DEAR BARON REAL ESTATE FUND SHAREHOLDER:

As I write this shareholder letter, we are in the eye of the Coronavirus storm. First, and foremost, I hope all of you, our shareholders and prospective shareholders, and your families and other loved ones are safe, healthy, and secure.

This pandemic virus has caused unprecedented health, medical, economic, and humanitarian distress. This human tragedy has also triggered stock market turmoil. Yet, despite this horrific catastrophe, I strongly believe that we will emerge from this crisis, and the economy and financial markets will recover and advance.

I have modified our typical format for this shareholder letter. I will, instead, prioritize what I anticipate are your "top of mind" questions, and will address them accordingly.

It is my sincere hope that you find this letter both informative and reassuring.

Table I.
Performance
Annualized for periods ended March 31, 2020

	Baron Real Estate Fund Retail Shares[1,2]	Baron Real Estate Fund Institutional Shares[1,2]	MSCI USA IMI Extended Real Estate Index[1]	MSCI US REIT Index[1]
Three Months[3]	(19.94)%	(19.86)%	(28.79)%	(27.24)%
One Year	(3.06)%	(2.81)%	(19.91)%	(21.96)%
Three Years	2.99%	3.25%	(2.59)%	(4.25)%
Five Years	1.00%	1.27%	0.57%	(1.70)%
Ten Years	10.71%	10.98%	7.85%	6.12%
Since Inception (December 31, 2009) (Annualized)	11.16%	11.44%	8.56%	6.94%
Since Inception (December 31, 2009) (Cumulative)[3]	195.90%	203.62%	132.15%	98.85%

JEFFREY KOLITCH
PORTFOLIO MANAGER

Retail Shares: BREFX
Institutional Shares: BREIX
R6 Shares: BREUX

We will address the following topics in this letter:

1. Our reflections on the Coronavirus crisis
2. Baron Real Estate Fund's (the "Fund") 10+ year performance since its inception on December 31, 2009 through the first quarter of 2020 (prior to and during the commencement of the pandemic crisis)
3. A chronicle of our key first quarter actions managing the Fund (*preview*: we were busy!)
4. Our outlook for the real estate market and the Fund (*preview*: we are bullish!)

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 1.33% and 1.08%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

The Fund's 10-year historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The MSCI USA IMI Extended Real Estate Index is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The indexes and the Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

BARON FUNDS 1987

Baron Real Estate Fund

Economic Consequences and Investment Thoughts from the Coronavirus Crisis

We believe the Coronavirus is an exogenous black swan event. The speed of the market correction, job loss, and economy heading into this unforeseen recession has been unprecedented. In a matter of weeks, equity markets fell from record highs into a bear market. From February 19 to March 23, the S&P 500 Index fell 34%, representing the largest decline in a 4 ½ week period in history. We expect business results of most companies to be challenged this quarter, next quarter, and, perhaps, the balance of this year.

However, we are optimistic that the economic effects of this pandemic crisis will be largely mitigated as the anticipated modern medical advances in arresting this pandemic and the recently announced aggressive Federal Reserve and Congressional monetary and fiscal initiatives all combine to produce a positive impact.

We believe that the recent flight from the market has produced some extraordinary and rare investment opportunities.

Baron Real Estate Fund Performance

The Baron Real Estate Fund has performed well prior to and during the Coronavirus pandemic.

For the period ended December 31, 2019, Baron Real Estate Fund earned special recognition from **Morningstar** as follows:

10-year performance
- Highest 5-star Morningstar rating*
- Ranked in top 2% of all real estate funds**

3-year performance
- Highest 5-star Morningstar rating*
- Ranked in top 1% of all real estate funds**

1-year performance
- Achieved total return (net of fees) of 44.44%
- Ranked in top 2% of all real estate funds**

Cumulative Fund Return Since Inception through March 31, 2020

- **Baron Real Estate Fund: 203.62%**
- MSCI Real Estate Index: 132.15%
- MSCI U.S. REIT Index: 98.85%

Although the Fund was not able to dodge the severe pandemic market correction in the first quarter of 2020, we are pleased to report that the Fund performed quite well relative to its key benchmarks.

For the quarter ended March 31, 2020, the Fund:

- Declined 19.86% (Institutional Shares), yet significantly outperformed its primary benchmark, the MSCI USA IMI Extended Real Estate Index (the "MSCI Real Estate Index"), which declined by 28.79%.
- The Fund also significantly outperformed the MSCI U.S. REIT Index which declined by 27.24%.

We are pleased to report that for the period ended March 31, 2020, the Fund earned special recognition from **Morningstar** as follows:

- **10-year performance:** Highest 5-star rating and ranked in the top 1% of all real estate funds*/**
- **3-year performance:** Highest 5-star rating and ranked in the top 5% of all real estate funds*/**
- **1-year performance:** Ranked in the top 4% of all real estate funds**

A Chronicle of Our Key First Quarter Actions Managing the Fund

In the first quarter of 2020, we implemented a different portfolio management playbook than our more typical Baron lower turnover approach.

Instead, we were quite active and opportunistic in managing the Fund in light of:

- Baron Real Estate Fund's investments in travel and casino gaming-related real estate companies
- The unprecedented nature of the economic lockdown
- The extreme stock market volatility

As of 12/31/2019, the Morningstar US Fund Real Estate Category consisted of 221, 197, 136, and 221 share classes for the 3-year, 5-year, 10-year, and overall periods, respectively.

Morningstar has awarded Baron Real Estate Fund Institutional Share Class 5 stars, 2 stars, 5 stars, and 4 stars for its 3-year, 5-year, 10-year, and overall performance, respectively.

As of 3/31/2020, the Morningstar US Fund Real Estate Category consisted of 221, 197, 136, and 221 share classes for the 3-year, 5-year, 10-year, and overall periods, respectively.

Morningstar has awarded Baron Real Estate Fund Institutional Share Class 5 stars, 3 stars, 5 stars, and 4 stars for its 3-year, 5-year, 10-year, and overall performance, respectively.

As of 12/31/2019, the Category consisted of 256, 221, 197, and 136 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Real Estate Fund Institutional Share Class in the 2nd, 1st, 50th, and 2nd percentiles, respectively.

As of 3/31/2020, the Morningstar US Fund Real Estate Category consisted of 263, 226, 199, and 136 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Real Estate Fund Institutional Share Class in the 4th, 5th, 26th, and 1st percentiles, respectively.

* The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

** Morningstar calculates the **Morningstar US Fund Real Estate Category** Average using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The steps we undertook during the past quarter are in sync with the key investing recommendation that Howard Marks, Chairman of Oaktree Capital, presented in his April 6 investor letter titled, "*Calibrating.*" He stated:

"I gave this memo the title *Calibrating* because of my view that a portfolio's positioning should change over time in response to what's going on in the environment. As the environment becomes more precarious (with prices high, risk aversion low and fear lacking), a portfolio's defensiveness should be increased. And as the environment becomes more propitious (with prices low, risk aversion high and fear prevalent), its aggressiveness should be ramped up."

Similarly, in the first quarter of 2020, first we played defense, then we played offense.

Early on, we decided to raise cash. Then, following a precipitous drop in share prices, we reinvested most of the cash. In doing so, we believe we upgraded the Fund's real estate holdings.

Step One: We sold a significant portion of the Fund's travel-related holdings at favorable prices and raised cash for other possible deployments

N.B. – In 2019, the Baron Real Estate Fund had prioritized four investing themes:

- REITs
- The U.S. housing market
- Travel-related real estate companies
- Technology-related real estate businesses

When news of the virus first broke, it became apparent that this outbreak might evolve into a global pandemic. We quickly recognized that the Fund's exposure to travel-related businesses, which had been about 25% of the portfolio, was too large given the probability of a significant slowdown in worldwide and domestic travel. We consequently decided to exit a significant portion of our travel-related holdings – hotel, gaming, cruise line, and time share companies – early in the first quarter at favorable prices. Given how quickly the crisis was unfolding, we felt it was important that we not simply deliberate, we must act.

Accordingly, we exited the following companies:

Norwegian Cruise Line Holdings, Ltd.: Sold at approximately **$49** per share
*(Stock closed March 31, 2020 at **$10.96** per share)*

Royal Caribbean Cruises Ltd.: Sold at approximately **$104** per share
*(Stock closed March 31, 2020 at **$32.17** per share)*

Wynn Resorts Ltd.: Sold at approximately **$119** per share
*(Stock closed March 31, 2020 at **$60.19** per share)*

MGM Resorts International: Sold at approximately **$24** per share
*(Stock closed March 31, 2020 at **$11.80** per share)*

Marriott Vacations Worldwide Corp.: Sold at approximately **$111** per share
*(Stock closed March 31, 2020 at **$55.58** per share)*

For a complete recap of the Fund's first quarter sales of travel-related real estate companies, please see Table II below.

Table II.
Sales of Travel-Related Real Estate Companies in the First Quarter

	Average Sale Price	Price at 3/31/2020	Percent Change (Sale Price vs. 3/31/2020 Closing Price)
Norwegian Cruise Line Holdings, Ltd.	$ 48.61	$10.96	–77.5%
Royal Caribbean Cruises Ltd.	$104.09	$32.17	–69.1%
Red Rock Resorts, Inc.	$ 23.23	$ 8.55	–63.2%
MGM Resorts International	$ 24.17	$11.80	–51.2%
Marriott Vacations Worldwide Corp.	$110.77	$55.58	–49.8%
Wynn Resorts Ltd.	$118.94	$60.19	–49.4%
Boyd Gaming Corporation	$ 23.40	$14.42	–38.4%
Hyatt Hotels Corp.	$ 70.44	$47.90	–32.0%
Hilton Worldwide Holdings, Inc.	$ 85.23	$68.24	–19.9%
Total			–50.1%

Additionally, we also trimmed a portion of the Fund's other holdings, many of which were housing-related securities. Although these businesses and shares had been performing well prior to the pandemic, we believed business prospects would likely be hampered for a yet undetermined period due to the severe impact on the economy. We exited or trimmed several other holdings at favorable prices.

As a result of our decision to exit or trim many of the Fund's travel-related and housing-related investments, we maintained a large cash position in the first quarter of 2020, representing the only instance of us doing so since the Fund's inception more than 10 years ago.

For a portion of the first quarter, we maintained a cash position of 15% to 19% of the Fund's net assets. As a steward of your capital, we felt that maintaining this large cash position was appropriate, in large part, due to the precarious near-term market outlook, with the extreme uncertainty regarding the pandemic.

Step Two: Reinvest the cash when appropriate with a two-pronged approach

By mid-March, with so many stocks having corrected sharply, we started to pivot toward considerations of reinvesting, and where the market might be in a year or two. Of course, stocks can go lower in the near term, but ***we think that, given the challenging correction that has already occurred, many real estate-related companies may benefit from asymmetrical and significantly positive share price returns in the next few years***. Accordingly, we began to re-deploy the cash that we had raised.

From our perspective, the dramatic correction in so many share prices presented a once-in-a-generation, perhaps a once-in-a-career, buying opportunity.

We began buying stocks in a significant way the week of March 15th, which turned out to be one of the worst weeks on record for the S&P 500 Index. We have continued to layer in cash over the last couple of weeks and may continue to do so in the weeks ahead.

We have a two-pronged plan to deploy cash, buy stocks, and upgrade the portfolio

Part One: *Buy "best-in-class" companies that are "on sale"*

We believe we have been upgrading the quality of the Fund's holdings with purchases of "best-in-class" companies that prior to the market correction had been too expensive.

In our judgment, characteristics of a "best-in-class" real estate company are that it:

- Owns unique and well-located real estate assets in markets with high barriers to entry combined with attractive long-term demand demographics
- Enjoys strong long-term growth prospects together with a leading competitive position
- Maintains a conservative and liquid balance sheet
- Employs an intelligent and motivated management team whose interests are aligned with shareholders

Examples of "best-in-class" real estate companies that we have been purchasing include:

- Housing-related: **Home Depot, Inc.**, **The Sherwin-Williams Company**, **D.R. Horton, Inc.**, and **Lennar Corporation**
- Commercial real estate services companies: **CBRE Group, Inc.**
- Real estate operating companies: **Brookfield Asset Management, Inc.**
- REITs: **Prologis, Inc.** and **American Tower Corp.**

More specifically, when the share price of Home Depot, the country's leading home improvement center, operating in a duopoly industry structure with minimal leverage, a 4% dividend yield, and a strong balance sheet, corrected from $250 to $140, we acquired shares. Or when Sherwin-Williams, a global leader in the paint segment, corrected from $600 per share to approximately $375, we acquired shares.

In the housing segment, two premier home building companies – D.R. Horton and Lennar – traded at valuation levels last reached during the housing crisis! In our opinion, we do not believe the Coronavirus will lead to another housing crisis primarily because our country continues to underbuild homes relative to demographic needs.

Our shopping list also included the purchase of shares of leading real estate asset management company, Brookfield Asset Management, which witnessed a 50% decline in its share price during the first quarter. We also acquired shares in CBRE Group, the world's largest and leading commercial real estate services company, following a 50% drawdown in its share price.

Part Two: *Buy cyclical stocks that declined sharply in the downturn*

Part two of our plan to reinvest the Fund's large cash position and upgrade the Fund's portfolio was to prioritize companies that corrected the most in the downturn. When economic activity resumes, we anticipate that the shares of many beaten down cyclical companies, such as travel-related and housing-related companies, may lead the market higher.

We believe that many of these companies are likely to experience a major rebound in their share prices – potentially 100% gains in a relatively short period.

Hilton Worldwide Holdings, Inc. is an example of a leading company that we believe has the potential for a sharp rebound in the next few years. Hilton has an incredible franchise with premiere hotel brands and a strong balance sheet. Recently, management bolstered its balance sheet by raising $2 billion of cash. Now, the company has ample liquidity to operate for the next two years with its current cost structure even if its hotels are closed for that entire two-year time period!

We exited Hilton in the first quarter. Its share price corrected from a high of $115 per share to $44 per share. We began re-acquiring shares in the $55 to $60 range. On April 17, Hilton's share price had already rebounded to $75 per share.

Wynn Resorts Ltd. is a leading casino company that generates approximately 70% of its cash flow in Macau. Management maintains a strong balance sheet with more than $3.5 billion dollars in liquidity.

Wynn owns 72% of Wynn Macau Ltd., its publicly traded Macau business. Wynn's ownership stake in Wynn Macau is worth roughly $6.2 billion. Wynn's market cap, however, is currently only about $7.6 billion, which means the company's U.S. operations are valued in the public market at only $1.4 billion of equity value or $13 per share! That makes no sense to us.

In our opinion, a conservative estimate of the replacement cost of Wynn's U.S. real estate is approximately $40 per share – implying that its current share price reflects a 70% discount to its U.S. replacement cost!

After its share price plunged from a high of $150 per share earlier in 2020, we reacquired Wynn shares at approximately $50. Today, the shares are more than 50% higher at $78 per share, and we remain bullish about the prospects for further share price appreciation.

MGM Resorts International is a leading gaming, hospitality, and entertainment company. Earlier in 2020, its share price was $34 per share. Today, it is approximately $14. MGM maintains a strong liquidity position.

The company's 61% ownership in publicly traded MGM Growth Properties is currently valued at approximately $5 billion and its 56% ownership stake in MGM China is valued at $2.5 billion.

Yet, at its current share price, the market values MGM's U.S operations at less than zero per share – a negative implied equity value! Further, its U.S. operations are currently valued at only 1.9 times 2019 cash flow (EBITDA)!

It appears that MGM's management and board members agree with our view that MGM's share price is silly cheap. In the last few weeks, the Chairman of the Board purchased approximately $8 million of shares. Another Board Member, who is an activist investor, purchased approximately $20 million of MGM stock. And the CEO and CFO also acquired MGM shares.

Additional examples of our first quarter "beaten down" purchases include:

- **Penn National Gaming, Inc.**: The company is a best-in-class operator of 41 regional casinos across 19 states, and is led by a terrific CEO, Jay Snowden. In the most recent quarter, following a 88% decline in its share price from $38 per share, we acquired Penn shares at an average price of $8.89 per share. Since then, the shares have increased approximately 60% to $14 per share. We are optimistic about Penn's multi-year prospects and believe Penn's shares may appreciate by more than 100% in the next few years.

- **Marriott Vacations Worldwide Corp.:** Marriott Vacations is a leading timeshare company with 110 resorts around the world. In the first quarter, following a steep decline in its share price from its peak price of $130, we acquired shares at an average price of $49 per share. Since then, the shares have increased approximately 60% to $78 per share. We believe Marriott Vacations' shares remain attractively valued.

Recap of Our First Quarter Action ("Calibration") Plan

In response to the pandemic, we:

First: Increased the Fund's cash position to a peak of 19%, primarily by exiting or decreasing the Fund's travel-related investments at favorable prices.

Second: In mid-March, we began to invest the Fund's cash by implementing a two-pronged approach:

A. Buy "best-in-class" companies that we felt had been too pricey prior to the market correction.

B. Buy beaten-down stocks that we believe have the potential to appreciate significantly in the next few years.

Partly as a result of our aggressive first quarter action steps, we believe we have positioned the Fund for strong returns in the next few years.

Table III.
Fund investments in real estate-related categories as of March 31, 2020

	Percent of Net Assets
REITs	31.7%
Building Products/Services	17.5
Real Estate Service Companies	11.8
Casinos & Gaming Operators	11.1
Data Centers[1]	8.9
Homebuilders & Land Developers	7.4
Real Estate Operating Companies	4.9
Hotels & Leisure	2.5
Cash and Cash Equivalents	4.2
Total	100.0%

[1] Total would be 14.7% if included data center REIT Equinix, Inc.

Our Outlook for the Real Estate Market and the Fund

We have stated in prior letters than **no one has a crystal ball regarding the outlook** for the stock, bond, and real estate markets. Indeed, the first quarter of 2020 was certainly a case in point.

We are fully mindful of the unprecedented market uncertainty and insecurity surrounding the all consuming Coronavirus pandemic.

Yet, in our opinion, there are valid reasons for optimism.

1. *The pandemic virus factor*

We anticipate that the virus will soon be brought under control. Various countries have turned the corner, as their increases in new daily cases have declined.

Widespread testing and, ultimately, a vaccine are now on the horizon. Promising antivirals and antibody therapies are also in the pipeline.

2. *Unprecedented and massive monetary and fiscal stimulus should begin to work when the economy reopens*

   A. The Fed and U.S. Treasury have acted powerfully with a "do whatever it takes" approach to provide liquidity, solvency, low interest rates, loans to small- and mid-sized businesses and state and local governments, and additional forms of quantitative easing.

   In early April, Fed Chairman Powell summarized the Federal Reserve's resolve and intention to provide unlimited monetary stimulus by stating: *"We will continue to use these powers forcefully, proactively, and aggressively until we are confident that we are solidly on the road to recovery."* The Fed has further indicated it will purchase high-yield bonds, collateralized loan obligations, and commercial mortgage-backed securities.

   B. Congress has passed a sweeping fiscal stimulus package that is historic in both size and breadth, plus there may be more to come.

We expect this double barrel of unlimited monetary stimulus and massive fiscal stimulus to bolster the economy and stock market.

3. *Valuations have reset, and, in many cases, are cheap*

In the first quarter, numerous stocks were sold indiscriminately without regard to value, largely because of the fear of the Coronavirus and the corresponding near shutdown of the global economy. In our opinion, equity valuations are attractive.

We believe that the risks in this environment are now understood and are adequately reflected in most share prices.

4. *Most segments of commercial and residential real estate should rebound*

We expect most of commercial real estate to benefit from: (i) Steady and growing commercial real estate fundamentals as economic activity resumes; (ii) new construction activity that has moderated due to high construction and labor costs; (iii) low leveraged balance sheets; (iv) ample credit that remains available at attractive interest rate levels; (v) well-covered and attractive dividend yields; and, (vi) other attributes that should serve as a partial inflation hedge.

We anticipate residential real estate to rebound as economic activity resumes: (i) There is significant pent-up demand as annual sales of new homes remain low; (ii) new construction activity remains low; (iii) home purchases should rebound as economic activity resumes, due in part to improvements in home affordability; (iv) financing remains available at attractive interest rate levels; (v) repair and remodel expenditures should pick up; and, (vi) home ownership levels should rebound.

5. *Additional reasons to be optimistic.* Interest rates are likely to remain at historically low levels, which is unequivocally bullish for stocks and real estate. Inflation concerns seem well off the radar. Current historically low gasoline prices should be a boon to U.S. consumers. The U.S. banking system has improved dramatically and is maintaining strong capital ratios. With large U.S. cash positions, many corporate balance sheets are well positioned for "defense" (a slow economic recovery) and "offense" (merger & acquisition activity, capital expenditures, employment growth, stock buybacks, and dividend increases). Substantial private capital is in pursuit of real estate and remains supported by widely available debt capital at low interest rates.

We are quite optimistic about the prospects for the Baron Real Estate Fund

In addition to the reasons cited above, we are also enthusiastic about prospects for the Fund because we believe the quality of the Fund's holdings is as strong as it has ever been. The businesses that we continue to emphasize are well managed, have market-leading positions, possess quality balance sheets, own well-located real estate, and grow cash flow at a faster rate than most of their peers.

We believe the Fund is structured to capitalize on compelling investment themes:

- The continuing search for yield in a low interest rate environment (*REITs*)
- The recovery of the U.S. housing market (*homebuilders, building product and services companies, land developers, construction material companies, and home centers*)
- An eventual improvement in the financial health of the U.S. consumer and the resumption of leisure and business travel (*casino & gaming, vacation travel, and housing-related companies*)
- The intersection and application of technology to real estate (*data centers, wireless towers, industrial REITs, and real estate data analytic companies*)

We believe the valuations of a significant portion of the Fund's real estate companies – such as REITs, real estate service companies, homebuilders, casino and gaming companies, and many other commercial and residential-related real estate companies – are "on sale" at exceptionally attractive prices. As such, we believe the prospective returns for the Fund in the next few years are also exceptionally attractive.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
GDS Holdings Limited	$ 8.8	$33.7	7.1%
Equinix, Inc.	53.4	27.7	5.9
CBRE Group, Inc.	12.6	23.3	4.9
Brookfield Asset Management, Inc.	46.4	23.0	4.9
Penn National Gaming, Inc.	1.5	19.4	4.1
American Tower Corp.	96.4	16.4	3.5
Vulcan Materials Company	14.3	15.5	3.3
Prologis, Inc.	59.4	14.7	3.1
Lowe's Companies, Inc.	65.0	14.7	3.1
Home Depot, Inc.	200.7	14.3	3.0

Concluding thoughts

I would like to thank our primary real estate team – David Baron, David Kirshenbaum, and George Taras. During the challenging environment of the first few months of 2020, they have continued to "roll up their sleeves" and have been great partners.

We will remain highly focused on researching, assembling, and monitoring a high-quality portfolio of companies with solid executive management, strong growth prospects, leading competitive positions, liquid balance sheets, and attractive valuations. We are enthusiastic about our investments and are optimistic about prospects for the portfolio.

I would also like to thank you, our current shareholders, and express my heartfelt gratitude for your past and continuing support.

I remain a major shareholder of the Baron Real Estate Fund, alongside you.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets. Factors that could affect the value of the Fund's holdings include the following: overbuilding and increased competition; increases in property taxes and operating expenses; declines in the value of real estate; lack of availability of equity and debt financing to refinance maturing debt; vacancies due to economic conditions and tenant bankruptcies; losses due to costs resulting from environmental contamination and its related cleanup; changes in interest rates; changes in zoning laws, casualty or condemnation losses; variations in rental income; changes in neighborhood values; and functional obsolescence and appeal of properties to tenants. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

Discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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

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