	48.49%	48.86%	24.60%	15.15%
Since Inception (April 30, 2018)	22.09%	22.41%	14.53%	12.61%

NEAL KAUFMAN
PORTFOLIO MANAGER

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

The Fund meaningfully outperformed the Benchmark this quarter by 516 basis points primarily due to stock selection. Outperformance of investments in health care equipment, biotechnology, and life sciences tools & services added the most value. Stock selection in health care equipment accounted for more than half of the Fund's outperformance in the period, driven by sharp gains from **Silk Road Medical, Inc**. and **CryoPort, Inc.** Silk Road, which offers a new minimally invasive approach for the treatment of carotid artery disease, was the third largest contributor on an absolute basis following an impressive rebound in the company's sales/procedures. Shares of CryoPort, a provider of cold chain logistics solutions for temperature-sensitive life sciences materials, appreciated following the announcement of two acquisitions in August. We believe the MVE Biological Solutions acquisition adds important vertical integration capabilities, and the CRYOPDP acquisition expands CryoPort's geographic reach and adds to complementary temperature ranges like dry ice. Recent IPO **Acutus Medical, Inc.** also performed well, though we decided to sell the stock after further research led us to conclude we should monitor the company's progress from the sidelines given the company's early stage of development and the entrenched position of its large competitors.

Strength in biotechnology came from **Immunomedics, Inc.**, developer of Trodelvy, an antibody-drug conjugate used to treat triple-negative breast cancer. Immunomedics was the top contributor on an absolute basis after the company agreed to be acquired by Gilead Sciences, Inc. for $21 billion, representing an over 100% premium to where the stock was trading. Performance in the sub-industry was also bolstered by sizeable positions in **Acceleron Pharma Inc.** and **argenx SE**, whose shares were up double digits in the period. Life sciences tools & services holdings outperformed after appreciating more than 27% as a group, led by long-read DNA sequencing systems provider **Pacific Biosciences of California, Inc**., precision oncology company **Guardant Health, Inc.,** and single cell sequencing provider **10X Genomics, Inc.** Pacific Biosciences was the second largest contributor to absolute results due to investor enthusiasm surrounding the appointment of new CEO Christian Henry, a well-regarded former executive at **Illumina, Inc.** Guardant Health and 10X were both up along with other genomics stocks.

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, 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 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.

BARON FUNDS 1987

Health care technology investments and cash exposure in an up market detracted the most from relative results. Weakness in health care technology was driven by **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. Schrodinger was the top detractor from absolute results after relinquishing a portion of the substantial gains following the company's successful IPO earlier in the year. There was no apparent reason for the weakness.

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 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 September 30, 2020

	Percent Impact
Immunomedics, Inc.	2.39%
Pacific Biosciences of California, Inc.	1.73
Silk Road Medical, Inc.	0.98
Abbott Laboratories	0.86
CryoPort, Inc.	0.84

Immunomedics, Inc. is a biopharmaceutical company that developed Trodelvy, an antibody-drug conjugate used to treat triple-negative breast cancer. The stock soared more than 100% after the September 13 announcement that it was being acquired by Gilead Sciences, Inc. for $21 billion.

Pacific Biosciences of California, Inc. ("PacBio") provides long-read DNA sequencing systems to help scientists conduct genetic analysis. Shares increased during the period held on news that the company had appointed Christian Henry as its new CEO. Mr. Henry had previously served as CFO and Chief Commercial Officer at Illumina, Inc., a long-time holding for the Firm. PacBio has a product roadmap to lower its sequencing costs, and we are enthusiastic about its long-term growth prospects.

Silk Road Medical, Inc. is a medical device company that has developed a new treatment for carotid artery disease called transcarotid artery revascularization. The stock rallied on investor anticipation of a recovery in hospital procedure volumes generally and, more specifically, Silk Road's procedures. We continue to believe the company's treatment offers benefits over current treatment methods and has potential to become standard of care.

Global medical device company **Abbott Laboratories** contributed to performance on increased sales of diagnostic products used for COVID-19 diagnosis. Abbott also received FDA approval of Libre 2.0, its glucose monitoring device for patients with diabetes. We continue to believe Abbott has the ability to generate solid long-term growth driven by multiple areas of its business.

CryoPort, Inc. provides cryogenic shipping to preserve high value samples like cell and gene therapies. Shares increased following the announcement of two attractive acquisitions in August. In our view, the MVE Biological Solutions acquisition from Chart is a good vertical integration play, while the CRYOPDP acquisition expands CryoPort's geographic reach and offers transport across more temperature bands. 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.

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

	Percent Impact
Schrodinger, Inc.	–1.77%
Applied Therapeutics, Inc.	–0.70
Alector, Inc.	–0.44
Neurocrine Biosciences, Inc.	–0.27
Dicerna Pharmaceuticals, Inc.	–0.21

Schrodinger, Inc. is a hybrid computer science, physics, and biotechnology company that has an established software suite allowing drug developers to explore the endless range of possible drug/target interactions allowed via the rules governing single atom interactions. Given that Schrodinger was the best performing IPO in the entire biotechnology space in the first six months of 2020, we were not surprised to see some mean reversion in the third quarter. We remain investors for both the established software business and the biotechnology development arm.

Applied Therapeutics, Inc. is a biotechnology company developing a class of drugs called aldose reductase inhibitors for galactosemia, a rare genetic disorder, and diabetes complications. Shares fell due to a slew of short reports that highlighted a lot of known risks and harped on a few management messaging mistakes from prior quarters. Given that none of the claims were new and many were biased and/or potentially wrong upon review, these reports changed nothing in our investment thesis.

Alector, Inc. is a biotechnology company focused on neurodegeneration. The stock fell after an update given at a medical conference called AAIC. In essence, the company had hoped to present a decent amount of clinical data for its lead asset in frontotemporal dementia, but due to COVID-19-related clinical trial delays, it ended up presenting less data than promised. This underpowered dataset was equivocal in its findings and left the Street disappointed.

Neurocrine Biosciences, Inc. is a biotechnology company focused on neurology and endocrinology. Its lead product, Ingrezza, is used for Tardive dyskinsia, a movement disorder that is a side effect of antipsychotic medication. Shares declined in the quarter mostly due to inventory stocking in the second quarter that management warned would potentially cause a momentary slowdown in sequential growth. We remain unconcerned about these types of business dynamics and are focused on Ingrezza continuing its strong launch and on its pipeline delivering over time.

Dicerna Pharmaceuticals, Inc. is a biotechnology company focused on developing RNAi (interference) technology to silence or turn off genes that cause disease. It currently has three drug candidates in clinical trial targeted towards primary hyperoxaluria, hepatitis B, and alpha one anti-trypsin disease. Despite incremental news flow that was positive on the margins, shares fell as major catalysts are not expected this year, which creates a sentiment overhang. We retain conviction. We remain confident in Dicerna's long-term prospects and the prospects of RNAi drugs in general.

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. As of September 30, 2020, the Fund's active share was 72.8%. The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of September 30, 2020, the Fund held 48 positions. This compares with 594 positions in the Benchmark. International stocks represented 18.1% of the Fund's net assets. The Fund's 10 largest holdings represented 41.7% of net assets. Compared with the Benchmark, the Fund was meaningfully overweight in life sciences tools & services, 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 $466 million to $296.3 billion with a weighted average market cap of $76.3 billion. This compared with the Benchmark's weighted average market cap of $127.5 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: We have an investment in **Illumina, Inc.**, the market leader in DNA sequencing technology. With Illumina sequencers, the cost to sequence a human genome has fallen to less than $1,000 and can be done in less than a 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 consumer genomics. Illumina recently announced the acquisition of Grail, a company developing a blood test for early cancer detection using DNA sequencing. We also have investments in other genomics companies, 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; **10X Genomics, Inc.**, whose technology enables life sciences researchers to conduct high throughput single cell and spatial genomic analysis using Illumina sequencers; and **Pacific Biosciences of California, Inc.**, which offers a differentiated long-read sequencing platform for genetic analysis.
- 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. **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. **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 with 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.
- 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.** 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 covers 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 provides 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 strong bipartisan political support for Medicare Advantage, which insulates the program from political risks. 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. We also expect several smaller, privately held, fast growing Medicare Advantage plans to go public soon, which will provide additional opportunities to invest in this theme.

- **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 September 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	$296.3	$2,204.2	6.6%
Abbott Laboratories	2018	124.6	192.7	1,701.1	5.1
Acceleron Pharma Inc.	2018	1.6	6.7	1,524.9	4.6
Sanofi	2020	102.5	126.3	1,376.9	4.1
Humana Inc.	2019	35.0	54.8	1,303.8	3.9
Pacific Biosciences of California, Inc.	2020	1.0	1.7	1,234.2	3.7
Roche Holding AG	2020	273.1	295.5	1,223.1	3.7
AstraZeneca PLC	2018	90.0	143.8	1,183.0	3.5
Thermo Fisher Scientific Inc.	2019	117.4	174.7	1,153.3	3.5
argenx SE	2018	2.8	12.4	1,009.9	3.0

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

	Percent of Net Assets
Health Care Equipment	24.1%
Biotechnology	19.6
Life Sciences Tools & Services	18.2
Pharmaceuticals	13.6
Managed Health Care	11.2
Health Care Technology	3.4
Specialized REITs	1.8
Health Care Supplies	1.5
Cash and Cash Equivalents	6.6
	100.0%

Recent Activity

During the third quarter, we established three new positions and exited four positions. Below we discuss some of our top net purchases and sales.

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

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Acceleron Pharma Inc.	$ 6.7	$729.3
Pacific Biosciences of California, Inc.	1.7	713.6
UnitedHealth Group Incorporated	296.3	518.0
CryoPort, Inc.	1.8	502.4
Illumina, Inc.	45.2	486.9

We added to **Acceleron Pharma Inc.**, a biopharmaceutical company commercializing a drug called Luspatercept for anemia in two approved life threatening diseases (myelodysplastic syndrome and beta thalassemia) while concomitantly running Phase 3 clinical trials for Sotatercept in a life threating disease called pulmonary arterial hypertension ("PAH"). We think both drugs and their various addressable disease indications have blockbuster potential and are bullish on Acceleron's future. We added to our holdings this past quarter as there was a trading dynamic in play that hurt share performance. Namely, there was debate about Acceleron's ability to file its PAH clinical package on Phase 2 data alone, even though the company repeatedly said that it would do so, which created an opportunity for us to purchase more shares.

We initiated a new position in **Pacific Biosciences of California, Inc.** ("PacBio"). PacBio offers a differentiated long-read sequencing platform for genetic analysis. Their proprietary SMRT cells and chemistries enable longer strands of DNA to be read at a time, which can capture genomic variations that may be missed by short-read sequencers such as those sold by market leader Illumina. Cost has historically been a barrier to adoption, but the company has been investing in significantly improving throughput and cost per sample. Furthermore, PacBio recently appointed a new CEO who was previously a senior executive at Illumina, and we believe his expertise can help guide PacBio to a commercial inflection point. Long-read sequencing has been used for de novo assembly of plant and animal genomes, functional genomics, tissue transplant, and pharmacogenomics. We believe that as the cost and accuracy of PacBio's long-read sequencing approaches that of short-read sequencing, there will be an opportunity for PacBio to expand the applications for its long-read sequencing platform, providing significant room for future growth.

We added to our position in **CryoPort, Inc.** CryoPort 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. During the quarter, CryoPort made two transformative acquisitions: (1) CRYOPDP, which expands CryoPort's life science temperature-controlled logistics business abroad in EMEA and APAC and also adds to complementary temperature ranges like dry ice; and (2) MVE Biological Solutions which is the leading manufacturer of cryogenic shippers and storage equipment and helps with CryoPort's vertical integration. Following the two acquisitions, CryoPort is poised to quadruple its revenue base.

We added to our position in **Illumina, Inc.** after the stock sold off on the announcement of its acquisition of Grail. Investors reacted negatively to the acquisition because of concerns about: Illumina competing with its customers as a clinical diagnostics company in the early cancer detection market; near-term earnings dilution; the signaling that management has lower confidence in the growth outlook for the core sequencing business; and the high valuation paid for Grail. We believe these are legitimate concerns. However, we also believe Illumina is acquiring a market leader in an exciting new growth market, the market for using blood tests to identify early stage cancer in asymptomatic patients. Grail has invested heavily in its technology platform, and early clinical trial data shows potential for the company's blood test to be widely adopted in the future. Although there are certainly barriers to overcome, including reimbursement and regulatory barriers, and uncertainty about Grail's revenue trajectory, we think this is not a binary event where there is risk that the product will fail. Instead, we view adoption of Grail's blood test for early cancer detection as a timing question (when, not if). We also think barriers to entry in this market are high: to enter Grail's market requires significant time and capital to develop and refine the assays, run large clinical trials and obtain regulatory approvals and payor reimbursement. We expect Grail to be a major player with a first-mover advantage and the financial backing and commercial support of Illumina, the dominant sequencing company. We therefore think Illumina's acquisition of Grail has a reasonably high probability of ultimately being successful.

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

	Amount Sold (thousands)
Immunomedics, Inc.	$946.4
The Cooper Companies, Inc.	347.8
Applied Therapeutics, Inc.	221.5
Acutus Medical, Inc.	161.4
Alector, Inc.	119.8

We sold **Immunomedics, Inc.** and **Acutus Medical, Inc.** for the reasons mentioned earlier in this letter. We sold **The Cooper Companies, Inc.** due to concerns about increased competition. We reduced our position in **Applied Therapeutics, Inc.** to manage risk as we await additional clinical data to support the investment thesis. We sold **Alector, Inc.** because of disappointment about the slower-than-expected progress with the company's lead asset.

Outlook

We are a few weeks away from the election. We continue to believe a Biden Presidency would result in the strengthening of the Affordable Care Act (the "ACA") and expansion of Medicare and Medicaid, which would be positive for many companies in the sector. In particular, we think Biden's proposal to lower the eligibility age for Medicare to age 60, which would add approximately 23 million Americans to the eligibility pool for Medicare, would provide significant growth opportunities for Medicare Advantage plans, such as **UnitedHealth Group Incorporated** and **Humana Inc.** We also think a Biden Presidency would bring a more coordinated COVID-19 policy and higher testing levels, which would benefit several of our holdings, including **Abbott Laboratories**, **Thermo Fisher Scientific Inc.**, and **Roche Holding AG**. In addition, we think a Biden Presidency would lead to even greater support for scientific research, a more favorable immigration policy (many in the science and engineering workforce are foreign-born nationals), more support for higher education, and cooling of trade tensions, all of which would benefit the sector. Potential for modestly higher corporate taxes would be a partial offset, but we see this as manageable by the companies we own in the Fund.

The potential appointment of Amy Coney Barrett to the Supreme Court has raised investor concerns about the future of the ACA. We think that, even if the Court were to find the Individual Mandate to be unconstitutional, the Court would likely find the invalid provision to be severable from the rest of the ACA, leaving the ACA essentially intact. If Biden wins the election and the Democrats control Congress, Congress could amend the ACA and render the current challenge to the ACA moot.

Regardless of the election outcome, there is bipartisan support for increased funding for life sciences research and the Medicare Advantage program. The regulatory environment is favorable. The financing environment for innovative biotechnology and medical technology companies is robust. Spending on health care will continue to rise. Innovative health care companies are using technology to drive better patient outcomes at lower cost.

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. 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

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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