Dear Baron Real Estate Fund Shareholder:

Baron Real Estate Fund (the "Fund") declined 20.62% (Institutional Shares) in the second quarter of 2022, underperforming its primary benchmark, the MSCI USA IMI Extended Real Estate Index (the "MSCI Real Estate Index"), which declined 17.12%. The Fund underperformed the MSCI US REIT Index (the "REIT Index"), which declined 17.16%.

Several factors weighed on performance in the first six 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. We have been taking advantage of the sharp corrections in the share prices of many businesses to invest in and add to quality real estate companies, many of which are now trading at attractive valuations.

Despite recent underperformance, we are pleased to report that as of June 30, 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
- Portfolio composition and key investment themes
- Examples of attractively valued real estate companies
- A review of recent activity managing the Fund
- Concluding thoughts on the prospects for real estate and the Fund

As of 6/30/2022, the Morningstar Ratings™ were based on 229, 203, 145, and 229 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 6/30/2022, the Morningstar Real Estate Category consisted of 249, 229, 203, and 145 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar ranked Baron Real Estate Fund Institutional Share Class in the 98th, 1st, 1st, and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron Real Estate Fund Institutional Share Class as the 241st, 2nd, 2nd, and 1st best performing share class in its Category, for the 1-, 3-, 5-, and 10-year periods, respectively.

As of 6/30/2022, Morningstar ranked Baron Real Estate Fund R6 Share Class in the 98th, 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 240th, 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 June 30, 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]	(20.70)%	(20.62)%	(17.12)%	(17.16)%
Six Months[3]	(29.25)%	(29.16)%	(26.26)%	(20.71)%
One Year	(24.42)%	(24.21)%	(16.12)%	(7.32)%
Three Years	13.63%	13.94%	4.45%	2.90%
Five Years	9.90%	10.20%	5.71%	4.08%
Ten Years	12.01%	12.29%	9.36%	6.04%
Since Inception (December 31, 2009) (Annualized)	13.11%	13.40%	10.34%	8.60%
Since Inception (December 31, 2009) (Cumulative)[3]	366.54%	381.59%	242.08%	180.35%

OUR CURRENT TOP-OF-MIND THOUGHTS

We remain mindful of the reasons to be cautious and understand that stocks may go lower in the months ahead.

Nevertheless, **we believe the shares of several real estate-related companies and the Fund may benefit from asymmetrical returns in the next two to three years with significantly higher upside.**

Our expectation for 2022 being a challenging year has been unfolding.

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.

We did not anticipate the Russia/Ukraine war and the spillover effects of even higher inflation (food, wheat, crude oil, natural gas), further COVID-19-related lockdowns in China and ongoing supply-chain bottlenecks, and multi-decade high inflation – a portion of which may remain elevated for an extended period.

The aforementioned factors have led to an unusually challenging investment environment in the first six months of 2022 resulting in simultaneous and sharp declines in stocks, bonds, and most investable assets.

Looking forward, we believe there is reason to be optimistic.

We acknowledge there are valid reasons to remain concerned about the outlook. The possibility of a prolonged war in Ukraine, persistently high food and energy prices, further COVID-19-related economic lockdowns, and an economic slowdown leading to a recession are a sampling of the reasons to be worried.

At this stage, we do not believe we are being pollyannish by having a "glass half full" perspective.

Reasons for optimism include:

- Real estate share prices have corrected sharply in the first six months of 2022 – in some cases by 20% to 60% – most of the bad news has been priced in.
- Business fundamentals remain strong for many companies, though we do anticipate growth to moderate in the months ahead.
- Corporate and consumer balance sheets are healthy.
- Credit markets are functioning well.
- Employment remains a silver lining – there are twice as many job openings as the number of people unemployed.
- Elements of inflation have begun to moderate (e.g., the cost of cars, televisions, homes, and airline tickets).
- The bulk of the move to higher interest rates may have already occurred. In fact, long-dated yields have declined in the last few weeks.
- The war in Ukraine will eventually end, which should lead to lower food and energy prices.
- China is now rebounding from its recent COVID-19 lockdowns and economic growth may accelerate in the second half of 2022.
- Investor cash balances are at record highs and negative bets on the stock market ("shorting") are at levels not seen since 2008 (*Source: J.P. Morgan*).
- Investor sentiment appears to be fearful and despondent – often, a harbinger for strong prospective investment returns.

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.

[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.

We believe the Fund is chock full of real estate stocks that are unsustainably cheap.

In the first six months of 2022, valuation multiples have compressed sharply. The S&P 500 Index P/E multiple has compressed from 22 to 15 times earnings and the real estate equivalent of a P/E multiple – Funds from Operations ("FFO") – has compressed from 25 to 18.

Many real estate-related stocks are now trading at attractive valuations.

For our more complete thoughts on the valuations of real estate stocks, please refer to "Examples of attractively valued real estate companies" later in this letter.

If the economic downturn leads to a recession, real estate will be starting from a good place.

We always have our antenna up for real estate warning signs.

While this year's spike in interest rates and widening credit spreads are headwinds for commercial and residential real estate, we believe real estate, for the most part, is in a good place relative to prior economic slowdowns and recessions.

Most real estate business fundamentals remain strong and do not portend a recession.

Both commercial and residential real estate are not overbuilt. Expectations for construction activity are modest due to elevated land, material, and labor costs and expectations for a slowdown in economic growth. If a recession unfolds, we expect declines in commercial occupancy and rents and residential home prices to be modest and short lived.

Corporate balance sheets are liquid with appropriate levels of leverage, fixed rate debt, and staggered debt maturities.

Certain segments of real estate can 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.

For several real estate companies, dividend yields continue to grow and are supported by strong cash flows.

Real estate should be part of a well-diversified investment portfolio.

We believe real estate should always be a part of a well-diversified portfolio of equities, bonds, and various alternative investments.

In addition to near-term investment merits, the long-term case for real estate remains compelling.

Over time, real estate tends to provide diversification benefits due to low correlations to equities and bonds, inflation protection, and strong long-term return potential.

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

PORTFOLIO COMPOSITION AND KEY INVESTMENT THEMES

The Fund currently has investments in REITs, plus seven additional real estate-related categories. Our percentage allocations to these categories vary, and they are based on our research and assessment of opportunities in each category (See Table II below).

Table II.
Fund investments in real estate-related categories as of June 30, 2022

		Percent of Net Assets
REITs		30.9%
Non-REITs		59.5%
Building Products/Services	15.6%	
Real Estate Service Companies	12.3	
Casinos & Gaming Operators	10.5	
Real Estate Operating Companies	8.8	
Hotels & Leisure	5.9	
Homebuilders & Land Developers	4.4	
Unclassified	2.0	
Cash and Cash Equivalents		9.6
Total		100.0%*

* Individual weights may not sum to the displayed total due to rounding.

Investment Themes

In the last few months, we continued to actively manage the portfolio and we updated the Fund's investment themes.

Most notably, we have chosen to retire "COVID-19 recovery beneficiaries" as an investment theme.

Since the early days of COVID-19, companies that we characterized as "epicenter companies" or "COVID-19 recovery beneficiaries" have been a key investment theme. These companies are both REITs and other real estate-related businesses that rely on the assembly of people and were severely impacted by COVID-19 as they were forced to shut down all or a large part of operations. Examples include casino & gaming operators, other travel-related companies, real estate operating companies, commercial real estate services companies, land development companies, and certain REITs (e.g., apartment, mall, shopping center, office, and health care). The share prices of many of these companies declined sharply early in 2020 and presented highly compelling return prospects.

Since the onset of the pandemic, the Fund's investments in COVID-19 recovery beneficiaries have been a source of strong returns for the Fund. Now that most of the global economy has re-opened, business activity has improved, and it appears that the end of the global pandemic has been achieved given broad population immunity and new therapeutics, it seems that is it the right time to retire "COVID-19 recovery beneficiaries" as an investment theme.

We have also decided to remove "technology-related real estate companies" as a separate investment theme. Because most of the Fund's investments in technology-centric real estate companies are REITs (e.g., wireless tower, data center, and industrial REITs), we are now including this important component of the Fund as part of our broader and newly classified "REITs" investment theme.

Our four newly classified investment themes or categories are as follows:

1. REITs
2. Residential-related real estate companies
3. Other real estate-related companies
4. Travel-related real estate

REITs

Since the Fund's inception on December 31, 2009, REITs have been an important part of our real estate-related portfolio.

We have tended to limit the Fund's REIT allocation to 25% to 35% of the portfolio so that the Fund is differentiated from most REIT funds.

We believe the investment case for REITs remains strong. Business fundamentals are, in most cases, solid with encouraging growth prospects. Balance sheets are in good shape. Several REITs have inflation-protection characteristics. Dividend yields are well covered by cash flow and are growing. Many REITs are attractively valued. Should the slowdown in economic growth evolve into a recession, the shares of certain REITs may perform relatively well given the contractual nature of cash flows and attractive dividend yields.

We believe the Fund is comprised of compelling REIT companies and categories. A few examples include:

- **Technology-centric wireless tower and data center REITs** that we believe have prospects for strong and enduring cash flow growth. Examples: **American Tower Corp.**, **SBA Communications Corp.**, **Equinix, Inc.**, and **Digital Realty Trust, Inc.**
- **Residential-related REITs** that provide partial inflation protection given the short duration of leases and strong growth prospects. Examples: **Invitation Homes, Inc.**, **Equity Residential**, **AvalonBay Communities, Inc.**, and **Equity Lifestyle Properties, Inc.**
- **Industrial REITs** that we expect to benefit from ongoing robust warehouse demand and increased rents.
  Examples: **Prologis, Inc.** and **Rexford Industrial Realty, Inc.**

For a more detailed discussion of the investment case for REITs and the various REIT categories, we encourage you to read our June 30, 2022, Baron Real Estate Income Fund shareholder letter.

As of June 30, 2022, the Fund had investments in 11 REIT categories representing 30.9% of the Fund's net assets. Please see Table III below.

Table III.
REITs as of June 30, 2022

	Percent of Net Assets
Wireless Tower REITs	5.0%
Multi-Family REITs	4.7
Data Center REITs	4.5
Industrial REITs	4.3
Single-Family Rental REITs	2.9
Self-Storage REITs	2.7
Manufactured Housing REITs	1.8
Triple Net REITs	1.6
Health Care REITs	1.6
Life Science REITs	0.9
Shopping Center REITs	0.9
Total	30.9%*

* Individual weights may not sum to the displayed total due to rounding.

Residential-related real estate companies

In the first quarter of 2022, we lowered the Fund's exposure to certain residential-related real estate companies (homebuilders, building products/services companies, and home centers) from 23.5% of the Fund's net assets at year-end 2021 to only 11.7% on March 31, 2022.

At that time, we cut the Fund's residential-related exposure 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.

Recent commentary from homebuilder executives illuminates the concerns we had at the beginning of 2022.

On May 24, 2022, Doug Yearley, Chairman and CEO of **Toll Brothers, Inc.**, said the following:

"While demand is still solid, over the past month it has moderated from the unprecedented pace of the past two years as buyers adapt to higher mortgage rates and other macroeconomic conditions."

Approximately one month later, Stuart Miller, Executive Chairman of **Lennar Corporation**, said the following on June 21, 2022:

"The weight of a rapid doubling of interest rates over six months, together with accelerated price appreciation, began to drive buyers in many markets to pause and reconsider. We began to see these effects after quarter end."

Given the uncertainty regarding the depth and duration of the slowdown in home purchase activity, Miller said the following regarding the company's near-term forecast for home deliveries and profitability margins:

"We recognize that current attempts at guidance are tantamount to 'guessing' and not 'guiding.'"

So, what are our current thoughts regarding residential-related real estate companies and their investment prospects?

- We expect that a near-doubling of the 30-year mortgage rate since January from 3% to 6% on top of a more than 30% increase in home prices since 2020 and their collective impact on housing affordability in addition to the broader deterioration in consumer sentiment, in part due to multi-decade high inflation, will lead to a **significant slowdown in the housing market in the months ahead**.
- **We remain long-term bullish on the prospects for the U.S. housing market**. We agree with Toll Brothers' CEO Doug Yearley, who recently said:

  "The many fundamental drivers of housing demand remain firmly in place. These include favorable demographics, the significant imbalance between the supply and demand for homes, and migration trends. We believe these factors will support a healthy housing market over the long term."

  We believe the structural underinvestment in the construction of residential real estate relative to the demographic needs of our country should reverse in the years ahead.

  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 – 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. It also bodes well for home and apartment rentals.

- **The stock market is often a discounting mechanism. Sharp increases and decreases in share prices, at times, occur before changes in business fundamentals.**

  The shares of homebuilders, building products/services companies, and home centers have declined 30% to 50% in the first six months of 2022 even though business fundamentals have broadly remained strong.

  At this stage, **we believe the valuations of housing-related companies reflect a good portion of the forthcoming slowdown in the U.S. housing market and have begun to offer compelling multi-year return prospects.**

  Examples of attractively valued residential-related real estate companies are provided later in this letter.

- In the most recent quarter and following sharp declines in share prices, we reversed course and began to increase the Fund's exposure to homebuilders, building products/services companies, and home centers. **Though we expect business conditions to be challenging in the months ahead and growth to moderate, we believe valuations have become compelling and the two to three year return prospects are highly compelling.**

As of June 30, 2022, residential-related real estate companies represented 20.0% of the Fund's net assets. Please see Table IV below.

Table IV.
Residential-related real estate companies as of June 30, 2022[1]

	Percent of Net Assets
Building Products/Services Companies	12.1%
Homebuilders	4.4
Home Centers	3.5
Total	20.0%[1]*

[1] Total would be 29.4% if included residential-related housing REITs Invitation Homes, Inc., Equity Residential, AvalonBay Communities, Inc., and Equity Lifestyle Properties, Inc.

* Individual weights may not sum to the displayed total due to rounding.

Other real estate-related companies

Our "other real estate-related companies" category includes those companies that do not fit neatly in more traditional real estate categories of REITs, residential-related real estate, and travel-related real estate. Other real estate-related companies currently include:

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

- **Real estate-focused alternative asset managers**
  Examples: **Brookfield Asset Management Inc.** and **Blackstone Inc.**

- **Property technology companies**
  Examples: **CoStar Group, Inc.** and **SmartRent, Inc.**

Commercial real estate services companies: We remain bullish on the long-term growth opportunity for the commercial real estate brokerage category because of structural and secular tailwinds that should benefit leading global companies such as CBRE and Jones Lang LaSalle.

Tailwinds include:

- **The outsourcing of commercial real estate**: A growing number of companies are increasingly looking to outsource their commercial real estate needs. CBRE estimates that the overall facilities management market will be $1.9 trillion by 2024, representing a massive growth opportunity for large global commercial real estate services companies.

- **The institutionalization of commercial real estate:** Institutional allocations to real estate continue to increase, in part due to real estate's diversification, inflation protection, and relatively stable long-term growth attributes.

- **Opportunities to increase market share:** The commercial real estate industry remains highly fragmented and is likely to continue to consolidate. Customers tend to prefer commercial real estate companies that can provide a broad set of services. We believe CBRE and Jones Lang LaSalle are best positioned to drive market share gains given that they are the clear #1 and #2 commercial real estate services firms and have the capability to provide the full array of real estate offerings on a global scale.

CBRE and Jones Lang LaSalle have scale, product breadth, and leadership positions across their diversified real estate business segments. They continue to gain market share and are well-positioned to capitalize on ample attractive acquisition opportunities in the years ahead given strong and liquid balance sheets. Though we acknowledge that growth in certain segments of their businesses is likely to moderate in the months ahead due to the global economic slowdown and higher interest rates, we believe both are attractively valued and present compelling return potential in the next few years.

Real estate-focused alternative asset managers: We are optimistic about the long-term prospects for Brookfield and Blackstone because we believe both companies are likely to increase market share in a secular growth opportunity for alternative assets.

Institutional allocations to alternative investment assets such as real estate, infrastructure, and private equity are expected to grow dramatically in the years ahead because of two key considerations:

1) Interest rates around the world, despite a sharp increase in the first six months of 2022, are still low by historical standards. In the U.S., for example, the 10-year Treasury yield is currently only 2.92% versus its long-term average of 5.61%. 10-year yields are only 0.23% in Japan and 1.13% in Germany.

   Consequently, traditional fixed income investment options are still unlikely to generate sufficient returns for large institutional investors such as pension funds, sovereign wealth funds, insurance companies, and endowments.

2) Allocations to alternative investments in real estate, infrastructure, and private equity are increasing at an accelerating rate as institutions shift capital away from fixed income investment options (and to a lesser extent equity investments) because alternatives are expected to generate attractive relative and absolute returns with less volatility.

At its annual investor day presentation in September 2021, the management of Brookfield highlighted allocations to alternatives were only 5% in 2000 (versus 95% allocated to equity and fixed income investment options) and had grown to 30% in 2021. Management estimates that alternative allocations may increase to more than 60% by 2030, resulting in trillions of dollars of incremental allocations to alternative asset managers.

We remain bullish on the prospects for Brookfield and Blackstone. Both companies are led by exceptional management teams that attract and retain exceptional talent. They are two of the largest real estate managers in the world with impressive investment track records. Both Brookfield and Blackstone have global franchises, strong brands, and loyal customers.

Following a more than 20% correction in their share prices in the first six months of 2022, we believe the shares of Brookfield and Blackstone are attractively valued and are optimistic about the long-term potential for the Fund's investments in both companies.

Property technology companies: The real estate industry, which represents approximately 13% of U.S. GDP, has eschewed decades of technological innovation while many other industries have evolved rapidly. We are seeing evidence of that trend beginning to change as real estate companies are increasingly adopting technology as a source of competitive differentiation and evolution across property sectors.

This collision of real estate and technology has led to a new sub-industry within real estate – real estate technology, also referred to as *proptech*. Proptech is the usage of technology and software to assist in meeting real estate needs.

The emergence of proptech and the digitalization of real estate is an exciting and promising new development for real estate. We believe we are in the early innings of a technology-driven investment cycle centered on data and digitalization that allows real estate-related businesses to drive incremental revenue streams and lower costs.

The Fund currently has investments in two real estate companies that are well positioned to capitalize on this burgeoning secular growth trend. They are CoStar and SmartRent. We also have a modest investment of 2% of the Fund's assets in three Special Purpose Acquisition Companies that intend to merge with real estate technology companies, each led by seasoned and respected real estate executives.

In the second quarter, we added to our position in CoStar, the leading provider of information, analytics, and marketing services to the real estate industry. CoStar initially focused on serving the domestic commercial real estate industry and built a comprehensive proprietary database of essential data to help participants buy, sell, and lease properties. The company has since expanded its focus to offer products and services to multi-family, industrial, commercial land, mixed-use and hospitality end markets across North America and Western Europe.

Today, the company's non-residential operations generate over $2 billion of recurring revenue with cash flow (EBITDA) margins in excess of 40%. We expect this business to grow its revenue at a mid-teens rate for several years as the company launches new products, upsells exiting customers, and raises prices. We expect profit and cash flow to grow at an even faster rate given the low marginal costs inherent in CoStar's business model. We think that cash flow from this business can double over the next five years, which implies a similar return for the stock.

The company undertook an audacious expansion plan in 2021, when it committed to invest almost $300 million per year to enter the domestic residential real estate market. The stock initially declined significantly as investors fretted over the significant added expense to pursue this opportunity. We view the investment as nominal relative to CoStar's $3 billion net cash balance and annual free cash flow generation capability. We think that the residential market is vast, and that CoStar is well-positioned to build a compelling and differentiated business serving this market. If successful, we think that CoStar could generate almost $1 billion of incremental revenue over the next 5 to 10 years. If unsuccessful, CoStar can easily throttle back on its investment and redeploy resources towards other markets without having impacted the fundamentals of its business.

Based on the current valuation of its shares and our expectation for future growth, we believe CoStar's shares have the potential to appreciate by 100% in the next three to four years.

SmartRent has emerged as the leading residential-related software company for apartment landlords. The company's digital product enhances the resident and landlord experience. Its products provide several benefits to tenants including keyless access, self-guided tours, smart parking, video intercom, package delivery, leak detection, and temperature control management. Residential landlords benefit due to cost savings that range from 20% to 30% on utilities and 20% to 50% on leasing costs and an ability to increase rents due to the improved tenant benefits.

We believe the long-term growth potential of SmartRent is tremendous.

As of June 30, 2022, other real estate-related companies represented 23.1% of the Fund's net assets. Please see Table V below.

Table V.
Other real estate-related companies as of June 30, 2022

	Percent of Net Assets
Real Estate Service Companies	12.3%
Real Estate Operating Companies	8.8
Special Purpose Acquisition Companies	2.0
Total	23.1%*

* Individual weights may not sum to the displayed total due to rounding.

Travel-related real estate

At the beginning of this year, we were notably bullish about the prospects for the Fund's investments in travel-related real estate companies. We felt that 2022 and 2023 would be a period in which more than two years of COVID-19-related pent-up demand would be unleashed for leisure and business travel.

Though travel-related business fundamentals have been strong in the first six months of 2022 and are expected to continue this summer, we have tempered our enthusiasm for travel-related real estate companies because of the onset of unexpected developments and headwinds in 2022. They include the war in Ukraine, a further spike in inflation (higher gas/fuel prices, airline tickets, hotel room prices, food prices, housing), and the possibility of a sharp economic slowdown which may negatively impact consumer discretionary spending (e.g., leisure travel) and business travel in the next 12 to 18 months.

In the second quarter, we lowered the Fund's exposure to travel-related real estate companies (casinos & gaming operators, hotels, timeshare operators, amusement park operators, other leisure companies and online travel agencies) significantly from 35.3% of the Fund's net assets to only 16.4% on June 30, 2022.

We are maintaining an allocation to certain travel-related real estate companies for the following reasons:

- We believe the valuations of several travel-related real estate companies are highly discounted relative to their intrinsic value and offer excellent investment return prospects in the next two to three years. Please refer to "Examples of attractively valued real estate companies" later in this letter.
- Certain travel-related businesses remain cyclically depressed not secularly challenged and should rebound as economic strength re-emerges. For example, the business operations of Macau-centric casino and gaming companies such as **Las Vegas Sands Corporation** have yet to recover due to the ongoing COVID-19 challenges in China. We expect business to rebound sharply when economic growth recovers just as it did in Las Vegas.
- The Fund's investments in travel-related real estate companies maintain well-capitalized and liquid balance sheets and should be able to comfortably withstand any slowdown in economic growth just as they did during the early days of COVID-19.
- We remain bullish about the long-term spending priorities of consumers. In fact, we believe consumers are resilient. The millennial generation (72 million people), for example, continues to prioritize experiences such as travel more so than spending on goods – and posting these experiences on social media!
- Private equity companies such as Blackstone have a long history of investing in travel-related companies and have continued to highlight the travel segment as in important investment priority. Given the highly discounted share prices and valuations of certain travel-related companies, we would not be surprised if private equity firms take advantage of the favorable valuation arbitrage between the public and private market and acquire public travel companies.

As of June 30, 2022, travel-related real estate companies represented 16.4% of the Fund's net assets. Please see Table VI below.

Table VI.
Travel-related real estate as of June 30, 2022

	Percent of Net Assets
Casinos & Gaming Operators	10.5%
Ski Resorts	2.5
Timeshare Operators	1.9
Hotels	1.5
Total	16.4%[1*]

[1] Total would be 18.0% if included travel-related gaming REIT Gaming and Leisure Properties, Inc.
* Individual weights may not sum to the displayed total due to rounding.

EXAMPLES OF ATTRACTIVELY VALUED REAL ESTATE COMPANIES

Following sharp share price declines in the first six months of 2022, we believe several real estate companies are attractively valued relative to their historical levels and are on sale relative to private real estate alternatives.

Notable declines in real estate companies in the first six months of 2022

- Homebuilder companies declined 35% to 45%
  Examples: **Lennar Corporation**, **D.R. Horton, Inc.**, and **Toll Brothers, Inc.**
- Residential building products/services companies declined 30% to 60%
  Examples: **Floor & Decor Holdings, Inc.**, **Trex Company, Inc.**, and **SiteOne Landscape Supply, Inc.**
- Home centers declined 30% to 35%
  Examples: **Home Depot, Inc.** and **Lowe's Companies, Inc.**
- Certain travel-related companies declined 30% to 40%
  Examples: **Vail Resorts, Inc.**, **MGM Resorts International**, and **Red Rock Resorts, Inc.**
- Commercial real estate services companies corrected 30% to 35%
  Examples: **CBRE Group, Inc.** and **Jones Lang LaSalle Incorporated**
- Wireless tower and data center companies corrected 15% to 25%
  Examples: **Equinix, Inc.**, **Digital Realty Trust, Inc.,** and **SBA Communications Corp.**
- Several "best-in-class" REITs declined 20% to 35%
  Examples: **Alexandria Real Estate Equities Inc.**, **Prologis, Inc.**, **Rexford Industrial Realty, Inc.**, **Invitation Homes, Inc.**, **Equity Residential**, and **AvalonBay Communities, Inc.**

We are mindful that economic growth is likely to continue to moderate in the months ahead and several companies may lower growth forecasts. We are also mindful that lower corporate growth forecasts may not be fully reflected in the valuations of certain real estate companies.

At this stage, however, **we believe several public real estate companies offer highly compelling two to three year 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. is 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 only $45 to more than $150 over the next five years. Management has a track record of under promising and over delivering. Brookfield is planning to spin off 25% of its asset management business by the end of 2022 at an $80 billion valuation. This compares to the company's overall market capitalization of $73 billion. When accounting for Brookfield's investments in other publicly listed companies, the public market is currently valuing Brookfield's asset management business at only $26 billion versus the company's $80 billion assessment of its value.

Jones Lang LaSalle Incorporated is one of the leading commercial real estate services firms in the world.

It is currently valued at a P/E multiple of only 9 times 2022 estimated earnings versus a long-term average multiple of approximately 15 times earnings. In a draconian case in which earnings fall short of consensus estimates by 35% (we think unlikely), the shares would still be valued at only 13.5 times earnings.

Las Vegas Sands Corporation is a global leader in the development and operation of luxury casino resorts in Macau and Singapore, and it maintains a liquid and investment grade balance sheet.

It is currently valued at a significant discount to our assessment of replacement cost, and the company's Macau operations are valued at only 7 times estimated cash flow.

Boyd Gaming Corporation 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.

Business conditions have been strong, yet the shares are valued at only 6 times 2022 estimated cash flow versus a long-term average of more than 9 times cash flow. The company maintains a strong and liquid balance sheet. Insiders own approximately 27% of the company. We believe Boyd is a compelling acquisition target.

Vail Resorts, Inc. has a premier portfolio of mountain resorts including marquee resorts such as Vail, Beaver Creek, Breckinridge, Park City, Whistler Blackcomb, and Keystone.

Vail's shares have declined 41% from a peak of $376 in November 2021 to a recent price of only $220 and are currently valued at only 12 times cash flow versus its long-term average multiple of approximately 15 times cash flow.

MGM Resorts International is a leading global casino and entertainment company.

At its recent price of only $30 per share, we believe MGM is valued at a significant discount to our reasonable $50 per share estimate of the sum-of-the-parts value of its business. Further, the company's domestic operations are valued at a 18% free-cash-flow yield. Paul Salem, Chairman of the Board, recently acquired shares.

Toll Brothers, Inc. is the leading luxury homebuilder in the U.S.

Toll Brothers' shares corrected more than 41% in the first six months of 2022. Its valuation is only 0.9 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.

Lowe's Companies, Inc. is the second largest home improvement center in the U.S.

Its shares declined 33% in the first six months of 2022 and are currently valued at only 13.5 times estimated earnings per share versus a long-term average P/E multiple of approximately 18 times estimated earnings per share.

Fortune Brands Home & Security, Inc. is a leading manufacturer of home and security products, which include kitchen and bath cabinetry, plumbing and accessories, entry door systems, and security products.

The company's shares declined 44% in the first six months of 2022 and are currently valued at a P/E multiple of only 9.2 times estimated earnings. The company recently announced its plans to spin off its cabinets business which we believe should accelerate value creation.

Invitation Homes, Inc. is the largest single-family home rental REIT in the U.S.

Despite expectations for continued strong business results, the company's shares declined approximately 22% in the first six months of 2022. We believe Invitation Homes shares are cheap. The company is currently valued at an implied capitalization rate basis of 5.2% versus private market transactions in the 4% capitalization range. The public market implied valuation of its owned homes is only $350,000 per home versus acquisition costs of more than $400,000.

Alexandria Real Estate Equities, Inc. is the leading landlord and developer to the life science industry.

Alexandria's shares declined 35% in the first six months of 2022. We believe this REIT's real estate is attractively valued at approximately $600 per square foot versus private market transactions for life science real estate in the $1,000 to $1,500 per square foot range. The shares are also valued at a discounted 6% capitalization rate even though the company has recently sold real estate in the 4% to 5% capitalization range.

Digital Realty Trust, Inc. is a premier global data center REIT with more than 290 data centers and more than 4,000 customers. It maintains an investment grade balance sheet.

Currently valued at only 20 times cash flow (EBITDA) versus several recent private data center transactions that were completed at 25 times to 30 times cash flow. QTS Realty Trust was acquired at 25 times cash flow; CoreSite Realty Corporation at 27 times; and Switch, Inc. at 30 times.

A REVIEW OF RECENT ACTIVITY MANAGING THE FUND

Recent Activity

In the second quarter, we maintained our active approach managing the Fund due to:

- The emergence of tailwinds and headwinds in certain segments of real estate
- Company-specific considerations
- Unusually elevated stock market volatility

We believe our action steps continue to position the Fund for strong long-term performance.

Table VII.
Top net purchases for the quarter ended June 30, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
AvalonBay Communities, Inc.	$ 27.2	$37.8
SiteOne Landscape Supply, Inc.	5.3	29.6
Fortune Brands Home & Security, Inc.	7.8	28.0
Digital Realty Trust, Inc.	37.7	27.4
Blackstone Inc.	109.2	26.7

We recently re-initiated a position in **AvalonBay Communities, Inc.** The company is a REIT that owns and operates a $43 billion portfolio of high-quality apartment assets, located primarily in the east and west coasts of the U.S. We believe its concentration in high-barrier-to-entry coastal markets and its mix of urban and suburban properties should lead to strong cash flow growth over time. AvalonBay's investment grade rating provides it with a cost of debt advantage compared to private developers. Management has proven to be a capable acquirer and developer of apartment assets. We believe AvalonBay's shares are trading at an attractive 25% discount to its private market value.

In the first six months of 2022, the shares of **SiteOne Landscape Supply, Inc.** declined 51% from a peak of $242 to $119. Recently, we have been acquiring shares at what we believe is a compelling valuation.

SiteOne is the largest and only national wholesale distributor of landscape supplies (outdoor lighting, fertilizers, grass seeds, turf care equipment, etc.) in the U.S. with an extensive network of over 600 branch locations across 45 states and 6 Canadian provinces. According to management, the company is more than five times the size of its next closest competitor. The company serves both residential and commercial landscape professionals.

We are bullish about the long-term prospects for SiteOne because we expect the company to benefit both from the eventual resumption of the recovery in the residential real estate market and from its ample opportunities to make acquisitions and consolidate a highly fragmented industry. The company generated approximately $3.5 billion in sales in 2021, representing approximately 15% of the $23 billion U.S. landscape supply market. We believe SiteOne, with its excellent management team, solid balance sheet, and strong free cash flow generation, is positioned favorably to grow organically and through acquisitions in the years ahead. We expect SiteOne to remain the acquirer of choice in the landscape supply industry. There are billions of dollars of potential acquisition targets, which may lead to a more than doubling of the company's market share over time.

Over the course of a sharp correction in its share price in the first six months of 2022, we have been acquiring shares in **Fortune Brands Home & Security, Inc.** at what we believe are attractive valuations. Fortune Brands is a leading manufacturer of home and security products which include kitchen and bath cabinetry, plumbing and accessories, entry door systems, and security products. Management has a strong track record of delivering industry-leading growth and creating long-term value.

In the second quarter, the company announced its plans to separate into two world class companies via a tax-free spin-off of its cabinets business. Management believes the tax-free spin-off will create two independent, industry-leading public companies with scale, winning strategies, capabilities, and leadership to sustain and accelerate value creation. We believe management's decision to separate into two public companies is prudent and will have more to say about Fortune Brands in the future.

Following a more than 25% correction in its share price in the first six months of 2022, we recently re-initiated a position in **Digital Realty Trust, Inc.** at what we believe is a compelling valuation. The company is a global data center operator with more than 290 data centers.

Over the last few years, the company has been undergoing a business transformation, which accelerated after its acquisition of Interxion in March 2020, a pure-play European network-dense data center operator. The company has been shedding non-core slower growth assets, investing and expanding in Europe, and growing its retail colocation business. We have spent a significant amount of time with CEO Bill Stein and CFO Andy Power over the years and believe the investments the company has made are on the cusp of bearing fruit and will pay dividends for years to come. In addition, we believe the fundamentals in its core business are at an inflection point with robust demand and tenant bookings, pricing power, hyperscale cloud companies outsourcing more, and limited competitive capacity. We believe these factors will lead to a growth inflection in the business in 2023 and are optimistic on the long-term prospects for the company.

In the most recent quarter, we continued to acquire shares in **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 from November 2021 into early 2022, we used the opportunity to establish a position during the first quarter. With its 5.7% dividend yield and strong prospects for growth, we are optimistic about the long-term potential for the Fund's investment in Blackstone.

Table VIII.
Top net sales for the quarter ended June 30, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Boyd Gaming Corporation	$ 5.5	$56.4
Travel + Leisure Co.	4.2	49.2
Marriott Vacations Worldwide Corp.	4.8	43.5
The Howard Hughes Corporation	3.5	30.2
Caesars Entertainment Corporation	10.4	29.3

In the second quarter, we reduced the Fund's travel-related investments in **Boyd Gaming Corporation** and **Marriott Vacations Worldwide Corp.** and exited the Fund's travel-related investments in **Travel + Leisure Co.** and **Caesars Entertainment Corporation**.

As noted earlier in this letter, we lowered the Fund's exposure to travel-related real estate companies in the last few months due to the unexpected war in Ukraine, the spike in inflation (higher gas/fuel prices, airline tickets, hotel room prices, food prices, housing), and the possibility of a sharp economic slowdown, which may negatively impact leisure travel and business travel in the next 12 to 18 months.

The shares of several travel-related real estate companies have corrected sharply, and valuations have become more compelling. We may look to increase the Fund's exposure in the future.

We recently exited the Fund's investment in **The Howard Hughes Corporation.** The company is a real estate developer and operator of master-planned real estate communities and mixed-use properties throughout the U.S. The shares have been under pressure in part due to concerns that the company's development projects may be vulnerable to the economic and housing market slowdowns. We have reallocated the capital to higher conviction investment opportunities.

Table IX.
Top contributors to performance for the quarter ended June 30, 2022

	Quarter End Market Cap (billions)	Percent Impact
American Tower Corp.	$119.0	0.10%
Gaming and Leisure Properties, Inc.	11.7	0.01

During the second quarter, we took advantage of the broader market dislocation and indiscriminate selling to increase the Fund's exposure to wireless tower REITs at what we believe were attractive valuation levels. In June, we added to our position in tower company **American Tower Corp.** and re-initiated a position in fellow tower operator, **SBA Communications Corp.** The shares of American Tower increased modestly in the second quarter.

We are optimistic on the long-term prospects for wireless cell towers for the following reasons.

- **Secular Growth Drivers:**
  - **Mobile Data Growth:** The average smartphone user in the U.S. consumed approximately 3.5 megabytes ("MB") of data per month in 2016. Today, that same user consumes 20 to 25 MB per month with the proliferation of data intensive applications such as video streaming and gaming. Within five years, industry estimates expect this number to be over 50 MB per month. With the addition of connected smart devices, overall mobile data growth is expected to grow 25% per year over the next five years.
  - **5th Generation Mobile Network (5G) Adoption:** After the recent record-setting spectrum airwave auction, mobile carriers are in a race to deploy 5G across their networks. We are still in the early innings of 5G adoption, which will enable future applications (e.g., autonomous cars, augmented reality, 3D video) that are even more data-intensive than the applications that exist today. Many industry experts believe the 5G investment cycle will be elongated and last over a period of 10-plus years partially due to a necessary device upgrade cycle.
- **Robust Margins with High Return on Capital:** At the unit level, towers generate 80%-plus cash flow margins (depending on the number of tenants). There is little incremental cost of adding an additional tenant with 90%-plus flow through to the bottom line. While a tower with a single tenant generates approximately 3% return on investment, the return jumps to more than 20% with three tenants. The towers underlying our investments are generally built to support anywhere from three to five tenants. We believe robust carrier activity both through "colocation" (leading to more tenants on the tower) and amendments (fees from changing out or adding equipment) will lead to strong incremental cash flow generation.
- **Strong Barriers to Entry:** There are several inhibitors for a competitor to build a new tower near an existing site due to: i) permitting/regulation and "not-in-my-backyard" (NIMBY) considerations, ii) the U.S. tower industry is consolidated with the three public companies owning the vast majority of traditional macro towers (with many incumbent towers hosting two to three tenants already), and iii) there are only four traditional U.S. wireless carriers and the cheapest/fastest route to market is to deploy equipment on an existing tower (a competitor has limited ability to win new business given the consolidated nature of the wireless industry today versus 20 years ago).
- **Stable and Predictable Cash Flows:** Tower lease contracts are underpinned by 5- to 10-year leases with fixed contractual annual escalators and predetermined costs for any modifications (e.g., swapping out radio equipment). Costs are largely fixed as well (the largest being ground rent that often grows slower than the rent escalator). This leads to a model with high incremental margins (as noted above) and limited volatility of cash flows given that any variability in new leasing within a given year will not significantly move the needle on the established base over the near term.

American Tower is a leading global tower company with 220,000 communication sites globally and over 40,000 in the U.S. We added to our position during the market dislocation and as it became increasingly clear that the company would put permanent equity financing in place at better-than-expected terms for its previously announced acquisition of CoreSite (thereby removing the "equity overhang"). In addition, the company stepped back from a large potential deal in Europe, which would have required significant incremental funding, due to unfavorable contract terms and price. This decision further reinforced our confidence in management's capital allocation discipline knowing that these were highly sought after assets.

We are bullish on American Tower due to: i) accelerating growth after cycling a one-time Sprint churn event in 2022, which depressed growth temporarily; ii) cash flow stability underpinned by core developed markets; iii) earning outsized returns in higher-growth emerging markets that are still transitioning from voice-centric to data-centric applications and lag the U.S. by five years; and iv) optionality regarding its acquisition of a network-dense data center company (CoreSite) as future network needs and architecture evolve.

The shares of **Gaming and Leisure Properties, Inc.**, a triple net REIT, which owns 55 premier gaming and related facilities and amenities performed well in the most recent quarter. Gaming and Leisure's primary business consists of acquiring, financing, and owning real estate property to be leased to gaming operators.

We are optimistic about Gaming and Leisure because the company owns a high-quality geographically diversified real estate portfolio that produces stable and predictable cash flows given the long-term nature of its leases. The company could also supplement its contracted 2% annual rent escalators with additional growth if it were to acquire additional gaming properties.

We believe the valuation of the shares is compelling. At its recent price of $46, the company's shares offer a 6.2% dividend yield. This dividend yield compares favorably to the yield on its publicly traded bonds. Further, the company's 6.2% dividend yield exceeds several other publicly traded triple net REITs which offer lower dividend yields of approximately 4% to 4.5%, on average.

We have great confidence that CEO Peter Carlino will generate excellent long-term returns for shareholders given his successful track record. He is also a significant shareholder of Gaming and Leisure. We are pleased that his interests are aligned with ours.

Table X.
Top detractors from performance for the quarter ended June 30, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Six Flags Entertainment Corporation	$ 1.9	–1.57%
Brookfield Asset Management Inc.	73.0	–1.11
MGM Resorts International	12.3	–1.06
Jones Lang LaSalle Incorporated	8.5	–0.97
Boyd Gaming Corporation	5.5	–0.92

In the most recent quarter, travel-related companies such as **Six Flags Entertainment Corporation**, **MGM Resorts International**, and **Boyd Gaming Corporation** declined sharply due to concerns about the possibility of a severe slowdown in economic growth negatively impacting their businesses. We exited Six Flags and reduced exposure to MGM Resorts and Boyd Gaming.

The shares of **Brookfield Asset Management Inc.**, a premier alternative asset manager that maintains one of the largest real estate portfolios in the world, declined in the second quarter along with the broader market despite its attractive valuation and strong quarterly results. We believe the shares are significantly discounted relative to the company's intrinsic value and remain optimistic about the company's long-term prospects.

The shares of **Jones Lang LaSalle Incorporated**, the second largest commercial real estate services company in the world, declined in the second quarter in part due to concerns that its leasing and transaction businesses will be pressured as economic growth slows. At its recent price, we believe these concerns are largely priced into the company's valuation and remain optimistic about the company's long-term prospects.

CONCLUDING THOUGHTS ON THE PROSPECTS FOR REAL ESTATE AND THE FUND

We are mindful that the first half of the year has been disappointing.

We recognize that in the months ahead elevated volatility may continue. Economic growth is likely to moderate, and several companies are likely to lower growth forecasts. We are also mindful that lower growth forecasts may not be fully reflected in the valuations of certain real estate companies.

Yet, as detailed earlier in this letter, we believe there are valid reasons for optimism for public real estate companies and the Fund.

We have become incrementally positive, in part because of the sharp correction in the share prices of several real estate companies. We believe many public real estate companies offer compelling two to three year return prospects that, in some cases, may include a trifecta combination of growth, dividends, and an improvement in valuation.

Table XI.
Top 10 holdings as of June 30, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Brookfield Asset Management Inc.	$ 73.0	$75.3	5.4%
Las Vegas Sands Corporation	25.7	58.9	4.2
CBRE Group, Inc.	24.1	58.9	4.2
Jones Lang LaSalle Incorporated	8.5	56.3	4.0
American Tower Corp.	119.0	55.4	4.0
CoStar Group, Inc.	23.9	52.5	3.7
Blackstone Inc.	109.2	47.6	3.4
SiteOne Landscape Supply, Inc.	5.3	40.9	2.9
Invitation Homes, Inc.	21.7	40.3	2.9
Public Storage Incorporated	54.9	38.3	2.7

I am a large investor in the Fund. I believe we have assembled a portfolio of best-in-class competitively advantaged real estate companies with compelling long-term growth and share price appreciation potential. I recently added to my investment and am optimistic about the Fund's prospects in the next few years.

I thank you, our loyal shareholders, and express my utmost gratitude for your past and continuing support of the Fund.

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 the Funds' 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.

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