Baron Funds®

June 30, 2019

Quarterly Report

"Someone is sitting in the shade today because someone planted a tree a long time ago." Warren Buffett. 2008.

We, like Buffett, invest in growth businesses that make decisions to reinvest in themselves to become much larger…and more valuable. In general, such businesses penalize their current earnings to do so. Whether they are building satellites that will provide communications services like **Iridium Communications, Inc.**…or spending money on research like **Bio-Techne Corporation** to develop proteins and antibodies used to discover new biotech drugs…or investing in lifts, restaurants, snowmaking, and grooming equipment to improve skiers' experiences enabling **Vail Resorts, Inc.** to sell more season passes and earn more from its ski mountains…or investing like **MSCI, Inc.** in primary research on environmental, social and governmental factors to help its money manager clients better serve their clients…or investing in players, coaching, scouting, and facilities like **Manchester United plc**…or in battery and electric car factories and autonomous driving capabilities like **Tesla, Inc.**…

"The whole system should work to maximize the 25-year outcome, not the 90-day outcome," according to Mark Wiseman, Chairman of BlackRock's Active Equities Group.

"The relationship between an investor and an issuer shouldn't be like a marriage. When you go into a marriage, your expectation is it will last forever. But, the relationship between an issuer and an investor is now like a one night stand. Investors need to behave more like owners," in Mark's opinion. We agree.

We invest in growth, which is expensive to achieve…and not without risk. But, we subscribe to the notion that *no one will remember in five years whether a company earned a little more or a little less than it planned in the current quarter*…and think the analogy to planting a sapling that in 10 or 20 years will become a large shade tree is a good one.

Obviously, Tesla's Elon Musk agrees and is clearly puzzled by how public markets set stock prices daily. "Being public feels like the price of your stock is being set in a manic-depressive way. To use a Warren Buffett analogy, being a publicly traded company is like having someone stand on your home's front lawn randomly yelling different prices for your house every day. It's still the same house."

RONALD BARON
CEO AND CHIEF INVESTMENT OFFICER

Many nations recognize that a retirement crisis is looming for their citizens who have undersaved.

To use Buffett's shade tree analogy, several states have planted saplings. Norway is the leader per capita with a $1 trillion sovereign fund for its 5.2 million citizens. This fund, with resources accumulated from exploitation of Norway's vast energy reserves, currently owns 1.4% of all stocks on the NYSE. Directors of that fund describe their mission as investing for the great grandchildren of a couple that met for the first time this afternoon in a coffee shop in Oslo. Australia's Superannuation Fund's $2.8 trillion is invested in financial markets on behalf of its 25 million citizens. The U.S. in comparison is a laggard. With its 327 million people, more than 60 times as many as Norway and 13 times as many as Australia, America's 401(k) and IRA assets are approximately $15.1 trillion. Our nation, despite having the world's largest economy, surprisingly does not have an investing culture stronger than many smaller countries!

"The United States isn't an island. We're part of the global economy. What happens in the rest of the world affects the United States". Janet Yellen. Former Federal Reserve Chair. July 2019.

In recent weeks, a conference to reevaluate the framework through which the Federal Reserve conducts monetary policy was held in Chicago. Among those present were current and past Federal Reserve bankers, including Jay Powell, Ben Bernanke, Randy Quarles, and Rich Clarida. Clarida now seems especially influential. Soon after he joined the Board, policy goals outlined by Powell became significantly more dovish. Speeches at that meeting were made public.

Commentary included questions to Powell regarding any scenario that would cause the Fed to increase interest rates. This was in the context of global deflationary forces including $15 trillion of debt with negative interest rates in Europe and Japan; the need for fiscal stimulus in EU economies which does not seem imminent; Brexit; and trade wars and tariffs that have negatively impacted the U.S. economy's strong growth. "Shortage of labor in the United States that causes a dramatic increase in wage rates," was Powell's response. Chairman Powell then spoke of currently strong U.S. wage growth and showed pictures of recruiters for trucking businesses hiring at prison gates. Shortages of truck drivers have become so endemic that individuals being released from incarceration are being offered jobs with no background checks as long as they have a drivers license! "How long would it take for tightness in labor markets to raise core inflation?" "Five years" was the surprising answer! Does that mean we are heading back to zero bound interest rates as some forecast? We will see.

Low interest rates are good for borrowers and investors in growth businesses (Baron Funds)… and bad for savers. As a result, this doesn't seem a particularly propitious time to follow a "risk off" strategy. "Compound interest is the eighth wonder of the world. He who understands it earns it. He who doesn't pays it." Professor Albert Einstein. 1955.

"We are doing very well. Baron is doing better. We need to study them to find

out 'why?'" Shout out from competitor mutual fund Board of Trustees Chairman at their quarterly meeting. July 2019.

Judy and I recently had dinner with a member of another mutual fund's board of trustees and his wife. That fund management company has about $100 billion of equity assets under management. "You had a shout out from the chairman of our board today," my friend remarked. "The chairman told us our firm's mutual funds were having an excellent year. But…Baron is doing even better! We need to study them to find out 'why?'"

We think the "why" is our unrelenting focus on management teams, competitive advantages, and investing for the long term. The following brief stories about **Robert Half** and **Whole Foods** are illustrative.

Robert Half's exceptional management team and its competitive advantages that include subject matter expertise and less costly just-in-time staffing have made its business an excellent long-term investment…a sixty bagger as my friend Peter Lynch would say!

Robert Half is a leading provider of professional staffing and consulting services. When I was walking to our office on New York City's Fifth Avenue in June, Keith Waddell, Vice Chairman of Robert Half, called out to me. "Hey, Ron, it's me. Keith Waddell from Robert Half." "You don't have to introduce yourself to me, Keith. I know who you are. I can't even count how many times I've visited you and Max (Max Messmer, Chairman of Robert Half) in your office in Menlo Park since 1990!" In 1991, when Baron Funds was quite small, we invested in Robert Half because we thought its prospects as the leading provider of temporary and permanent accountants were bright. Perhaps even more importantly, we invested because we were enamored with the talent, directness, leadership and integrity of Keith and Max. Robert Half's market capitalization was then approximately $100 million and its 1991 revenues approximated $200 million. Robert Half's market capitalization today is $6.7 billion, and its 2018 revenues were $5.8 billion!

"How is Protiviti doing?" was my first question to Keith that morning…after first complimenting him about how young he looked. Robert Half created its Protiviti division in 2002 to acquire Arthur Andersen, then one of the nation's five largest accounting firms. Robert Half acquired Arthur Andersen for just $17 million!!! That was since Andersen had been indicted for its role in the Enron scandal. That indictment spelled the end of Andersen as a stand-alone business and made the job prospects for its partners dismal. The $17 million purchase price was paid by Robert Half to the Andersen bankruptcy estate to purchase non-compete contracts for Andersen's 750 internal audit partners.

When Max and Keith learned of the indictment, they called Andersen's bankruptcy trustee and asked to meet with Andersen's internal audit partners, their wives and husbands. "You have done nothing wrong. Your careers and families' well-being have been placed at risk by the malfeasance of your company's senior partners," they told the Andersen partners and their families. "We would like to acquire your business and provide you with exceptional opportunities if you and your families allow us to do so." The partners of Andersen quickly agreed. Post-Enron, Max and Keith believed there would be heightened regulatory scrutiny that would create strong growth opportunities for internal audit. They were right.

Keith told me Protiviti's sales in 2018 were nearly $1 billion, 17.3% higher than in 2017, its pre-tax margin was about 10%,…and that Protiviti was just scratching the surface of its opportunity!" "What a great idea that was," I responded. "*That's the genius of Ron Baron*," Keith remarked. "No, the genius of Ron Baron is finding people like you and Max in whom to invest and recognizing a great idea," I answered.

The secret ingredients of Whole Foods' tremendous success are its values and standards…a focus on providing consumers with what they want…high quality fresh and freshly prepared foods with supply chain transparency. No slotting allowances from consumer packaged goods ("CPG") suppliers offer consumers assurance that Whole Foods' displayed products are the highest quality, not the ones that are paying the most to be promoted.

Baron research analyst Matt Weiss recently met Walter Robb, the former President of Whole Foods, at a conference for food industry executives. When Matt told Walter that he worked with Ron Baron, Walter said he remembered his visits to our office when we had been investors in Whole Foods prior to its acquisition by Amazon for $14 billion. "Ron had amazing recall. I knew we would end every meeting talking about free range chickens! At least half the time I spent with Ron we spoke about Whole Foods' organic chickens! How did we grow them? How did we cut them? How did we price them? Ron always wanted to understand why it was important that chickens sold by Whole Foods were 'so happy.'"

Whole Foods does not buy chickens treated with antibiotics or grown under inhumane conditions. This is since chickens grown under such conditions are likely to have secreted greater quantities of hormones that are unhealthy for consumers. Health hazards to consumers of chickens treated with antibiotics are now top of mind. The same rationale applies to fish…and to beef. For example, Whole Foods sells only sustainably farmed or caught "super happy salmon!" Other supermarkets purchase fish from farms that grow fish in small cubic spaces.

Whole Foods' competitive advantages are those values and standards. Were other grocers to try to replicate Whole Foods' products, their costs would increase significantly. Whole Foods' focus is solely on quality. Where is it produced? Who is the farmer? How is production sustainable? Walter thought, "Ron always asked about the absence of antibiotics in free range chickens to confirm his understanding of Whole Foods' values. He wanted to hear management consistently articulate that it lives by its values even if it is more expensive to run its business."

Product margins are so low in conventional grocery stores that "slotting fees" are required to keep on the lights. To obtain necessary ad support, those grocers devote a large portion of their stores to CPG brands that pay those extra fees…whether or not those items are of the highest quality. The majority of Whole Foods' products are fresh and in-store prepared fresh foods.

Whole Foods' complex supply chain gives its stores a "farmer's market" feel that is also not easily replicated. Whole Foods has industry-leading sales per square foot that are on average three times those of its competitors.

One more thing. I am staying this summer in an apartment near the Whole Foods store on Columbus Circle. This is while the air conditioning in our home is being rebuilt. I am dazzled by the crowds whenever I visit that store to buy its spectacular orange juice, whether it is early in the morning or when I leave my office in the evening!

"Ron, you can copy Roger Federer's stroke by watching him on YouTube. The ball leaving your racket isn't going to act the same way, though." Fabio Minozi. Ron's tennis instructor. East Hampton. Summer 2019.

In June, I told Fabio Minozi, my tennis instructor, that I wanted to learn Roger Federer's tennis stroke. "I love the way he seems to float around the court," I told Fabio. Fabio then asked me to watch Roger hit on YouTube before we played again. "I will show you Roger's stroke next time." The following week, Fabio began my lesson by telling me, "Use the Western forehand grip for top spin. Keep both hands on the racket while you are waiting to return. Hold the racket loosely. Three fingers. Keep your wrist cocked when you begin your swing. Where do you hear the ball when you swing? In front of you? That is where the ball speed is the greatest. That is where you need to hit the ball. On the rise. Start your swing low and flat. Finish high. End your forehand with a snap over your left shoulder. Catch the racket with your left hand before you finish." "You will be competitive against your friends…but Ron, no one is ever going to mistake you for Roger Federer! *The ball is not going to leave your racket the same way it leaves Roger's*."

When I watched Federer lose a hard-fought tiebreaker to Novak Djokovic in the fifth set at Wimbledon, as a sentimental fan, I was disappointed. Further, I was touched by what Federer and Novak said during the trophy presentation ceremony. When Roger was congratulated for his incredible accomplishments at age 37, he answered, "I hope I give some other people a chance to believe that at age 37 it's not over yet." Djokovic replied, "Thank you, Roger. You inspire me and give me hope that some people have a chance to do it at 37. I am 32."

The takeaway from my tennis instruction by Fabio, though, is that to be an exceptional tennis player…or to achieve unusual success in any sport…the arts…education…medicine…or business is about more than age. It is about talent…coaching…technique…ambition…drive…and the experience gained from hours and hours and hours of relentless practice. Every day. Year after year. Social scientist Malcom Gladwell coined "the 10,000 Hour Rule" to describe what he believed was necessary to become exceptional…whether you are…Roger Federer…The Beatles…Muhammad Ali…Lin-Manuel Miranda, the author and producer of the Broadway hit "Hamilton"…or Warren Buffett.

This may explain why, although democratization of information provides access to voluminous data and reportage about virtually all businesses and their managements, few investors are able to outperform market averages over the long term. It's very easy to buy stocks. Just call your financial advisor. Warren Buffett, perhaps the greatest investor of all time, notes, however, that, "You can't buy a stock just because someone else is buying a stock. You need to do your own work." Clearly, it is not so easy to understand businesses' competitive advantages and management skills that we believe are determinative of businesses' long-term valuations. Unless you have a growing and really bright, hardworking, ethical group of tenured young researchers with long-term perspectives and a well-honed investment process…that has been successful. Although we cannot guarantee we will continue to be as successful as we have been, we are certainly trying. We believe that our people, process, and long track record are Baron's competitive advantage, and this gives us the chance to continue to outperform.

From their inceptions through June 30, 2019, 14 of 16 Baron mutual funds, representing **98.8%** of Baron Funds' AUM, **outperformed** their respective passive benchmarks. Ten of these funds, representing **97.8%** of Baron Funds' AUM, rank in the **top 17%** of their respective Morningstar categories; six funds, representing **61.5%** of Baron Funds' AUM, rank in the **top 6%** of their respective categories. Baron currently manages approximately $30.2 billion and has earned more than $28 billion realized and unrealized profits since 1992. Our firm managed approximately $100 million at that time.

One more thing. I thought if I practiced twice a week I could learn to play like an older Roger Federer. I was wrong.

28th Annual Baron Investment Conference. October 25, 2019. Metropolitan Opera House. Lincoln Center. New York City. We hope you will be able to attend.

The meetings have grown from fewer than 35 attendees at our first meeting at New York City's Harmonie Club in 1992 to more than 5,000 at New York City's Met last year. Our meetings are intended to allow you to meet and question executives of businesses in which Baron Funds has invested. We also intend these meetings to give you an opportunity to meet and question Baron portfolio managers and analysts, our client services representatives, Linda, David, Michael and me. We are there to discuss our investments, process and any other topics on your mind….no questions are off limits…all day long. Finally, the entertainment at lunch and at the end of the day, as always, will be incredibly cool. Also, as always, it will be at our expense, not yours. And, as always, it will be a surprise. To register please go to www.BaronFunds.com/register. We hope to see you at The Met this fall. For those of you who can't attend, you will be able to watch our meeting streamed live on the Baron Funds website…everything but the entertainment, that is (we are contractually prevented from streaming entertainment). You can get a sense of our meeting by watching CNBC's Squawk Box that morning from 6 AM to 8:30 AM (Eastern Standard Time). CNBC's Becky Quick will first interview me and then the two of us will interview several executives with whom we have invested. We like to say that "we invest in people." When you attend our annual conferences or watch us on CNBC or visit us at our website, we believe you will gain a better understanding of the businesses in which your savings have been invested. In the end, we think it's all about people. Thank you for joining us as fellow shareholders of Baron Funds…and for your long-term support. We will continue to work hard to justify your confidence. See you on October 25th.

Respectfully,

Ronald Baron
CEO and Chief Investment Officer
July 31, 2019

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

All the indexes listed in this report above are unmanaged indexes; one cannot invest directly into an index. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies, the **Russell 1000® Growth Index** of large-sized U.S. companies that are classified as growth, the **Russell Midcap® Growth Index** of medium-sized U.S. companies that are classified as growth, the **Russell 2500™ Growth Index** of small to medium-sized companies that are classified as growth, the **Russell 2000® Growth Index** of small-sized U.S. companies that are classified as growth and the **Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. **Russell 3000® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. 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 S&P and Russell indexes include reinvestment of dividends, which positively impact the performance results. The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The **MSCI ACWI ex USA Index Net USD** measures the equity market performance of large and mid-cap securities across developed and emerging markets, excluding the United States. The **MSCI EM (Emerging Markets Index Net USD)** is a free float-adjusted market capitalization weighted index designed to measure equity market performance of large, mid and small cap securities in the emerging markets. The MSCI indexes and the Funds include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The **MSCI US REIT Index** is an unmanaged 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. Index performance is not fund performance. 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. The **MSCI ACWI Index** is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large- and mid-cap securities across developed and emerging markets. 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 indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The index is calculated with dividends net of withholding taxes. Its returns include reinvestment of interest, capital gains and dividends, which positively impact the performance results.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. **Sharpe Ratio** is a risk-adjusted performance statistic that measures reward per unit of risk. The higher the Sharpe ratio, the better a fund's risk adjusted performance. **Standard Deviation** measures the degree to which a fund's performance has varied from its average performance over a particular time period. The greater the standard deviation, the greater a fund's volatility (risk).

Fund Expense Ratios

	Retail Shares		Institutional Shares	
	Gross Expense Ratio	Net Expense Ratio	Gross Expense Ratio	Net Expense Ratio
Baron Discovery Fund	1.40	1.35[1]	1.12	1.10[1]
Baron Growth Fund	1.29	1.29	1.03	1.03
Baron Small Cap Fund	1.30	1.30	1.04	1.04
Baron Focused Growth Fund	1.39	1.35[1]	1.09	1.09
Baron Asset Fund	1.30	1.30	1.04	1.04
Baron Durable Advantage Fund	7.45	0.95[1]	5.71	0.70[1]
Baron Fifth Avenue Growth Fund	1.09	1.00[1]	0.82	0.75[1]
Baron Opportunity Fund	1.37	1.37	1.11	1.11
Baron Partners Fund	2.03	2.03	1.77	1.77
Baron Emerging Markets Fund	1.36	1.36	1.10	1.10
Baron Global Advantage Fund	1.45	1.15[1]	1.18	0.90[1]
Baron International Growth Fund	1.34	1.20[1]	1.07	0.95[1]
Baron Health Care Fund	4.94	1.10[1]	4.06	0.85[1]
Baron Real Estate Fund	1.32	1.32	1.06	1.06
Baron Real Estate Income Fund	10.47	1.05[1]	7.18	0.80[1]
Baron WealthBuilder Fund	2.02[2]	1.42[1,2]	1.61[2]	1.17[1,2]

1 Net of Adviser's fee waivers which the Adviser has agreed to pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term.

2 Includes Acquired Fund Fees and Expenses, which are indirect fees and expenses that the Fund incurs from investing in the securities of a select number of Baron mutual funds

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 Fund expenses for Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron Focused Growth Fund, Baron International Growth Fund, Baron Real Estate Fund, Baron Emerging Markets Fund, Baron Global Advantage Fund, Baron Discovery Fund, Baron Durable Advantage Fund, Baron Real Estate Income Fund, Baron WealthBuilder Fund, and Baron Health Care Fund (pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term) and all Funds' 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 above. For performance information current to the most recent month end, visit www.BaronFunds.com/performance or call 1-800-99BARON.

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

Ranking information provided is calculated for Retail Share Class and is as of June 30, 2019.

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 do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The **Morningstar US Fund Mid-Cap Growth Category** consisted of 602, 484, and 367 share classes for the 1-, 5-, and 10-year periods.

Morningstar ranked **Baron Asset Fund** in the 6th, 10th, 18th, and 17th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 6/12/1987 and the category consisted of 19 share classes for the since inception period.

Morningstar ranked **Baron Growth Fund** in the 28th, 32nd, 37th, and 4th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 12/30/1994 and the category consisted of 57 share classes for the since inception period.

Morningstar ranked **Baron Partners Fund** in the 74th, 44th, 9th, and 4th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since conversion periods. The Fund was converted into a mutual Fund 4/30/2003 and the category consisted of 232 share classes for the since conversion period.

The **Morningstar US Fund Small Growth Category** consisted of 672, 515, and 393 share classes for the 1-, 5-, and 10-year time periods.

Morningstar ranked **Baron Small Cap Fund** in the 21st, 47th, 52nd, and 12th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 9/30/1997 and the category consisted of 107 share classes for the since inception period.

Morningstar ranked **Baron Discovery Fund** in the 41st, 17th, and 3rd percentiles, respectively, in the category for the 1-year, 5-year and since inception periods. The Fund was incepted 9/30/2013 and the category consisted of 497 share classes for the since inception period.

The **Morningstar US Fund Large Growth Category** consisted of 1,383, 1,100, 812, and 325 share classes for the 1-year, 5-year, 10-year, and since inception (2/29/2000) periods. Morningstar ranked **Baron Opportunity Fund** in the 8th, 24th, 26th, and 12th percentiles, respectively, in the category.

The **Morningstar US Fund Foreign Large Growth Category** consisted of 465, 336, 247, and 242 share classes for the 1-year, 5-year, 10-year, and since inception (12/31/2008) periods. **Morningstar ranked Baron International Growth Fund** in the 85th, 29th, 10th, and 10th percentiles, respectively, in the category.

The **Morningstar US Fund Real Estate Category** consisted of 259, 198, and 144 share classes for the 1-year, 5-year, and since inception (12/31/2009) periods. Morningstar ranked **Baron Real Estate Fund** in the 98th, 94th, and 6th percentiles, respectively, in the category.

The **Morningstar US Fund Diversified Emerging Markets Category** consisted of 837, 560, and 293 share classes for the 1-year, 5-year, and since inception (12/31/2010) periods. Morningstar ranked **Baron Emerging Markets Fund** in the 63rd, 39th, and 3rd percentiles, respectively, in the category.

The **Morningstar US Fund World Large Stock Category** consisted of 864, 594, and 458 share classes for the 1-year, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund** in the 3rd, 2nd, and 2nd percentiles, respectively, in the category.

Risk: All investments are subject to risk and may lose value. Index performance is not fund performance; one cannot invest directly into an index.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Letter from Ron

Fund (Institutional Shares) and Benchmark Performance 6/30/2019

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	5-Year	10-Year	15-Year		
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	13.40%	8.01%	12/31/1994	14.51%	11.31%	15.52%	10.29%	1.03%[3]	$6.94 billion
Baron Small Cap Fund	Russell 2000 Growth Index	10.36%	6.18%	9/30/1997	9.59%	9.89%	14.79%	9.69%	1.04%[3]	$4.17 billion
Baron Discovery Fund†	Russell 2000 Growth Index	15.46%	9.36%	9/30/2013	5.57%	12.05%	N/A	N/A	1.12%/1.10%[3][4]	$558.66 million
SMALL/MID CAP										
Baron Focused Growth Fund	Russell 2500 Growth Index	11.08%[1]	8.14%	5/31/1996	3.57%	8.14%	12.69%	10.21%	1.09%[5]	$228.67 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.93%	10.28%[2]	6/12/1987	19.70%	13.48%	16.41%	10.99%	1.04%[3]	$4.43 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	9.68%	10.01%	4/30/2004	11.43%	14.52	16.31%	9.78%	0.82%/0.75%[3][7]	$310.02 million
Baron Durable Advantage Fund	S&P 500 Index	9.77%	8.71%	12/29/2017	11.43%	N/A	N/A	N/A	5.71%/0.70%[3][8]	$4.79 million
ALL CAP										
Baron Partners Fund	Russell Midcap Growth Index	13.05%[1]	9.95%	1/31/1992	6.81%	10.39%	17.13%	11.43%	1.77%[5][6]	$2.39 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	7.50%	4.70%	2/29/2000	16.13%	13.57%	16.18%	11.60%	1.11%[3]	$473.26 million
INTERNATIONAL										
Baron Emerging Markets Fund†	MSCI EM Index	4.51%	1.42%	12/31/2010	0.11%	2.66%	N/A	N/A	1.10%[5]	$5.17 billion
Baron Global Advantage Fund†	MSCI ACWI Growth Index	14.93%	8.93%	4/30/2012	15.10%	13.48%	N/A	N/A	1.18%/0.90%[5][9]	$216.59 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	10.94%	7.55%	12/31/2008	(1.17)%	5.28%	10.38%	N/A	1.07%/0.95%[5][10]	$295.01 million
SPECIALTY										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	13.23%	12.27%	12/31/2009	1.08%	4.68%	N/A	N/A	1.06%[5]	$587.36 million
Baron Real Estate Income Fund	MSCI US REIT Index	4.84%	6.72%	12/29/2017	7.51%	N/A	N/A	N/A	7.18%/0.80%[5][11]	$3.72 million
Baron Health Care Fund	Russell 3000 Health Care Index	13.99%	13.21%	4/30/2017	11.06%	N/A	N/A	N/A	4.06%/0.85%[5][12]	$11.53 million
FUND OF BARON FUNDS										
Baron WealthBuilder Fund	S&P 500 Index	11.51%	8.71%	12/29/2017	9.64%	N/A	N/A	N/A	1.61%/1.17%[5][13]	$95.03 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 June 30, 2019.

(3) As of 9/30/2018.

(4) Annual expense ratio was 1.12%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).

(5) As of 12/31/2018.

(6) Comprised of operating expenses of 1.06% and interest expenses of 0.71%.

(7) Annual expense ratio was 0.82%, but the net annual expense ratio was 0.75% (restated to reflect current fee waivers).

(8) Annual expense ratio was 5.71%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).

(9) Annual expense ratio was 1.18%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers).

(10) Annual expense ratio was 1.07%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).

(11) Annual expense ratio was 7.18%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).

(12) Annual expense ratio was 4.06%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).

(13) Annual expense ratio was 1.61%, but the net annual expense ratio was 1.17% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).

† 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 discussion of market trends and companies are not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change any time based on market and other conditions, and we have no obligation to update them.

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.

Portfolio holdings as a percentage of net assets as of June 30, 2019 for securities mentioned are as follows: **Iridium Communications Inc.** – Baron Growth Fund (3.0%), Baron Partners Fund (0.3%*), Baron Focused Growth Fund (4.1%); **Bio-Techne Corporation** – Baron Asset Fund (2.0%), Baron Growth Fund (2.6%), Baron Health Care Fund (3.8%); **Vail Resorts, Inc.** – Baron Asset Fund (3.2%), Baron Growth Fund (6.7%), Baron Partners Fund (6.8%*), Baron Focused Growth Fund (13.1%); **MSCI, Inc.** – Baron Growth Fund (6.2%), Baron Partners Fund (0.4%*); **Manchester United plc** – Baron Growth Fund (1.3%), Baron Opportunity Fund (0.8%), Baron Partners Fund (3.1%*), Baron Focused Growth Fund (4.4%); **Tesla, Inc.** – Baron Opportunity Fund (2.4%), Baron Partners Fund (8.0%*), Baron Fifth Avenue Growth Fund (0.7%), Baron Focused Growth Fund (8.8%), Baron Global Advantage Fund (0.4%).

* % of Long Positions.

Baron Funds do not currently hold shares of **Robert Half International, Inc.** or **Whole Foods Market, Inc.**

Portfolio holdings may change over time.

Past performance is no guarantee of future results.