Dear Baron Real Estate Fund Shareholder:

The Baron Real Estate Fund (the "Fund") declined 10.76% (Institutional Shares) in the first quarter of 2022, modestly outperforming its primary benchmark, the MSCI USA IMI Extended Real Estate Index (the "MSCI Real Estate Index"), which declined 11.03%. The Fund underperformed the MSCI US REIT Index (the "REIT Index"), which declined 4.28%.

Several factors weighed on performance in the first three months of 2022 (detailed in the letter below). While we are disappointed with the challenging start to the year, we remain optimistic about the prospects for the Fund. The fundamentals of many of the businesses we own remain strong, and we are taking advantage of opportunities to invest in and add to quality real estate companies, many of which are now trading at attractive valuations.

We are pleased to report that as of March 31, 2022, the Fund has maintained its:

- **#1 real estate fund Morningstar ranking for each of its 10-year, 5-year, and 3-year performance periods**
- **5-Star Morningstar Rating™ for each of its 10-year, 5-year, and 3-year performance periods**
- **5-Star Overall Morningstar Rating™**

JEFFREY KOLITCH
PORTFOLIO MANAGER

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

We will address the following topics in this letter:

- Our current top of mind thoughts
- A review of recent activity managing the Fund and 2022 year-to-date performance
- Our 2022 investment themes and portfolio composition
- Examples of attractively valued real estate companies
- Concluding thoughts on the prospects for real estate and the Fund (*preview:* we remain bullish)

As of 3/31/2022, the Morningstar Ratings™ were based on 236, 205, 149, and 236 share classes for the 3-year, 5-year, 10-year, and Overall periods, respectively. The Baron Real Estate Fund received 5, 5, 5, and 5 stars, respectively. The Morningstar Ratings are for the Institutional Share Class only; other classes may have different performance characteristics. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures.

As of 3/31/2022, the Morningstar Real Estate Category consisted of 255, 236, 205, and 149 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Real Estate Fund Institutional Share Class in the 96th, 1st, 1st, and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund Institutional Share Class as the 245th, 2nd, 2nd, and 1st best performing share class in its Category, for the 1-, 3-, 5-, and 10-year periods, respectively.

Morningstar ranked Baron Real Estate Fund R6 Share Class in the 95th, 1st, and 1st percentiles, for the 1-, 3-, and 5 year periods, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund R6 Share Class as the 244th, 1st, and 1st best performing share class in its Category for the 1-, 3-, and 5-year periods, respectively.

Morningstar calculates the Morningstar Real Estate Category Average performance and rankings 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 **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 Morningstar Rating does not include any adjustment for sales loads. 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.

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Baron Real Estate Fund

Table I.
Performance†
Annualized for periods ended March 31, 2022

	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]	(10.79)%	(10.76)%	(11.03)%	(4.28)%
One Year	(0.33)%	(0.09)%	8.28%	25.02%
Three Years	24.45%	24.76%	12.50%	9.92%
Five Years	16.78%	17.08%	10.44%	8.36%
Ten Years	14.86%	15.14%	11.51%	8.42%
Since Inception (December 31, 2009) (Annualized)	15.56%	15.85%	12.27%	10.46%
Since Inception (December 31, 2009) (Cumulative)[3]	488.30%	506.67%	312.72%	238.44%

OUR CURRENT TOP OF MIND THOUGHTS

1. **We expect 2022 will continue to be a difficult year.**

   In our year-end 2021 shareholder letter, we stated that we believed **2022 would be arduous to navigate** in part due to the prospects of a more hawkish Federal Reserve, higher interest rates, and the possibility of moderating growth and valuation compression in some segments of commercial and residential real estate.

   Early in 2022, we also stated our expectation that **this year would be a normalization or transition year**–a normalization in interest rates, inflation, valuation multiples, stock market returns, the ongoing reopening of the U.S. economy, the COVID-19 pandemic, and a transition in Federal Reserve policy from accommodation to contraction. Many of these anticipated considerations and the unanticipated Russia/Ukraine war have contributed to a challenging market environment in the first few months of 2022.

2. Though we are mindful of many of the key risks to the equity and real estate market outlook, **we remain optimistic about the prospects for several segments of public real estate–more so today than three months ago given the sharp correction in many stocks since the start of the year.**

3. **Several real estate companies are on sale.**

   - A good portion of public real estate is attractively valued relative to prior periods.
   - Several segments of public real estate are “on sale” relative to private real estate alternatives. In other words, *valuations for several real estate companies are cheaper on “Wall Street than on Main Street.”*
   - For examples of attractively valued real estate companies, please refer to “Examples of attractively valued real estate companies” later in this letter.

4. **There is a strong case to include an allocation to real estate in a diversified investment portfolio.**

   - ***Near-term case for real estate:*** Demand in most cases continues to outstrip supply, favorable business conditions do not portend a recession, strong and liquid balance sheets, substantial private capital in pursuit of real estate ownership, and several attractively valued public real estate companies.
   - ***Long-term case for real estate***: Strong long-term return potential, diversification benefits due to low correlations to equities and bonds, and inflation protection.

5. **A well-crafted real estate portfolio can perform well in a rising interest rate and elevated inflationary environment.**

   - ***Interest rates:*** If business conditions are improving and both the rate of change in interest rates and the ultimate level of interest rates does not create consumer sticker shock and/or become a headwind to operating performance, then real estate equities can perform well.

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, 2021 was 1.31% and 1.05%, 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, 2032, unless renewed for another 11-year term and the Fund’s transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund’s 1-year historical performance was impacted by gains from IPOs. There is no guarantee that these results can be repeated or that the Fund’s level of participation in IPOs will be the same.

[1] 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. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

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

[3] Not annualized.

The performance of Baron Real Estate Fund in rising rate environments: Since the launch of the Fund at the end of 2009, there have been six periods when the U.S. 10-year Treasury yield increased by at least 80 basis points. During these rising interest rate periods, the Baron Real Estate Fund:

- Generated positive absolute performance in five of the six periods. The only period the Fund did not generate a positive return was a 13-month period when it declined 1.82% (September 7, 2017 to October 5, 2018).
- Outperformed the REIT Index 100% of the time (in six out of six periods).

- ***Inflation***: Certain real estate businesses have the ability to raise prices to provide partial inflation protection – well-located real estate in supply-constrained markets, real estate with short-lease durations, and leases with contractual annual rent escalators.

  The performance of Baron Real Estate Fund in rising inflationary environments: Since the launch of the Fund at the end of 2009, there have been six periods when the one-year inflation increased at least 100 basis points. During these inflationary periods, the Baron Real Estate Fund has proven to be an effective inflation hedge:

  - Generated positive absolute performance in five of the six periods. The only period the Fund did not generate a positive return was a 10-month period beginning on November 30, 2010, when it declined 7.51%.
  - Outperformed the REIT Index in four of six periods with an average outperformance of 197 basis points.
  - Outperformed the MSCI Real Estate Index in four of six periods with an average outperformance of 147 basis points.

- **Playbook for rising interest rate and inflationary environments**:
  - Prioritize short-lease duration real estate that can reprice more often to partially offset interest rate and inflationary pressures.
  - Emphasize real estate-related companies that will benefit disproportionately from an improvement in the economy.
  - Emphasize companies with strong pipelines of projects to supplement organic growth.
  - Invest in companies with strong balance sheets that can weather a rise in interest rates.
  - Monitor companies that are more susceptible to higher borrowing costs (REIT and non-REIT).

6. **We believe the Baron Real Estate Fund – with the demonstrated merits of our broader, more flexible, and actively managed investment approach – is a highly compelling real estate mutual fund choice.**

A REVIEW OF RECENT ACTIVITY MANAGING THE FUND AND 2022 YEAR-TO-DATE PERFORMANCE

Recent Activity

We have maintained our elevated active approach to managing the Fund in the first three months of 2022 due to:

- The ongoing evolution of tailwinds and headwinds in certain segments of real estate
- Company-specific considerations
- The emergence of several macro headwinds such as the recent spike in interest rates and mortgage rates
  - According to Freddie Mac, the 30-year fixed mortgage rate increased by 156 basis points in the first three months of 2022 from 3.11% on December 31, 2021, to 4.67% on March 31, 2022
- High stock market volatility

We believe our actions have positioned the Fund for strong long-term performance: They included:

- Raising cash by trimming or exiting expensive real estate securities, especially businesses that could face operational headwinds
- Purchasing best-in-class real estate-related securities that were on sale

Examples: **Brookfield Asset Management Inc.**, **CBRE Group, Inc.**, **American Tower Corp.**, **Equity Residential**, **Public Storage Incorporated**, **Vail Resorts, Inc.**, and **Blackstone Inc.**

- Purchasing cyclical real estate stocks–travel and hospitality-related and a few housing-related real estate stocks–that had declined sharply (*in some cases by 40% to 50% from 2021 share price highs!*) but possess the potential to appreciate significantly over the new few years

Examples: **Las Vegas Sands Corporation**, **Boyd Gaming Corporation**, **Caesars Entertainment Corporation**, **Six Flags Entertainment Corporation**, **Madison Square Garden Entertainment Corp.**, **Trex Company, Inc.**, **The AZEK Company Inc.**, and **Floor & Decor Holdings, Inc.**

Table II.
Top net purchases for the quarter ended March 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Vail Resorts, Inc.	$ 10.6	$44.7
Public Storage Incorporated	68.4	40.3
Blackstone Inc.	151.9	29.4
GDS Holdings Limited	7.5	28.2
Las Vegas Sands Corporation	29.7	27.0

In the most recent quarter, we initiated positions in three best-in-class real estate companies that are new to the Baron Real Estate Fund:

We have been monitoring and researching **Vail Resorts, Inc.** for several months. Following a steep correction in its share price from a peak of $376 in November 2021, we acquired shares approximately $100 lower at an average cost basis of $276 per share. The company has assembled an irreplaceable portfolio of mountain resorts that include Vail, Beaver Creek, Breckinridge, Park City, Whistler Blackcomb, and Keystone. We believe Vail's long-term prospects will be supported by attractive supply and demand trends (e.g., no new ski resorts, strong consumer demand for outdoor experiences versus goods), strong pricing power and free cash flow generation, a customer advance commitment strategy that leads to recurring cash flows and financial stability even if weather and macroeconomic conditions change, and strategic acquisitions. After peaking at a valuation of approximately 18 to 20 times cash flow (its long-term average is approximately 15 times cash flow), we believe Vail's shares are

now attractively valued at approximately 13 times cash flow and offer prospects for compelling returns over the next few years.

Public Storage Incorporated is a REIT that is the world's largest owner, operator, and developer of self-storage facilities. The company's nearly 2,500 self-storage facilities across the U.S. serve more than one million customers. The company has achieved the number one market position in 14 of its top 15 markets and the leading brand among consumers. We are encouraged about the company's prospects due to our expectations for the continuation of strong occupancy and rent trends, limited new supply, mid-teens organic cash flow growth, the potential for mergers and acquisitions activity in part due to the company's well-capitalized and low leverage balance sheet, and the ability to increase rents monthly to combat inflation headwinds. We believe Public Storage's shares are currently valued at a discount to private market self-storage values and offer prospects for mid-teens total returns over the next few years.

Since the inception of the Baron Real Estate Fund in December 2009, we have invested in Brookfield Asset Management Inc., a leading alternative asset management company focused on investing in high-quality assets that tend to generate predictable and growing cash flows. We remain optimistic on the multi-year prospects for Brookfield and certain other alternative asset management companies because we believe the growth opportunity is a secular one that will continue to be fueled by institutions shifting a large portion of their capital away from fixed income investment options due to persistently low global interest rates and insufficient fixed income returns. Much of this capital continues to be reallocated to alternative asset management companies that are expected to generate attractive relative and absolute returns with less volatility.

In the most recent quarter, we expanded the Fund's exposure to the alternative asset management category with our purchase of **Blackstone Inc.** We have long admired Blackstone because we believe the company embodies several of the characteristics of a truly great business. Blackstone has a premier brand, a global franchise, and loyal customers. The company is fast growing with limited needs for capital, produces high cash flow margins, and is anchored by a recurring revenue base. Led by the highly talented CEO Stephen Schwarzman and President Jon Gray, the company attracts and retains excellent talent. The company is the largest real estate manager in the world with an impressive investment track record. Approximately 40% of its fee-earning inflows are derived from real estate. Following a more than 20% correction in Blackstone's share price, we recently began acquiring shares. With its 4.6% dividend yield and strong prospects for growth, we are optimistic about the long-term potential for the Fund's investment in Blackstone.

Following a 66% correction in its share price from a peak of $117 per share in February 2021, we recently reacquired shares in **GDS Holdings Limited** at an average cost of $39 per share. GDS is the leading developer and operator of data centers in China. Following several years of strong share price performance, the shares of GDS corrected sharply in 2021 due to investor concerns about China's increased regulatory scrutiny of the technology industry and a slowdown in its economy, increased competition, evidence of further tensions with U.S. regulatory agencies, and a substantial correction in technology shares broadly. At our average purchase price of $39, we believe these concerns are sufficiently discounted in the shares and remain optimistic about the company's long-term potential to generate strong growth and increase the intrinsic value of the business.

In February 2021, three highly respected institutional investors–Sequoia China, ST Telemedia Global Data Centers, and an Asian sovereign wealth fund–invested $620 million dollars in GDS at a slight premium to the Fund's purchase price. This was a major vote of confidence in the management team and the growth opportunity ahead (we suspect there is meaningful additional capital available to support GDS's expansion plan should volatility in the public equity markets persist). We continue to believe that GDS is well positioned to benefit from the Chinese digital economy, which is in its early growth phase, with relatively low national internet access penetration and expectations for ongoing strong growth in public cloud spending.

GDS' shares are valued at a discounted cash flow multiple to its global data center peers despite the fact that the company is projected to grow its cash flow 3 to 4 times faster over the next few years.

Following a 50%-plus decline in the share price of **Las Vegas Sands Corporation** from its 2021 peak share price of $67 to $34, we began acquiring shares of this global leader in the development and operation of luxury casino resorts in the fourth quarter of 2021 and continued to acquire shares in the most recent quarter. We believe Las Vegas Sands' market-leading resorts in Macau and Singapore position the company for strong growth when travel and tourism spending rebounds. Las Vegas Sands maintains a liquid and investment grade balance sheet and is currently valued at a significant discount to our assessment of replacement cost.

Table III.
Top net sales for the quarter ended March 31, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Lennar Corporation	$ 23.4	$38.1
D.R. Horton, Inc.	26.4	33.5
Lowe's Companies, Inc.	133.8	24.0
Simon Property Group, Inc.	43.2	21.6
Installed Building Products, Inc.	3.4	21.2

In our year-end 2021 shareholder letter, we noted that we were mindful of the potential risks to the Fund's investments in residential-related real estate companies.

In the first quarter of 2022, following exceptionally strong share price performance for the three-year period ended December 31, 2021 for many of the Fund's investments in residential-related real estate companies, we trimmed the Fund's holdings in homebuilders **Lennar Corporation** and **D.R. Horton, Inc.**, and home improvement center **Lowe's Companies, Inc.** We also exited the Fund's investment in residential building product and services company, **Installed Building Products, Inc.**

Though we remain optimistic about the long-term prospects for the U.S. housing market, we are cautious near term about the possibility of a slowdown in the for-sale portion of the U.S. housing market due, in part, to affordability concerns and material and labor bottle necks. In addition to the spike in mortgage rates mentioned above, home prices increased almost 20% in 2021 (the biggest annual gain in at least 34 years according to Case Shiller) following a more than 10% increase in home prices in 2020.

Following first quarter declines of 30% to 50% for several residential-related real estate companies, we believe the valuations of many housing-related companies now reflect a good portion of a possible temporary slowdown in the U.S. housing market and have begun to offer compelling multi-year return prospects.

For our more complete thoughts on residential real estate and attractively valued real estate, please see "Our 2022 investment themes and portfolio composition" and "Examples of attractively valued real estate companies" later in this letter.

Following a share price gain of more than 97% in 2021, we recently trimmed the Fund's holdings in **Simon Property Group, Inc.**, the largest and premier mall operator in the U.S. Though we are also tempered by the expectation for modest earnings growth in 2022, we remain optimistic about the company's long-term prospects. Simon owns A-quality malls in A-quality geographic locations. We expect Simon to benefit from the ongoing economic recovery and believe management is well positioned to acquire real estate assets given its strong balance sheet and low cost of capital.

Recent Performance

Though we are disappointed with the Fund's challenging start to 2022 – in part due to some unexpected "curve balls" such as a rapid and steep spike in mortgage rates, a further spike in inflation, ongoing COVID-related lockdowns, and an unexpected war – there have been prior periods when the Fund has temporarily trailed its benchmark. We have a track record of bouncing back. Our team remains driven, hard at work, and we are optimistic that we will, once again, deliver strong long-term relative performance for our shareholders as we have done for more than 12 years.

Table IV.
Top contributors to performance for the quarter ended March 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
Madison Square Garden Entertainment Corp.	$ 2.8	0.22%
Travel + Leisure Co.	5.0	0.18
Blackstone Inc.	151.9	0.18
Boyd Gaming Corporation	7.2	0.09
Six Flags Entertainment Corporation	3.8	0.08

We recently acquired shares in **Madison Square Garden Entertainment Corp.** ("MSGE") at what we believe was a highly discounted average price of only $68 per share. From its peak of $121 per share in March 2021, the stock declined more than 40% due to setbacks in indoor live entertainment amid the COVID-19 resurgence and real estate construction delays. The company owns iconic sports and entertainment real estate venues such as Madison Square Garden, the Chicago Theater, and is building a new state-of-the-art venue in Las Vegas, the MSG Sphere at The Venetian (slated to open in 2023). In addition, MSGE has long-term leases at Radio City Music Hall and the Beacon Theatre, while also maintaining a controlling stake in restaurant group TAO.

Our investment thesis in MSGE is based on the following:

1. We believe cash flow will quickly meet or exceed 2019 levels with live events and entertainment returning to normalized levels. This trend should be aided by meaningful tailwinds due to easing COVID restrictions and receding health concerns combined with substantial consumer savings and prioritization of experiences over goods.
2. We believe the Sphere in Las Vegas will not only lead to incremental cash flow growth for the company but will also allow for further value creation.
3. We believe the company is trading a substantial discount to our estimate of intrinsic value of $100 in a base case and $150 in an upside case. We believe the ramp in live entertainment cash flow combined with the Sphere completion and visibility on development returns should help shine a light on this value.

Following strong quarterly business results, the shares of **Travel + Leisure Co.**, a leading timeshare and hospitality company, performed well in the most recent quarter. We participated in the company's investor day in September 2021 and remain encouraged by management's four-year growth plan, which includes expectations to grow earnings at a compound annual growth rate of 17% to 22%. Management also expects to generate approximately $3 billion of cumulative cash flow in the next four years that can be used for dividends, share repurchases, strategic mergers and acquisitions, and reinvesting in the business. We believe the shares are attractively valued at only 12.5 times estimated 2022 earnings per share and offer compelling prospects for strong shareholder returns over the next few years.

Please refer to our commentary on **Blackstone Inc.** which can be found below Table II – Top net purchases for the quarter ended March 31, 2022 earlier in this letter.

Following strong share price performance in 2021, the shares of **Boyd Gaming Corporation** continued to perform well in the first quarter of 2022. Boyd is one of the largest and most successful casino entertainment companies in the U.S. The company owns and operates 28 casino gaming properties in 10 states with a large presence in Las Vegas and a geographic focus on the drive-to, leisure gaming customer. We remain optimistic about the prospects for Boyd's shares because business conditions are strong, management maintains a liquid and conservatively capitalized balance sheet, insiders own approximately 27% of the company, the shares remain attractively valued at only 7.5 times 2022 estimated cash flow and a double-digit free cash flow yield, and we believe the company could be an attractive acquisition candidate should its current valuation remain discounted relative to recent private market casino and gaming transactions.

The shares of **Six Flags Entertainment Corporation** increased modestly in the most recent quarter following encouraging business results. The company is the largest operator of regional theme parks in the world with 30 parks across the U.S., Mexico, and Canada and hosts approximately 30 million visitors annually. Six Flags enjoys robust unaided consumer awareness due to its 60-year operating history and enduring brand.

We have recently spent time with newly appointed CEO Selim Bassoul. Selim spent over 20 years as the former CEO of The Middleby Corporation where he engineered a successful turnaround, implementing an accretive acquisition strategy and reinvigorating organic growth. Middleby ultimately grew sales from approximately $100 million to over $2.5 billion at his retirement in 2019. Six Flags also has elements of a turnaround situation, yet also has the ability to leverage its well-known brand and long operating history.

We believe there are multiple avenues to win with Six Flags:

1. **Attendance growth:** Attendance recovery post-COVID has been robust, but we believe there are further opportunities to drive quality guest volume and increase the attendance mix toward higher spending guests.

2. **Premiumization:** We believe Six Flags has tremendous pricing power and is under-monetizing its core offerings. While per capita in-park spending has been strong (growing approximately 30% from 2019 levels), we believe there is further room to drive guest spending through initiatives such as better food and beverage selections and technology adoption (e.g., mobile ordering, ability to pay to skip line, personalization of guest experience). We also believe there is an opportunity to drive ticket pricing through a dynamic pricing model based on the day of the week and point in the season in addition to simplifying the season pass and membership offerings. At approximately $55 per day ($30 admission and $25 in-park spending), Six Flags remains one of the lower cost leisure-entertainment options.

3. **Corporate initiatives:** Selim has proven to be a thoughtful and charismatic leader. We believe there is ample opportunity to reset the company culture, reduce layers of management, make quicker decisions, and empower employees.

We believe a combination of these initiatives as well as others will allow Six Flags to grow cash flow from $500 million in 2021 to approximately $600 million in the near term. As a result, we believe the stock may reach $70 or approximately 80% higher than its recent price in the next few years.

Table V.
Top detractors from performance for the quarter ended March 31, 2022

	Quarter End Market Cap (billions)	Percent Impact
The AZEK Company Inc.	$ 3.9	–0.76%
Lowe's Companies, Inc.	133.8	–0.53
Floor & Decor Holdings, Inc.	8.6	–0.52
Jones Lang LaSalle Incorporated	11.9	–0.50
CBRE Group, Inc.	30.4	–0.49

As noted earlier in this letter, several residential-related real estate companies corrected sharply in the first quarter of 2022, in part due to concerns about the possibility of a slowdown in the for-sale portion of the U.S. housing market due to consumer affordability concerns and material and labor bottlenecks. Examples of residential-related companies that declined in the first quarter include:

- **The AZEK Company Inc.**: A leading manufacturer of outdoor, non-wood building products including decking, railing, trim, and other leading outdoor products.
- **Lowe's Companies, Inc.**: One of the largest home improvement retailers in the world.
- **Floor & Decor Holdings, Inc.**: A high-growth specialty flooring retailer.

We believe current valuations for each of these companies now reflect a good portion of a possible temporary slowdown in the U.S. housing market and have begun to offer compelling multi-year return prospects. We will have more to say about each of these companies in future letters.

For our more complete thoughts on residential real estate and attractively valued real estate, please see "Our 2022 investment themes and portfolio composition" and "Examples of attractively valued real estate companies" later in this letter.

Following strong share price performance in 2021, the shares of leading commercial real estate services firms, **Jones Lang LaSalle Incorporated** and **CBRE Group, Inc.** declined in the most recent quarter. We believe the current valuations of both companies are compelling. Further, we believe both companies are well-positioned to benefit from long-term growth opportunities that include a growing list of companies looking to outsource their commercial real estate needs, the growth in institutional ownership of commercial real estate, and attractive acquisition opportunities given their highly desirable global platforms and strong balance sheets.

OUR 2022 INVESTMENT THEMES AND PORTFOLIO COMPOSITION

Investment Themes

We have continued to structure the Fund to take advantage of three real estate-related themes. They are:

- COVID-19 recovery beneficiaries
- Opportunities in residential real estate
- The intersection of technology and real estate

In the first quarter of 2022, we increased the Fund's exposure to COVID-19 recovery beneficiaries (52.5% to 60.4%), lowered the Fund's exposure in residential real estate (from 27.9% to 15.6%) and technology-related real estate (14.9% to 11.1%), and raised cash from 3.3% to 9.1%.

1. COVID-19 recovery beneficiaries

This investment theme encompasses real estate companies at the epicenter of the pandemic.

Since the onset of the COVID-19 pandemic, certain REITs and other real estate-related businesses that rely on the assembly of people have been severely impacted by COVID-19 as they were forced to shut down all or a large part of operations almost without exception.

For several months, the share prices of many of these companies have moved up and down in a roller coaster fashion mirroring the onset and path of COVID-19 variants (Delta, Omicron, BA.2) and many remain significantly below their peak prices.

We remain optimistic about the prospects for the Fund's COVID-19 recovery beneficiaries, many of which are leisure and travel-related real estate companies, because we believe the businesses remain cyclically depressed, not secularly challenged and there is strong pent-up demand. We expect business conditions and the share prices to improve as more people receive booster shots and the FDA-authorized Pfizer and Merck COVID treatment pills come into use.

We believe the Fund's COVID-19 recovery beneficiaries offer prospects for at least 15% to 20% annual returns in the next few years.

Examples of the Fund's COVID-19 recovery beneficiaries include:

Casinos & gaming operators
Red Rock Resorts, Inc., **Boyd Gaming Corporation**, **Caesars Entertainment Corporation**, **MGM Resorts International**, **Las Vegas Sands Corporation**, and **Penn National Gaming, Inc.**

Vacation timeshare companies
Marriott Vacations Worldwide Corp., **Travel + Leisure Co.**, and **Hilton Grand Vacations Inc.**

Amusement park operators
Six Flags Entertainment Corporation

Real estate operating companies
Brookfield Asset Management Inc., **Blackstone Inc.**, and **Madison Square Garden Entertainment Corp.**

Commercial real estate services companies
CBRE Group, Inc. and **Jones Lang LaSalle Incorporated**

Land development companies
The Howard Hughes Corporation

Certain REITs (office, apartment, mall, shopping center, hotel, health care, and gaming REITs)
Equity Residential, **Kite Realty Group Trust**, **Gaming and Leisure Properties**, **Inc.**, **Douglas Emmett, Inc.**, **Simon Property Group, Inc.**, and **Alexandria Real Estate Equities, Inc.**

On March 31, 2022, COVID-19 recovery beneficiary companies represented 60.4% of the Fund's net assets.

Table VI.
COVID-19 recovery beneficiaries as of March 31, 2022

	Percent of Net Assets
Casinos & Gaming Operators	19.4%
Hotels, Timeshare Operators, and Other Leisure Companies	12.6
Real Estate Operating Companies	8.4
Certain REITs	7.6
Commercial Real Estate Services Companies	6.9
Amusement Park Companies	2.8
Land Development Companies	2.2
OTAs	0.5
Total	60.4%

2. Opportunities in residential real estate

Beginning in the first week of 2022, we began to lower the Fund's exposure to certain residential real estate companies because many shares had appreciated significantly the last few years and were vulnerable to the possibility of an eventual temporary slowdown in housing-related purchase activity due to a combination of consumer affordability concerns driven by the sharp rise in home prices and higher mortgage rates, and a dearth of new housing inventory.

The shares of several residential-related companies (homebuilders, home centers, and building product and service companies) declined 30% to 50% in the first quarter of 2022. Though we avoided some of the damage, in hindsight, we should have been even more aggressive trimming our positions in the first week of 2022.

Following the first quarter sharp decline in several residential-related real estate companies, we believe the valuations of many housing-related companies now reflect a good portion of a possible temporary slowdown in the U.S. housing market and have begun to offer compelling multi-year return prospects. We may look for opportunities to increase the Fund's exposure to housing-related securities over the balance of 2022. Stay tuned.

For a few examples of attractively valued residential-related real estate companies, please see "Examples of attractively valued real estate companies" later in this letter.

Though we are cautious about the possibility of a slowdown in the U.S. housing market, investment opportunities in the housing market will likely remain a multi-year investment theme. The underpinning of our multi-year optimism is two-fold:

- There has been a **structural underinvestment in the construction of residential real estate relative to the demographic needs of our country** that should continue to reverse in the years ahead.

  In the last three years, the U.S. has been building a similar number of homes annually as it did in 1959–approximately 1.5 million homes, which also equals the 60-year average. This annual construction figure is shockingly low considering that the U.S. population has grown by more than 150 million people since 1959–330 million people today versus 178 million people in 1959!

  Ever since the housing crisis from 2007 to 2010, housing supply has not kept pace with housing demand, household formation, and population growth leading to a structural shortage of housing. According to the U.S. Census, 12.3 million American households were formed from January 2012 to June 2021, but just 7 million new single-family homes were built during that time. The result? The U.S. is short more than 5 million homes.

  Long-term housing-related demand prospects are also encouraging, especially from the approximately 73 million millennials–ages 25 to 40–many of whom are now looking to buy or rent a home. Millennials are the largest generation in the workforce–many have jobs, their wages are increasing, and their multi-year delay of household formation is reversing. There are clear signs that millennials are debunking the view that the American Dream to own or rent a home is over.

  The large imbalance between pent-up housing demand and low construction levels bodes well, long term, for new single-family home purchases, though a spike in home prices and mortgage rates may temporarily deter would-be homebuyers. It also bodes well for home and apartment rentals.

- There are **powerful cyclical AND secular tailwinds** that should aid the housing market in the years ahead.

Cyclical tailwinds

In addition to cyclically depressed levels of construction activity and pent-up demand, low inventory levels, still relatively low mortgage rates by long-term average historical standards, high consumer savings, and strong job and wage growth should continue to benefit the U.S. housing market. The current situation is nothing like what occurred during the global Financial Crisis when our country's inventory of homes was significantly oversupplied relative to demand.

Secular tailwinds

COVID-19 has also given rise to secular tailwinds that may aid the U.S. housing market for several years:

Suburban may become the new urban: More U.S. families have been moving out of urban areas to suburban towns. We expect demand for single-family homes, to purchase or rent, to remain strong.

Work from home or anywhere: If work-from-home arrangements become more permanent, people will have more flexibility to relocate away from urban centers. This should lead to an increase in new home sales and demand for single-family rentals.

More time at home may lead to more investment in the home: Homeowners are likely to spend more time at home than ever before as more employees work from home. This trend should contribute to homeowners spending more on home repair and remodeling activity (home office, outdoor decks and living spaces, pools, kitchens, and refreshing paint jobs). The Fund currently has investments in several companies that should benefit from this trend including **Lowe's Companies, Inc.**, **Home Depot, Inc.**, **Floor & Decor Holdings, Inc.**, **Fortune Brands Home & Security, Inc.**, **The AZEK Company Inc.**, **Hillman Solutions Corp.**, **SiteOne Landscape Supply, Inc.**, **Pool Corporation**, and **Trex Company, Inc.**

Our research around (and investment in) non-REIT residential-related real estate companies such as homebuilders, land developers, building products/services companies, and home centers is an important differentiator versus REIT funds.

As of March 31, 2022, residential-related real estate companies represented 15.6% of the Fund's net assets.

Table VII.
Residential-related real estate companies as of March 31, 2022

	Percent of Net Assets
Building Products/Services	7.9%
Home Centers	2.5
Homebuilders	1.3
REITs	
Single-Family Rental	2.5
Manufactured Housing	1.4
Total	15.6%

3. The intersection of technology and real estate

Recently, the Fund has maintained modest exposure to technology-centric real estate-related companies such as data centers and wireless tower companies due to our view of elevated valuations and superior return prospects in other segments of real estate.

The shares of several data center, wireless tower, and other technology-related real estate companies have lagged, and valuations are becoming more attractive. We may look for opportunities to increase the Fund's exposure in the months ahead.

We remain long-term bullish on the prospects for companies that embrace the intersection of technology and real estate.

The growth in cloud computing, the internet, mobile data and cellphones, wireless infrastructure, and e-commerce are powerful secular developments that should continue unabated for years and are impacting real estate, along with many other industries.

If anything, the pandemic has accelerated these secular trends as more people conduct business, leisure, residential, and commercial activities online.

Real estate-related companies that embrace and adopt the latest technological advances and innovations remain an important focus for us. Key beneficiaries of the technology revolution include data center companies, wireless tower companies, last mile logistics warehouses (or industrial REITs), and real estate data analytic companies.

On March 31, 2022, technology-related real estate companies represented 11.1% of the Fund's net assets.

Table VIII.
Technology-related real estate companies as of March 31, 2022

	Percent of Net Assets
Data Centers	2.3%
Real Estate Data Analytics Companies	1.6
Residential-Related Technology Companies	0.3
REITs	
Wireless Tower REITs	3.4
Industrial REITs	2.5
Data Center REITs	1.0
Total	11.1%

Portfolio Composition

In addition to prioritizing the three investment themes cited above, we have continued to implement a **barbell approach to the Fund's portfolio construction** that includes a mix between best-in-class real estate growth companies and real estate value opportunities.

We believe our barbell approach remains prudent because COVID-19 and the recent spike in interest rates and inflation have led to a wide disparity in share price performance and valuation for many real estate companies.

The Fund's long-term investment bias remains the prioritization of competitively advantaged best-in-class real estate companies with long runways for growth. Examples currently held in the Fund include:

American Tower Corp., **CBRE Group, Inc.**, **CoStar Group, Inc.**, **Equinix, Inc.**, **Lowe's Companies, Inc.**, **Prologis, Inc.**, **Public Storage Incorporated**, and **Alexandria Real Estate Equities, Inc.**

The Fund is also comprised of several real estate companies that are attractively valued and on sale. Examples include:

Brookfield Asset Management Inc., **Jones Lang LaSalle Incorporated**, **MGM Resorts International**, **Boyd Gaming Corporation**, **Marriott Vacations Worldwide Corp.**, **Caesars Entertainment Corporation**, **Six Flags Entertainment Corporation**, **Las Vegas Sands Corporation**, and **Madison Square Garden Entertainment Corp.**

We currently have investments in REITs, plus seven additional real estate-related categories (not including Unclassified securities). Our percentage allocations to these categories vary, and they are based on our research and assessment of opportunities in each category (See Table IX. below).

Table IX.
Fund investments in real estate-related categories as of March 31, 2022

	Percent of Net Assets
REITs	20.6%
Casinos & Gaming Operators	19.4
Hotels & Leisure	15.5
Building Products/Services	10.4
Real Estate Service Companies	9.2
Real Estate Operating Companies	8.4
Homebuilders & Land Developers	3.6
Data Centers[1]	2.3
Unclassified	1.5
Cash and Cash Equivalents	9.1
Total	100.0%

[1] Total would be 3.3% if included data center REIT Equinix, Inc.

EXAMPLES OF ATTRACTIVELY VALUED REAL ESTATE COMPANIES

We believe that many real estate companies are attractively valued relative to their historical levels and are on sale relative to private real estate alternatives.

Notable declines in several real estate companies in the first quarter of 2022

A portion of the value in public real estate surfaced in the first quarter of 2022. In the first three months of the year, an abundance of mostly macro developments–a spike in interest rates and mortgage rates, increases in food, oil, gas, and housing prices–contributed to sharp declines in the share prices of several real estate companies, in some cases by as much as 30% to 50%. A sampling includes:

- Homebuilder companies declined 30% to 40%
Examples: **Lennar Corporation**, **D.R. Horton, Inc.**, and **Toll Brothers, Inc.**
- Residential building product and services companies declined 30% to 55%
Examples: **Floor & Decor Holdings, Inc.**, **Trex Company, Inc.**, **SiteOne Landscape Supply, Inc.**, and **The AZEK Company Inc.**
- Home centers declined 20% to 30%
Examples: **Home Depot, Inc.** and **Lowe's Companies, Inc.**
- Certain travel-related companies declined 10% to 20%
Examples: **Vail Resorts, Inc.** and **Caesars Entertainment Corporation**
- Commercial real estate services companies corrected 11% to 16%
Examples: **CBRE Group, Inc.** and **Jones Lang LaSalle Incorporated**
- Wireless tower and data center companies corrected 10% to 15%
Examples: **Equinix, Inc.** and **American Tower Corp.**

At this stage, we believe several public real estate companies offer **compelling long-term return prospects that, in some cases, may include a trifecta combination of growth, dividends, and an improvement in valuation.**

Examples of public real estate companies that are attractively valued

Brookfield Asset Management Inc.

- A leading alternative asset manager that is one of the largest owners and operators of real estate and infrastructure assets in the world.
- At the company's September 2021 investor day, the management team laid out a multi-year growth plan with expectations for its shares to increase from its recent price of $54 to more than $150 over the next five years. Management has a track record of under-promising and over-delivering.

Jones Lang LaSalle Incorporated

- One of the leading commercial real estate services firms in the world currently valued at only 12 times 2022 estimated earnings versus a long-term average of approximately 15 times earnings.

Boyd Gaming Corporation

- One of the largest and most successful casino entertainment companies in the U.S. The company owns and operates 28 casino gaming properties in 10 states with a large presence in Las Vegas.
- Business conditions remain strong, yet the shares are valued at only 7.5 times 2022 estimated cash flow and a double-digit free cash flow yield versus a long-term average of more than 9 times cash flow.

Travel + Leisure Co.

- A leading timeshare and hospitality company that is valued at only 12.5 times 2022 estimated earnings despite management's expectations to grow earnings per share by approximately 20% per year for the next 4 years.

MGM Resorts International

- Leading global casino and entertainment company.
- At its recent price of $40 per share, we believe the company is valued at a significant discount to our reasonable $60 per share estimate of the sum-of-the-parts value of its business.

The Howard Hughes Corporation

- One of the largest and leading residential and commercial real estate land developers in the country.
- At its recent price of only $100 per share, the company is valued at a steep discount to management's conservative estimate of the liquidation value of its portfolio of $170 per share.

Toll Brothers, Inc.

- The leading luxury homebuilder in the U.S. that corrected more than 30% in the first quarter of 2022 and is currently valued at only 1.1 times tangible book value versus a long-term average of approximately 1.4 times book value and a peak multiple of approximately 2.0 times book value.

Vail Resorts, Inc.

- Leading real estate portfolio of ski resorts currently valued at only 13 times cash flow versus a long-term average multiple of approximately 15 times cash flow.

The AZEK Company Inc.

- Residential-related outdoor living products manufacturer that has declined approximately 50% in the first quarter of 2022 and is valued at only 12.5 times 2022 estimated cash flow versus a long-term average of more than 20 times cash flow.

Other

We believe there are several other REIT and non-REIT real estate-related companies that are attractively valued and, in some cases, highly discounted. A few additional examples include:

– Certain hotel REITs are currently valued at 30% to 50% discounts to estimated replacement cost.
– Office landlords, despite expectations for occupancy and rental pressures, are, in our opinion, cheap at 40% to 50% discounts to replacement cost.
– Certain shopping centers are currently valued at steep discounts to intrinsic value.

Examples of public real estate categories and companies that are on sale relative to private real estate alternatives

We closely monitor the valuations paid for private real estate.

Currently, much of public real estate is on sale relative to the private real estate market. In other words, it's cheaper to buy on *"Wall Street than on Main Street."*

The current favorable arbitrage between public and private real estate valuations may bode well for the return prospects for public real estate companies and investors. We anticipate that one of two scenarios is likely to unfold:

1. The share prices of discounted public real estate companies will increase organically to a more appropriate valuation; or,
2. Private equity, with its more than $300 billion of capital that has been raised and targeted for real estate purchases, will acquire the discounted public real estate companies at premium valuations to current prices.

Below is a sampling of the capitalization rates paid in private real estate transactions for several real estate categories. Note: Capitalization rate ("cap rate") is a real estate valuation measure used to compare different real estate investments. The cap rate is generally calculated as the ratio between the annual rental income produced by a real estate asset to its current market value. The lower the cap rate, the more expensive the headline valuation and vice versa.

The data below highlights the clear premium ascribed to private real estate and the valuation disconnect between public real estate and private real estate.

- **Multi-Family REITs:** Private market transactions in the mid-high 3% capitalization rate range versus current public market valuations for best-in-class apartment REITs in the low 4% capitalization rate range.
- **Single-Family Rental REITs:** Private market transactions in the mid-3% capitalization rate range vs. current public market valuations for best-in-class single-family rental REITs in the mid-4% capitalization rate range. Analysts estimate that in 2021 Blackstone purchased Home Partners of America for $6 billion or an estimated 3.5% capitalization rate while the Fund's investment in Invitation Homes is currently valued at only a 4.5% capitalization rate.
- **Office REITs:** Private market transactions have occurred at or below a 5% capitalization rate for high-quality properties in several markets versus current public market valuations for "best-in-class" office REITs in the mid-5% to mid-7% capitalization rate range. Certain office REITs are valued in the public market on a per square foot basis at approximately 40% to 60% of estimated replacement cost.
- **Shopping Centers:** Private market transactions below 5% capitalization rates, versus current public market valuations in the mid-5% to mid-7% capitalization rate range.
- **Self-Storage REITs:** Private market transactions in the mid-3% capitalization rate range, versus current public market valuations for REITs in the low-4% range (notwithstanding having higher-quality portfolios and more significant embedded growth).
- **Life Sciences Real Estate:** Analysts estimate that Blackstone and Ventas purchased life science office buildings at $1,300-$1,500 per square foot in the private market, yet the Fund owns the public REIT with the premier life science real estate portfolio in the country, Alexandria Real Estate, which is currently valued at only $900 per square foot.
- **Data Center REITs:** Data center REITs QTS and CoreSite were acquired last year at 25 to 27 times EBITDA, yet the Fund owns the premier data center company in the world, Equinix, and it is currently valued at only 23 times EBITDA.
- **Las Vegas-centric Casinos:** Private equity firms continue to acquire casino gaming real estate assets in Las Vegas and are paying 16 to 20 times cash flow, yet the Fund's holdings in Red Rock Resorts and MGM Resorts (both with significant Las Vegas exposure) are currently valued at only 7.5 to 10 times cash flow.
- **Hotels:** Many individual and bulk hotel transactions have traded in the private market in the 13 to 17 times cash flow range, representing large premiums to several public hotel companies. Also, several hotels have been acquired in the private market at $600,000 - $1 million per key versus publicly traded hotel REITs valued on average at $350,000 per key.
- **Regional Gaming Companies:** Bally's recently received a privatization offer for 9 times EBITDA (30% premium to market price) versus Boyd Gaming's current valuation of only 7.5 times EBITDA. In our opinion, Boyd maintains a far superior real estate portfolio, and if valued at 9 times cash flow, it's shares would appreciate by approximately 40% to 50%.
- **Timeshare Operators:** Private market transactions in the 12.5 times to 15 times cash flow range (10 times for lower quality) versus high-quality public companies currently valued at 9 to 10 times cash flow.

CONCLUDING THOUGHTS ON THE PROSPECTS FOR REAL ESTATE AND THE FUND

In our year-end 2021 shareholder letter, we said that we anticipate that 2022 may be arduous to navigate in part due to the prospects of a more hawkish Federal Reserve, higher interest rates, and the possibility of moderating growth and valuation multiple compression in some segments of commercial and residential real estate. If the aforementioned materialized, we would anticipate lower returns relative to the elevated returns of the last three calendar years when the Fund, on average, gained approximately 37%, per year.

Regarding the prospects for the stock market and real estate, we also posited that there were cases to be made for the glass being half full or the glass being half empty.

The first quarter of 2022 was certainly challenging to navigate, and the market generally took a glass half empty view.

We recognize that in the months ahead there will likely be ongoing elevated volatility and choppy periods in the market. Yet, we remain incrementally positive, in part because of the recent sharp correction in share prices in several real estate companies and ***believe there are valid reasons for optimism for the stock market, public real estate, and the Baron Real Estate Fund***.

Stock Market Outlook

We believe the end of the global pandemic may be reached as broad population immunity is achieved and with the help of new therapeutics. This may produce a global cyclical recovery, an improvement in employment, a release of consumer pent-up demand for travel and other activities, and increased corporate investments (capital expenditures, mergers and acquisitions, and share buybacks). We also believe an eventual easing of supply chain bottlenecks and labor tightness and moderating economic growth will contribute to a reduction from elevated inflation. Negative real interest rates and several reasonably valued stocks continue to bode well for equities relative to bonds. For these reasons, **we remain positive on the outlook for the stock market.**

Real Estate Market Outlook

We continue to believe the conditions are in place for much of real estate to perform well in the year ahead. As detailed earlier in this letter, real estate business prospects remain favorable for most segments of commercial and residential real estate. Inventory and new construction activity remain modest relative to demand. Balance sheets are in solid shape. Several segments of real estate offer inflation protection characteristics and serve as a partial inflation hedge. Many real estate stocks remain attractively valued relative to equities, bonds, and the private real estate market. There is a staggering amount of private equity capital that continues to target real estate and may drive public real estate asset values higher. For these reasons, **we remain positive on the outlook for real estate.**

Baron Real Estate Fund Outlook

We believe the benefits of the Fund's broader approach and flexibility will shine bright in the years ahead in part due to the new and evolving real estate landscape. Some companies will experience an acceleration in tailwinds and others are likely to face ongoing headwinds. We believe we have constructed a portfolio that is populated with competitively advantaged real estate companies. We have structured the Fund to capitalize on compelling investment themes. Valuations and return prospects are attractive. For these reasons, **we remain positive on the outlook for the Baron Real Estate Fund.**

Table X.
Top 10 holdings as of March 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Boyd Gaming Corporation	$ 7.2	$101.0	5.4%
Brookfield Asset Management Inc.	88.6	95.8	5.1
Jones Lang LaSalle Incorporated	11.9	71.7	3.9
MGM Resorts International	18.3	69.9	3.8
Marriott Vacations Worldwide Corp.	6.6	67.5	3.6
American Tower Corp.	114.5	64.1	3.4
Equity Residential	33.8	57.3	3.1
CBRE Group, Inc.	30.4	56.3	3.0
Travel + Leisure Co.	5.0	55.6	3.0
Red Rock Resorts, Inc.	5.2	53.5	2.9

Final Thoughts

I would like to acknowledge the ongoing immense contribution of our top-notch real estate team–David Baron, David Kirshenbaum, and George Taras–for their dedication and excellent work. Thank you.

And I thank you, our loyal shareholders, and express my utmost gratitude for your past and continuing support of Baron Real Estate Fund. I, and our team, remain driven and committed to doing our best to deliver outstanding long-term results, and I proudly continue as a major shareholder, alongside you.

Sincerely,

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 as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.. 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.

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The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

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