



December 2020

FAQs on Baron's Investment in Tesla

How much have Baron Partners Fund and Baron Focused Growth Fund invested in Tesla?

A December 14, 2020, *Barron's* article, "Funds: Risk as Tesla Joins the S&P 500," reported that "if Tesla's rally continues beyond the S&P 500's rebalance, funds with large Tesla holdings will benefit the most." The article went on to note that, as of November 30, 2020, "\$5.9 billion Baron Partners Fund has 43.4% of its total investments and \$569 million Baron Focused Growth Fund has 39.9% of its net assets in the car maker." Both Baron mutual funds are classified under SEC guidelines as "non-diversified." Concentrated portfolios like Baron Partners Fund and Baron Focused Growth Fund entail greater risk. Both Funds have been successful since their respective inceptions and year to date. For example, since Baron Partners Fund converted from a private partnership to a mutual fund on April 30, 2003, it is ranked 4th among all US equity mutual funds with **2,267** classes through November 30, 2020.* Baron Focused Growth Fund's performance has exceeded its benchmark index by approximately 500 basis points annualized since its inception.

***This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 11/30/2020.** Note, the peer group used for this analysis includes all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for this analysis are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories. There are **2,267** share classes in these nine Morningstar Categories for the period from 4/30/2003 to 11/30/2020.

When did Baron purchase its shares in Tesla?

Since June 2014, Baron, on behalf of its clients and the Firm, has purchased 8.3 million Tesla shares for \$372 million.¹ (The average per share purchase price of \$45 and number of shares purchased are adjusted for a five-for-one August 2020 stock split.) In several interviews on CNBC's Squawk Box over the past six years, Baron Funds CEO Ron Baron stated that he expected Baron to earn more than 20X its initial purchase cost on its Tesla investment over 10 years. Tesla's 12/11/2020 share price was \$610 per share. On behalf of its clients, Baron sold 745,000 Tesla shares two months ago for \$445 per share on average, and 308,000 shares last week for \$638 per share on average. Sales were made because Tesla's share price increase had caused it to become such a large part of client portfolios. Baron owns at 12/11/2020 approximately 7 million Tesla shares and has realized and unrealized gains in Tesla to date of approximately \$4.5 billion. Based upon our estimate of Tesla's growth, we believe that Tesla's share price could reach \$2,000 per share in 2030. That is approximately 3.3X its current level.

¹ This number excludes shares purchased for a terminated wrap account platform.

Has Baron ever made such a large percentage gain on an investment?

Yes. Baron has made 10X to 90X our initial investments numerous times during the past 28 years.** Among the most notable of those investments are Charles Schwab, MSCI, IDEXX Laboratories, ANSYS, Morningstar, Equinix, CoStar, Robert Half, Choice Hotels, Vail Resorts, Mettler-Toledo and Arch Capital. We have also earned more than 5X our investment cost in dozens of other investments.** One investment that Ron expects to discuss increasingly over the next several years is SpaceX. Baron has invested about \$252.5 million (current value is approximately \$346 million) in that private business founded by Tesla CEO Elon Musk and we hope can earn 30X-50X over the next 10 to 12 years on that investment! That's right. 30X-50X!!! Of course, there can be no assurance that our investment in what may already be the largest privately owned business in America will be as successful as Tesla.

****There is no guarantee that these extraordinary results can be repeated.**

About Baron Capital

What is Baron's AUM? Do Ron Baron and other Baron employees have significant investments in Baron Funds?

Baron's AUM as of December 11, 2020 approximated \$44.7 billion. Our Firm's founder, Ron Baron, his immediate family, and Baron Capital, our privately owned management company that we regard as a "family business," are the largest investors in Baron Funds. Their investments represent approximately 4.8% of our Firm's assets under management. In addition, many of our employees, including all our portfolio managers, have significant investments in Baron Funds.

How has Baron performed over the years?

Baron Funds had \$100 million assets under management in 1992. Our Firm has since earned more than \$42 billion realized and unrealized profits for its investors, including Ron Baron and our other employees. As of September 30, 2020, 16 of 17 Baron mutual funds, representing 98.3% of Baron Funds' AUM have outperformed their indices since inception; 14 Baron mutual funds, representing 98.2% of Baron Funds' AUM are in the top 16% of their mutual fund peer groups; and nine Baron mutual funds, representing 66.6%, are in the top 7% of their peers since inception.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses 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.

Baron Funds (Institutional Shares) and Benchmark Performance 9/30/2020

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns				Annual Expense Ratio	Net Assets
					1-Year	3-Year	5-Year	10-Year		
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	13.46%	8.04%	12/31/1994	19.38%	16.54%	15.58%	14.51%	1.04% ⁽⁵⁾	\$7.31 billion
Baron Small Cap Fund	Russell 2000 Growth Index	10.84%	6.31%	9/30/1997	30.96%	16.40%	16.99%	14.11%	1.05% ⁽⁵⁾	\$4.45 billion
Baron Discovery Fund†	Russell 2000 Growth Index	17.92%	9.22%	9/30/2013	45.77%	20.42%	23.18%	N/A	1.10% ⁽⁵⁾	\$939.67 million
SMALL/MID CAP										
Baron Focused Growth Fund ⁽¹⁾	Russell 2500 Growth Index	13.52%	8.49%	5/31/1996	94.32%	32.83%	25.42%	17.41%	1.11%/1.10% ⁽⁴⁾	\$477.83 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	12.09%	10.54% ⁽²⁾	6/12/1987	23.53%	18.13%	17.66%	15.50%	1.05% ⁽⁵⁾	\$5.15 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	11.54%	11.46%	4/30/2004	49.93%	26.25%	23.52%	18.25%	0.80%/0.75% ⁽⁶⁾⁽⁷⁾	\$560.50 million
Baron Durable Advantage Fund	S&P 500 Index	14.84%	10.84%	12/29/2017	23.34%	N/A	N/A	N/A	4.91%/0.70% ⁽⁸⁾⁽⁷⁾	\$14.50 million
ALL CAP										
Baron Partners Fund ⁽¹⁾	Russell Midcap Growth Index	15.24%	10.27%	1/31/1992	105.35%	36.08%	28.65%	21.67%	1.96% ⁽⁹⁾⁽⁵⁾	\$4.79 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	9.75%	6.04%	2/29/2000	75.82%	35.52%	27.69%	18.12%	1.11% ⁽⁵⁾	\$1.08 billion
INTERNATIONAL										
Baron Emerging Markets Fund	MSCI EM Index	5.29%	1.83%	12/31/2010	17.48%	3.33%	9.48%	N/A	1.09% ⁽⁴⁾	\$5.45 billion
Baron Global Advantage Fund†	MSCI ACWI Index	19.49%	8.83%	4/30/2012	71.70%	33.05%	29.35%	N/A	1.00%/0.90% ⁽⁸⁾⁽⁹⁾	\$1.79 billion
Baron International Growth Fund†	MSCI ACWI ex USA Index	11.37%	6.82%	12/31/2008	20.37%	8.05%	11.36%	8.24%	1.04%/0.95% ⁽⁹⁾⁽⁹⁾	\$436.88 million
SECTOR										
Baron Real Estate Fund†	MSCI USA IMI Extended Real Estate Index	15.44%	11.03%	12/31/2009	37.09%	15.13%	13.60%	15.37%	1.08% ⁽⁴⁾	\$802.05 million
Baron Real Estate Income Fund	MSCI US REIT Index	9.99%	(1.41)%	12/29/2017	13.69%	N/A	N/A	N/A	5.63%/0.80% ⁽⁶⁾⁽¹⁰⁾	\$6.42 million
Baron Health Care Fund†	Russell 3000 Health Care Index	22.41%	14.53%	4/30/2018	48.86%	N/A	N/A	N/A	2.39%/0.85% ⁽⁶⁾⁽¹¹⁾	\$33.34 million
Baron FinTech Fund	S&P 500 Index	29.50%*	5.57%*	12/31/2019	N/A	N/A	N/A	N/A	1.62%/0.95% ⁽¹²⁾	\$14.58 million
FUND OF FUNDS										
Baron WealthBuilder Fund	S&P 500 Index	21.03%	10.84%	12/29/2017	46.60%	N/A	N/A	N/A	1.33%/1.23% ⁽⁶⁾⁽¹³⁾	\$182.04 million

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.

(2) For the period June 30, 1987 to September 30, 2020.

(3) As of 9/30/2019.

(4) As of 12/31/2019.

(5) Comprised of operating expenses of 1.06% and interest expenses of 0.90%.

(6) Annual expense ratio was 0.80%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).

(7) Annual expense ratio was 4.91%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).

(8) Annual expense ratio was 1.00%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers).

(9) Annual expense ratio was 1.04%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).

(10) Annual expense ratio was 5.63%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).

(11) Annual expense ratio was 2.39%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).

(12) Expense ratios are estimated for the current fiscal year.

(13) Annual expense ratio was 1.31%, but the net annual expense ratio was 1.21% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).

* Not annualized.

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

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2031, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance

may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

There is no guarantee that the goals and objectives discussed will be met.

Risks: All investments are subject to risk and may lose value. Specific risks associated with non-diversification and leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. 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.

Portfolio holdings as a percentage of net assets as of September 30, 2020 for securities mentioned are as follows: **Tesla, Inc.** – Baron Opportunity Fund (3.7%), Baron Partners Fund (39.3%*), Baron Focused Growth Fund (35.9%); **The Charles Schwab Corp.** – Baron Asset Fund (1.3%), Baron Partners Fund (2.6%*); **MSCI, Inc.** – Baron Asset Fund (0.2%), Baron Growth Fund (8.5%), Baron Partners Fund (0.8%*), Baron Durable Advantage Fund (2.6%), Baron FinTech Fund (3.7%); **IDEXX Laboratories, Inc.** – Baron Asset Fund (6.7%), Baron Growth Fund (4.8%), Baron Small Cap Fund (2.1%), Baron Partners Fund (5.7%*), Baron Health Care Fund (1.4%); **ANSYS, Inc.** – Baron Asset Fund (3.7%), Baron Growth Fund (6.2%), Baron Opportunity Fund (0.5%); **Morningstar, Inc.** – Baron Growth Fund (2.4%); **Equinix, Inc.** – Baron Asset Fund (1.9%), Baron Opportunity Fund (1.0%), Baron Fifth Avenue Growth Fund (2.9%), Baron Real Estate Fund (3.9%), Baron Real Estate Income Fund (6.1%), Baron Durable Advantage Fund (2.8%); **CoStar Group, Inc.** – Baron Asset Fund (3.5%), Baron Growth Fund (7.5%), Baron Opportunity Fund (1.6%), Baron Partners Fund (11.6%*), Baron Focused Growth Fund (11.0%), Baron Real Estate Fund (2.7%), Baron FinTech Fund (1.9%); **Choice Hotels International, Inc.** – Baron Asset Fund (0.9%), Baron Growth Fund (3.5%), Baron Focused Growth Fund (2.8%); **Vail Resorts, Inc.** – Baron Asset Fund (2.5%), Baron Growth Fund (6.0%), Baron Partners Fund (3.6%*), Baron Focused Growth Fund (6.0%); **Mettler-Toledo International, Inc.** – Baron Asset Fund (3.8%), Baron Growth Fund (1.3%), Baron Small Cap Fund (1.3%), Baron Durable Advantage Fund (1.3%), Baron Health Care Fund (1.8%); **Arch Capital Group Ltd.** – Baron Asset Fund (1.2%), Baron Growth Fund (3.7%), Baron Partners Fund (3.5%*), Baron Focused Growth Fund (1.8%), Baron International Growth Fund (1.2%); **Space Exploration Technologies Corp.** – Baron Asset Fund (0.5%), Baron Opportunity Fund (0.4%), Baron Partners Fund (3.6%*), Baron Focused Growth Fund (3.5%).

* % of Long Positions.

None of the Baron Funds held shares of **Robert Half International, Inc.** as of 9/30/2020.

Top 10 holdings as of September 30, 2020

Baron Partners Fund

Holding	% Assets
Tesla, Inc.	39.4
CoStar Group, Inc.	11.6
IDEXX Laboratories, Inc.	5.7
Zillow Group, Inc.	5.1
FactSet Research Systems, Inc.	4.3
Vail Resorts, Inc.	3.6
Space Exploration Technologies Corp.	3.5
Arch Capital Group Ltd.	3.5
Hyatt Hotels Corp.	2.8
The Charles Schwab Corp.	2.6
Total	82.1
Long Equity Exposure	114.9
Cash & Equivalents	-14.9

Baron Focused Growth Fund

Holding	% Assets
Tesla, Inc.	35.9
CoStar Group, Inc.	11.0
Penn National Gaming, Inc.	9.1
Vail Resorts, Inc.	6.0
FactSet Research Systems, Inc.	5.3
Hyatt Hotels Corp.	3.8
Space Exploration Technologies Corp.	3.2
Choice Hotels International, Inc.	2.8
Adyen N.V.	2.3
Guidewire Software, Inc.	2.2
Total	81.6

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

Ranking information provided is calculated for the Retail Share Class and is as of 9/30/2020. The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct. **Morningstar calculates its category averages using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges.** Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. The **Morningstar Mid-Cap Growth Category** consisted of 607, 500, and 380 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 42nd, 21st, 16th, and 16th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 20 share classes. Morningstar ranked *Baron Growth Fund* in the 58th, 34th, 36th, and 7th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 56 share classes. Morningstar ranked *Baron Partners Fund* in the 2nd, 2nd, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 227 share classes. Morningstar ranked *Baron Focused Growth Fund* in the 3rd, 3rd, 6th, and 8th percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 326 share classes. Morningstar ranked *Baron WealthBuilder Fund* in the 10th and 14th percentiles for the 1-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 567 share classes. The **Morningstar Small Growth Category** consisted of 624, 513, and 384 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 25th, 20th, 31st, and 13th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 9/30/1997, and the category consisted of 97 share classes. Morningstar ranked *Baron Discovery Fund* in the 7th, 4th, and 2nd percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 452 share classes. The **Morningstar Real Estate Category** consisted of 253, 197, and 141 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 1st, 3rd, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 132 share classes. Morningstar ranked *Baron Real Estate Income Fund* in the 3rd and 4th percentiles for the 1-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 229 share classes. The **Morningstar Large Growth Category** consisted of 1,328, 1,095, 813, and 300 share classes for the 1-, 5-, 10-year, and since inception (2/29/2000) periods. Morningstar ranked *Baron Opportunity Fund* in the 3rd, 3rd, 13th, and 3rd percentiles, respectively. The **Morningstar Foreign Large Growth Category** consisted of 469, 336, 243, and 223 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 29th, 26th, 23rd, and 15th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 790, 590, and 279 share classes for the 1-, 5-year, and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 20th, 32nd, and 4th percentiles, respectively. The **Morningstar World Large Stock Category** consisted of 823, 608, and 421 share classes for the 1-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked *Baron Global Advantage Fund* in the 2nd, 1st, and 2nd percentiles, respectively. The **Morningstar Health Category** consisted of 155 and 139 share classes for the

1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron Health Care Fund* in the 11th and 5th percentiles, respectively.

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The **Russell 2500® Growth Index** measures the performance of small to medium-sized U.S. companies that are classified as growth and the **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

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