Baron Funds®

Letter from Ron

June 30, 2017

"I felt exactly how you would feel if you were getting ready to launch and knew you were sitting on top of two million parts…all built by the lowest cost bidder on a government contract." John Glenn, pioneer astronaut, U.S. Senator and first American to orbit Earth. 1962.

That was John Glenn's answer when asked what went through his mind while waiting to be launched into space aboard an Atlas rocket 55 years ago. Glenn's apprehension was what we all feel when using critical infrastructure that may have been built with substandard parts, inferior materials or construction practices that cut corners. We don't invest in businesses that purchase exclusively from low cost bidders and skimp on consequential spending to boost short-term profits. Conversely, we don't invest with business managers whom we consider profligate. Managers of our portfolio companies believe their businesses will benefit over the long term by demanding premium quality from their suppliers, even if it costs more.

Despite Tesla's requirements for precision engineering, quality materials, and functional design resulting in minimal waste, it often obtains better pricing for outsourced parts than its competitors. We believe its parts vendors try to accommodate this unique and fast growing company because they think Tesla's engineering skills and designs will make them better suppliers! Further, since Tesla can insource production, it has the advantage of knowing exactly what a product should cost and how to produce it. Mary T. Barra, General Motors' CEO who has been trained as an engineer, has instructed her supply chain to "use Tesla suppliers…even if they cost more!" Her rationale is that despite incurring higher costs to build a car, maintenance and warranty costs will be lower; car safety will be improved; and GM's reputation will be enhanced.

We think "quality" is as important in real estate and services businesses as it is in manufacturing.

Mike, a good friend of mine, recently left his position as CEO of a large publicly owned real estate investment trust. He has since founded a privately owned real estate development

RONALD BARON
CEO AND CHIEF INVESTMENT OFFICER

company. My friend's first project is in an up and coming, downtown New York City neighborhood. It is a $180 million total cost apartment project built on land that cost $57 million. When Mike sought equity partner financing, one investor who agreed to invest, after studying Mike's plans, told my friend to "spend more." If he did, that investor said he would invest more. Mike until then had been trying to keep his costs as low as possible to earn as high a return on investment as possible. After receiving that advice and thinking about it overnight, my friend called his architect. "I want to spend $3-5 million more," Mike told the designer. Architecture, windows, lighting, materials and finishes were all upgraded…as were kitchens and bathrooms. Although Mike says it is not yet obvious his increased costs will be reflected in higher initial rents, he is confident his building will rent up faster than neighboring buildings, will stay occupied longer and, ultimately, will command those higher rents he desires.

There *is* a difference when you "build to own" versus "build to sell." When we were building our house which began to run significantly over budget, I complained to the contractor. He responded by showing me all the places where we could save money by using lower quality materials or finishes which wouldn't be noticed by a casual observer. "We are not planning to ever sell our home," I told him. "Please don't try to save us money on what you can't see. That's where we want to *spend* money to improve the quality of our house. We just want to know in advance what things will cost. We don't want to be surprised." I then told him my family lived in a rental apartment in New York for almost 20 years so we could invest in our business. "There's a big difference between a rental and a co-op in New York," my wife told me. "It's in the walls." When we finally did purchase a co-op in 1996, I told Judy she was right. I told our builder that story to be certain he understood we wanted the quality of our home to be at least the quality level of our apartment.

Businesses in which Baron mutual funds invest are rarely businesses that sell undifferentiated commodities and which, as a result, must be the low-cost provider to survive. We are anxious for our portfolio companies to invest in their businesses even if it penalizes their current profits or costs more than expected to achieve the highest quality that is appropriate. This is since we think such capital investments will be worthwhile in the long term.

Footnote to John Glenn story which began this letter.

On May 25, 1961, President John F. Kennedy announced to a joint session of Congress that the U.S. "should commit itself to achieving the goal, before the decade is out, of landing a man on the Moon and returning him safely to

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Earth." In 1966, with NASA preparing for its first moon landing, the space agency's budget represented 4.4% of annual United States' federal spending. In 2017, NASA's budget represents 0.47% of annual federal spending! Until three years ago, no new spacecraft had been designed, built, and flown since the 1960s. This is because building a new spacecraft means developing innovative technologies which always takes our government longer and costs more than anticipated! In 2010 our government decided instead to outsource the development of new spacecraft and related technology to the commercial space flight industry. Government executives believed private companies could likely build a higher quality product for lower cost! I for one am certain this was a good decision. Boeing and Elon Musk's SpaceX were awarded contracts to design, build, and fly new spacecraft to ferry U.S. astronauts to the International Space Station (ISS). American astronauts are presently being flown to the ISS aboard Russian rockets from the 1960s until Boeing or SpaceX spacecraft are available!!!! The cost of commercial flights to the ISS will be a fraction of the cost of previous government flights, in part because rockets will be reusable. The rockets will also be significantly more reliable.

"This was a really interesting conversation. Most investors are only interested in news and current sales and earnings. You were asking about fundamentals, scaling, and events that would play out over years. Few investors I meet have those time frames. Most zone out in any conversation that goes beyond a year or two. I am blown away by this meeting." Dr. Ion Yadigaroglu. Founder and Principal. Capricorn Investment Group. June 20, 2017.

As part of our ongoing effort to gain further insight into Tesla's prospects, we recently met with Dr. Ion Yadigaroglu, a venture capitalist. Ion is an engineer with a doctorate in physics from Stanford. Ion has been programming since he was eight years old! Ion's dad is a prominent nuclear scientist. So much for Ion's creds. When Ion studied at Stanford graduate school, his roommate founded eBay. Ion's $1,300 investment in the eBay startup became worth millions. In 1992, at the dawn of the Internet, Ion met Elon Musk. Elon had come to Palo Alto to research battery technologies in Stanford's labs. Elon dropped out after only six days! Further, while at Stanford, Ion was the teaching instructor for JB Straubel, Tesla's CTO and chief engineer. Ion believes JB and his team are better at battery technology than anyone else. It was lucky for Ion that he met both Elon and JB. Ion invested in Tesla when it was just beginning, and so far has made a lot more than he did in eBay. After meeting Ion, we concluded it was lucky for Elon and JB they met Ion as well.

Our meeting with Dr. Yadigaroglu is one example of Baron Funds' differentiated primary research approach. Few institutional investors have met with Elon and JB. Fewer still, we're guessing, have met with the co-founder's teaching instructor at Stanford. We believe fewer and fewer in the investment industry are performing even the most basic research on businesses. There is a reason for this. During the past 15 years, boosted by virtually instantaneous communications, computer algorithms, and the increasing popularity of ETFs, securities trading volumes have multiplied exponentially. As computers and software have replaced traders and marketplaces, brokerage commission revenues have fallen dramatically. Brokerage commissions historically have been used to pay for investment research. Ergo, investment research budgets have been cut significantly; there are now far fewer financial analysts; and "price discovery" and markets have become less efficient.

We believe the fewer people who do research, the more valuable the fundamental research we conduct and the more likely it is that we will continue to outperform. This is although we cannot guarantee that we will. One Tesla executive with whom I speak regularly recently

Table I. Performance of Baron Funds Since Inception (Institutional Shares) Through June 30, 2017. We strive to beat the passive benchmarks… and our peers.

Fund	Morningstar Category	Primary Benchmark	Since Inception Morningstar Ranking	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Annualized Morningstar Category Return Since Fund Inception	Inception Date
Baron Asset Fund	US Fund Mid-Cap Growth	Russell Midcap Growth Index	Top 10%	11.49%	9.89%	9.42%	6/12/1987
Baron Growth Fund	Baron-Adjusted Morningstar Small Growth	Russell 2000 Growth Index	Top 1%	13.05%	7.83%	10.21%	12/31/1994
	US Fund Mid-Cap Growth		Top 5%			9.77%	
Baron Small Cap Fund	US Fund Small Growth	Russell 2000 Growth Index	Top 10%	9.91%	5.79%	7.53%	9/30/1997
Baron Opportunity Fund	US Fund Mid-Cap Growth	Russell 3000 Growth Index	Top 41%	5.76%	3.43%	5.07%	2/29/2000
Baron Partners Fund	US Fund Mid-Cap Growth	Russell Midcap Growth Index	Top 1%	13.09%(1)	9.48%	9.18%	1/31/1992
Baron Fifth Avenue Growth Fund	US Fund Large Growth	Russell 1000 Growth Index	Top 53%	8.15%	9.00%	8.27%	4/30/2004
Baron Focused Growth Fund	US Fund Mid-Cap Growth	Russell 2500 Growth Index	Top 9%	11.01%(1)	7.63%	8.45%	5/31/1996
Baron International Growth Fund	US Fund Foreign Large Growth	MSCI ACWI ex USA IMI Growth Index	Top 5%	11.84%	9.39%	9.23%	12/31/2008
Baron Real Estate Fund	US Fund Real Estate	MSCI USA IMI Extended Real Estate Index	Top 3%	15.59%	13.54%	12.15%	12/31/2009
Baron Emerging Markets Fund	US Fund Diversified Emerging Mkts	MSCI EM IMI Growth Index	Top 1%	4.85%	1.71%	0.57%	12/31/2010
Baron Energy and Resources Fund	US Fund Equity Energy	S&P North American Natural Resources Sector Index	Top 55%	(4.29)%	(0.98)%	(4.75)%	12/30/2011
Baron Global Advantage Fund	US Fund World Large Stock	MSCI ACWI Growth Index	Top 9%	11.55%	9.86%	9.17%	4/30/2012
Baron Discovery Fund	US Fund Small Growth	Russell 2000 Growth Index	Top 1%	15.60%	8.95%	7.77%	9/30/2013

(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.

remarked to me, "It is amazing to me how little most people know about Tesla."

One of my golf friends recently remarked, "I love to play poker with people who think the game is all about luck." My friend wins so often and so much, he thought he was going to be asked to leave his game. One of our mutual friends who plays in that game marvels how this individual "knows" what cards are in his hand without seeing them. "It's about mathematics and 'reading the table,' studying how your opponents bet their hands," my friend explained to me. Which is just like world championship bridge. Teams that compete in bridge study books several inches thick on "conventions" and practice diligently. Based on my observation, people who earn lots of "masters points" don't earn them because they are lucky.

Just like anything else, the harder you "work," the "luckier" you get. We think the same goes for investors who earn returns significantly greater than those of the market over the long term.

We don't think Baron Funds' top-ranking performance over the long term is due to luck.

Since their inceptions:

1. **98.76%** of Baron mutual fund assets have *outperformed their benchmark indexes*; 2. **97.48%** of Baron mutual fund assets have outperformed their peers and rank in the *top 10% of their Morningstar categories*; and 3. **64.85%** of Baron mutual fund assets have outperformed their peers and rank in the t*op 5% of their Morningstar categories*.

"There's something amazing about America's democracy. It's got a gyroscope and just when you think it's going to go off the cliff, it rights itself." Princeton Physics Professor Albert Einstein. Refugee from Germany. Letter to his son. 1953.

I don't often watch television. Sports programming anytime and CNBC's "Squawk Box" and MSNBC's "Morning Joe" during my 6 AM daily workouts are the exceptions. Regardless, my wife recently insisted we watch Albert Einstein's film biography in National Geographic's "Genius" series.

I found Einstein's life story inspiring, in part, because I have long considered him a hero. In fact, for many years I have had a framed letter written by Professor Einstein on May 31, 1940 displayed on a wall in my office. In that letter, Professor Einstein solicited donations to save Jewish scholars in "war-torn" Europe. "Large Jewish centers of our rich traditions, Germany, Austria, Poland with its more than three million Jews, and now Holland and Belgium, have ruthlessly been destroyed…" he wrote during the Holocaust. "… little thought is given to the harsh fate of the most brilliant refugee Hebrew scholars in critical distress. Many of these brilliant men have already lost their lives. The few…barely able to escape from lands of persecution and terror have lost everything they possessed and are now faced with extinction unless we help them at once…"

Soon after watching the "Genius" portrayal of Professor Einstein, I read about another letter the physicist had written in 1953, this one to his son. Einstein had come to America from Germany in 1933, the year Hitler took power, and despaired in the 1950s of McCarthyism in America. "I've seen this happen before. It's like Nazi Germany, it's like the Communists. There's something amazing about America's democracy. It's got a gyroscope and just when you think this country is going off a cliff, it rights itself." According to Walter Issacson, Einstein's biographer, Einstein was then referring to the election of President Eisenhower, McCarthyism disappearing and the rise of journalism with television newscaster Edward R. Murrow.

People often ask me how I can be so optimistic about America, its economy, and financial

Table II. Performance of Baron Funds Net of Fees and Expenses Last Fifteen Years

Fund	1-year returns	5-year returns	10-year returns	15-year returns	Annual expense ratio
Baron Asset Fund	24.85%	15.81%	7.69%	9.50%	1.04%(2)
Baron Growth Fund	20.05%	13.43%	7.61%	9.70%	1.05%(2)
Baron Small Cap Fund	25.11%	13.11%	7.31%	9.41%	1.06%(2)
Baron Opportunity Fund†	28.34%	12.04%	7.95%	13.03%	1.13%(2)
Baron Partners Fund	33.43%	18.58%	8.33%	11.87%	1.52%(3)(4)
Baron Fifth Avenue Growth Fund	29.03%	15.49%	7.53%	N/A	0.85%(2)(5)
Baron Focused Growth Fund	20.00%	11.83%	7.09%	11.99%	1.13%/1.10%(3)(6)
Baron International Growth Fund	19.06%	9.58%	N/A	N/A	1.36%/1.10%(3)(7)
Baron Real Estate Fund	18.41%	14.43%	N/A	N/A	1.07%(3)
Baron Emerging Markets Fund	18.50%	8.91%	N/A	N/A	1.13%(3)
Baron Energy and Resources Fund†	(1.75)%	(2.06)%	N/A	N/A	1.46%/1.10%(3)(8)
Baron Global Advantage Fund†	30.19%	13.92%	N/A	N/A	3.55%/1.10%(3)(9)
Baron Discovery Fund†	43.85%	N/A	N/A	N/A	1.49%/1.10%(2)(10)

(2) As of 9/30/2016.
(3) As of 12/31/2016.
(4) Comprised of operating expenses of 1.09% and interest expenses of 0.43%.
(5) Restated to reflect current management fees.
(6) Annual expense ratio was 1.13%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(7) Annual expense ratio was 1.36%, but the net annual expense ratio was 1.10% (restated to reflect current fee waivers).
(8) Annual expense ratio was 1.46%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(9) Annual expense ratio was 3.55%, but the net annual expense ratio was 1.10% (restated to reflect current fee waivers).
(10) Annual expense ratio was 1.49%, but the net annual expense ratio was 1.10% (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 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 has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) 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.

markets in such unsettled times as today's. I tell them about all the wars, including a Civil War, recessions, financial panics, depressions, terror, political crises, and social unrest that America has endured since 1776 and about the growth of our economy through it all. As importantly, I point to our country's religious and personal freedoms and equal opportunities for all, the reasons our ancestors came to America, and for which many of our young men and women have given their lives. With low-cost capital for businesses readily available, low-cost energy and new technology, as General Electric used to say in the 1950s "bringing good things to life," we think American businesses' growth prospects and opportunities have never been stronger. This is despite traditional business models for "hoteliers, retailers, money managers, taxi cab companies, long haul truckers, newspaper publishers, shopping mall owners, advertisers, traditional auto manufacturers and energy businesses, to name a few," that *Grant's Interest Rate Observer* recently listed as being "disrupted"…which we think provides even more opportunities!

Although Washington is presently chaotic, the President has surrounded himself with several incredibly capable and talented advisers like Secretary of State Rex Tillerson, Defense Secretary General Jim Mattis, National Security Advisor General H.R. McMaster, U.N. Ambassador Nikki Haley, Director of National Economic Advisors Gary Cohn, Fed Chairman Janet Yellen, and among the most prominent, successful, and talented business executives in our nation. If programs and regulations now being considered don't work, we're certain that Einstein's "gyroscope" will become operable; our country will "right itself;" and our government will implement policies with broader appeal.

Finally, I thank goodness that in the early 1900s, my grandparents, who were then children who did not speak English, courageously emigrated to America from Poland and Russia, just like the grandparents of many of my friends. This was to escape religious persecution. One of my grandfathers found work in a wax candle factory in Brooklyn and ultimately became its foreman; the other became a peddler of shoes from a street cart. The peddler and his wife, my grandmother, and their children, including my mom, lived in a two room flat in a tenement on Manhattan's lower east side. They shared a bathtub with two other families. They could take baths only on Fridays. Their apartment was so cold in winters that every evening they went to a library to stay warm. Fortunately for me this engendered a lifelong love of books for my mom, my aunt, and my uncle. My grandparents were right and lucky to come to America. I think it would not be possible for them to imagine how fortunate their grandchildren and the grandchildren of *their* friends, have become. How could I possibly not be optimistic?

26th Annual Baron Investment Conference. November 10, 2017. Metropolitan Opera House. Lincoln Center. New York City.

We hope you will be able to attend our 26th annual investment conference on November 10. The meetings have grown from fewer than 35 attendees at our first meeting in 1992 at New York City's Harmonie Club 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 will again have some pretty special speakers this year... whom we think you will be pleased are managing businesses in which your savings have been invested! We also intend for these meetings to give you an opportunity to meet and question Baron portfolio managers and analysts, our client services representatives, Linda 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 usual, will be incredibly cool. Also, as usual, it will be at our expense, not yours. And, as usual, it will be a surprise. To register please go to www.BaronFunds.com/register.

We hope we will see you at The Met on November 10. 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). Becky Quick will first interview me and then the two of us will interview several executives with whom we have invested and with whom we expect Baron Funds to make a lot more money...although we obviously can't promise that.

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 we have invested; of the individuals who lead those businesses; and of the character and talent of the individuals with whom I work. In the end, we think it's all about people. It is why I expect to never stop "working."

Thank you again for joining us as fellow shareholders in Baron Funds.

We will continue to work hard to justify your confidence in us.

See you in November.

Respectfully,

Ronald Baron
CEO and Chief Investment Officer
July 15, 2017

P.S.
While they last…if you're a shareholder and would like a complimentary Baron Funds' "Exceptional Takes Time", 1776 American Flag 2016 Conference t-shirt, please email us at info@baronfunds.com. Sizes S-2XL are available. Great for when you're working out…sleeping…on the beach…or out on the town! (Looks great belted as a dress!)

P.P.S. Don't forget to send your photo wearing our t-shirt if you'd like it posted on our website in our Conference t-shirt gallery.

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, 2017 for securities mentioned are as follows: **Tesla, Inc.** – Baron Opportunity Fund (5.6%), Baron Partners Fund (16.5%*), Baron Fifth Avenue Growth Fund (1.0%), Baron Focused Growth Fund (17.4%), Baron Energy and Resources Fund (6.7%), Baron Global Advantage Fund (1.3%).

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*% of Long Positions.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The **Morningstar US Fund Mid-Cap Growth Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth category. 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. As of June 30, 2017, the category consisted of 626, 502 and 370 funds for the 1-, 5-, and 10-year periods. Morningstar ranked **Baron Asset Fund** Institutional Share Class in the 7th, 8th, 30th and 10th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (6/12/1987) periods (consisted of 21 funds (share classes)). Morningstar ranked **Baron Growth Fund** Institutional Share Class in the 32nd, 33rd, 32nd and 5th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (12/31/1994) periods (consisted of 64 funds (share classes)). Morningstar ranked **Baron Opportunity Fund** Institutional Share Class in the 3rd, 60th, 26th and 41st percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (2/29/2000) periods (consisted of 161 funds (share classes)). Morningstar ranked **Baron Partners Fund** Institutional Share Class in the 2nd, 1st, 18th and 1st percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (1/31/1992) periods (consisted of 30 funds (share classes)). Morningstar ranked **Baron Focused Growth Fund** Institutional Share Class in the 33rd, 65th, 47th and 9th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (5/31/1996) periods (consisted of 84 funds (share classes)).

The **Morningstar US Fund Small Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Small Growth category. 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. As of June 30, 2017, the category consisted of 678, 533 and 398 funds for the 1-, 5- and 10-year time periods. Morningstar ranked **Baron Small Cap Fund** Institutional Share Class in the 28th, 43rd, 47th and 10th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (9/30/1997) periods (consisted of 121 funds (share classes)). Morningstar ranked **Baron Discovery Fund** Institutional Share Class in the 1st and 1st percentiles, respectively, in the category for the 1-year and since inception (9/30/2013) periods (consisted of 573 funds (share classes)).

Morningstar moved **Baron Growth Fund** from the Small Growth Category effective May 31, 2011 to the Mid-Cap Growth Category. The Fund's investment mandate has been and continues to be investing in small cap growth stocks for the long run. While the ranking information contained herein may be based on performance measurements from Morningstar, Baron created a new Morningstar Small Growth Category to include Baron Growth Fund Retail and Institutional shares. We intend to continue to provide comparative performance data for the Small Growth Category because we strongly disagree with Morningstar's reclassification of the Fund. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment.

As of June 30, 2017, the Baron-Adjusted Morningstar Small Growth Category consisted of 683, 539, 402 and 59 funds (share classes) for the 1-, 5-, 10-year and Since Inception (12/31/1994) periods. The number of funds in the Category may vary depending on the date that Baron made the calculation. The Baron-Adjusted Morningstar Small Growth Category Average is not weighted and represents the straight average of annualized returns of each of the funds in the Category. **Baron Growth Fund Institutional** Share Class ranked in the 77th, 36th, 38th and 1st percentiles, respectively.

The **Morningstar US Fund Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Large Growth category. 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. As of June 30, 2017, the category consisted of 1,424, 1,152 and 803 funds for the 1-, 5- and 10-year time periods. Morningstar ranked **Baron Fifth Avenue Growth Fund** Institutional Share Class in the 4th, 18th, 53rd and 53rd percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (2/29/2000) periods (consisted of 639 funds (share classes)).

The **Morningstar US Fund Foreign Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Foreign Large Growth category. 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. As of June 30, 2017, the category consisted of 400 and 275 funds for the 1- and 5- year periods. Morningstar ranked **Baron International Growth Fund** Institutional Share Class in the 32nd, 25th, and 5th percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2008) periods (consisted of 237 funds (share classes)).

The **Morningstar US Fund Real Estate Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Real Estate category. 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. As of June 30, 2017, the category consisted of 258 and 201 funds for the 1- and 5- year periods. Morningstar ranked **Baron Real Estate Fund** Institutional Share Class in the 2nd, 1st, and 3rd percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2009) periods (consisted of 161 funds (share classes)).

The **Morningstar US Fund Diversified Emerging Markets Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Diversified Emerging Markets category. 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. As of June 30, 2017, the category consisted of 814 and 436 funds for the 1- and 5-year periods. Morningstar ranked **Baron Emerging Markets Fund** Institutional Share Class in the 67th, 3rd and 1st percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2010) periods (consisted of 322 funds (share classes)).

The **Morningstar US Fund Equity Energy Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Equity Energy category. 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. As of June 30, 2017, the category consisted of 112 and 80 funds for the 1- and 5-year periods. Morningstar ranked **Baron Energy and Resources Fund** Institutional Share Class in the 19th, 43rd and 54th percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/30/2011) periods (consisted of 77 funds (share classes)).

Letter from Ron

The **Morningstar US Fund World Large Stock Average** is not weighted and represents the straight average of annualized returns of each of the funds in the World Large Stock category. 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. As of June 30, 2017, the category consisted of 864 and 590 funds for the 1- and 5-year periods. Morningstar ranked **Baron Global Advantage Fund** Institutional Share Class in the 3rd , 5th and 9th percentiles, respectively, in the category for the 1-year and since inception (4/30/2012) periods (consisted of 559 funds (share classes)).

Index performance is not fund performance; one cannot invest directly into an index.

Definitions (provided by BAMCO, Inc.): **The Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell 2000® Growth Index** is an unmanaged index that measures the performance of small-sized U.S. companies that are classified as growth. The **Russell 2500™ Growth Index** measures the performance of small to medium-sized companies that are classified as growth. **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. The **Russell Midcap® Growth Index** is an unmanaged index of those Russell Midcap medium-sized companies that are classified as growth companies. **MSCI ACWI Growth Index** is unmanaged free float-adjusted market capitalization weighted index designed to measure the performance of large- and mid-cap securities classified as growth in the developed and emerging markets. 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 EM (Emerging Markets) IMI Growth Index Net USD** is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities in the emerging markets. The MSCI EM IMI Growth Index Net screens for growth-style securities. The index returns reflect the reinvestment of dividends and other earnings, which positively impact performance results. **MSCI ACWI ex USA IMI Growth Index Net USD** is an unmanaged, free float-adjusted market capitalization weighted index. It measures the performance of large, mid, and small-cap growth securities across developed and developing markets, excluding the U.S. **S&P North American Natural Resources Sector Index** is a modified capitalization-weighted equity index of U.S.- traded natural resources-related stocks, including mining, energy, paper and forest products, and plantation owning companies.

About Risk: The value of investments in equity securities is subject to unpredictable declines in the value of individual securities and periods of below average performance in individual securities and the equity market as a whole. Growth stocks are generally more sensitive to market movements than other types of stocks primarily because their stock prices are based heavily on future expectations. If our assessment of the prospects for a company's growth is wrong, or if our judgment of how other investors will value the company's growth is wrong, then the price of the company's stock may fall or not appreciate as we expect.