This letter is an edited version of the speech I gave at Baron's Annual Conference on October 25, 2019.

The theme of our conference this year was What's Next. So I thought it was a great opportunity to make some predictions. During the speech, I made predictions about what is going to happen, but not when. Except for my first prediction.

Prediction #1
This Season the Jets Will Not Win the Super Bowl.

On October 25, 2019 this was a more relevant prediction; now it's obvious. Prediction #1 – check.

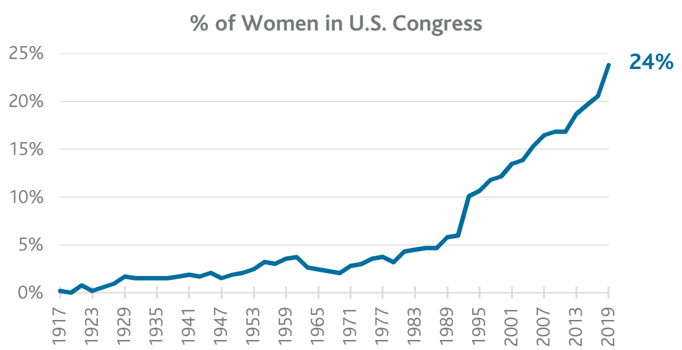
Prediction #2
Women Will Have Increasing Power and Influence in Society.

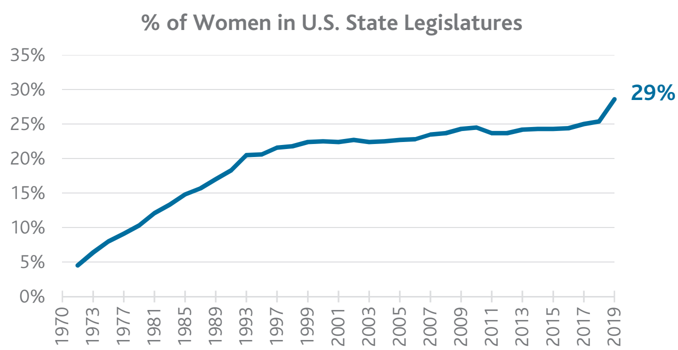
The past couple of decades have been marked by increased focus on social and gender equality issues, and there has been progress made towards more equality between women and men. Compared to 20-30 years ago, today women play a more significant role in our politics, legislation, education, and business, among others. The results have been undeniably positive, but there is still a long way to go.

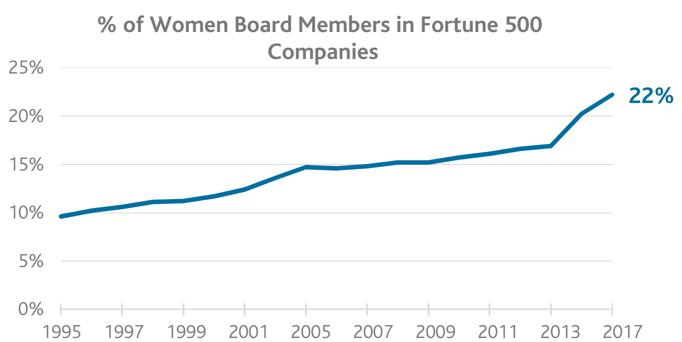
LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

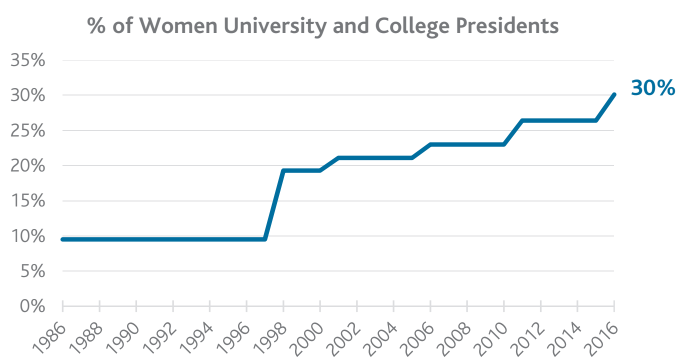
While there has been progress towards equality between men and women, again, there remains plenty of room for improvement – after all, women represent about half of the population and the labor force.

More Women in Key Roles... and Plenty of Room to Improve







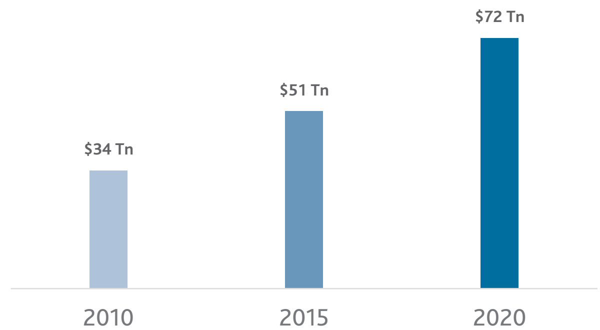


Sources: The Brookings Institution. 2019. Vital Statistics on Congress, Pew Research Center.

We believe that the current momentum of the trend will be reinforced by (i) the ripple effect created by women who already are in influential roles, (ii) the impressive number of women with education, particularly advanced degrees, (iii) the increasing control of women over financial decision-making, and (iv) the values and open-mindedness of the younger generations. That's how the gap will close.

Significant Wealth Held by Women

Total Private Wealth Held by Women (in Trillions)

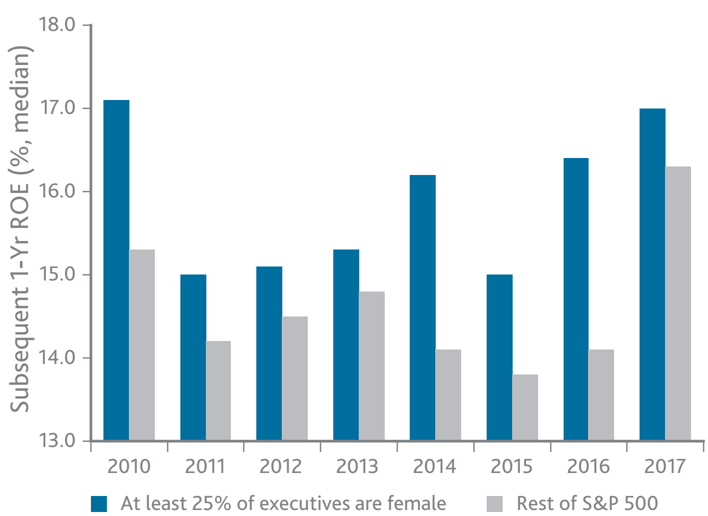


Source: Boston Consulting Group.

Research has shown that women in executive positions tend to be better at creating a safe and respectful workplace, valuing diversity, and providing fair pay and good benefits. Companies with more women on their boards or in executive roles have had better financial results. The following charts show companies in the S&P 500 Index with more female executives have consistently generated higher ROE over the past nine years. Our research shows that globally in 2018 this was also the case across multiple profitability metrics.

More Women Execs, Better Results

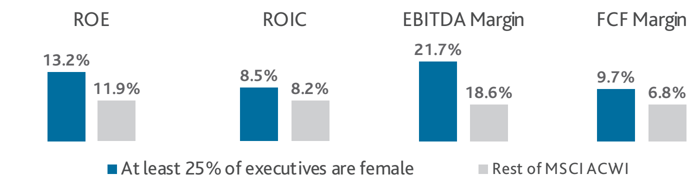
Subsequent 1yr median ROE for S&P 500 Index companies based on the proportion of female executives



Note: based on current constituents of the S&P 500.

* *Source: BofA Merrill Lynch US Equity & U.S. Quant Strategy.*

Fundamental Characteristics of MSCI ACWI Index companies based on the proportion of female executives



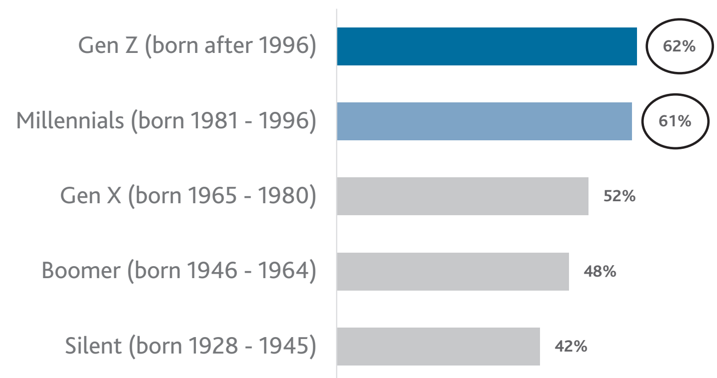
Source: MSCI ESG Research LLC, FactSet, Baron Capital. Data for 2018.

Prediction #3
The Younger Generations Will Drive Change

Younger generations have always been a driver of change. Millennials and Generation Z have been growing up in an environment busy with social equality issues and have been very vocal about the need for change. Survey data shows that the newer generations believe diversity and business ethics are important for society.

Diversity Matters to the Young

% Saying Increasing Racial/Ethnic Diversity is Good for Society



Source: Pew Research Center.

According to survey data from Pew Research Center, 92% of millennials say they would choose to buy from a company committed to ethical business practices, and 82% say they would strive to be employed by a company recognized for its commitment to business ethics.

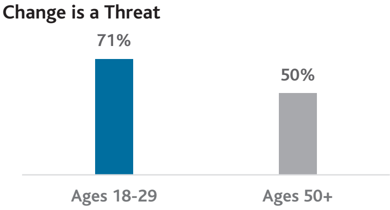
In addition, the younger generations seem to care less about owning things. They shop at Amazon, which doesn't own the products it sells; their transportation is provided by Uber and Lyft, which do not own cars; and they book vacations through AirBnB, which does not own any property. Younger generations do not seem to equate success to ownership; instead, they are more focused on having experiences. According to poll data, over 75% of millennials would choose to spend money on a desirable experience or event over buying something desirable.

This secular shift, enabled by technology and social media, is already having a meaningful effect on spending habits. It is also creating new business and investment opportunities.

Perhaps the biggest change that we believe the younger generations will drive is environmental. Millennials and GenZ are the first generations to grow up seeing and experiencing the negative effects of climate change, and recognizing the need for action. In the U.S., 71% of those aged 18 to 29 say climate change is a threat, compared with half of Americans 50 and older.

Climate Change Also Matters to the Young

% Saying Climate Change is a Threat

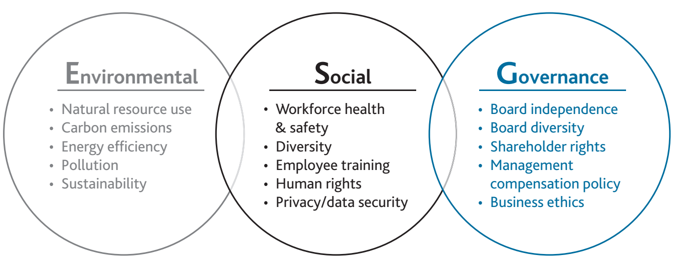


Source: Pew Research Center.

Prediction #4
ESG Factors Will Be More Important in Investing

We believe it is important for companies to "do well by doing good" and that our investors can benefit when companies in which we invest develop unique, differentiated strategies to create sustainable businesses that ultimately have a beneficial impact on their stakeholders. We believe proper consideration of economic, social, and governance (ESG) factors can help improve risk-adjusted returns, be a force for positive change, and lead to solutions for many of society's problems.

ESG in a Nutshell

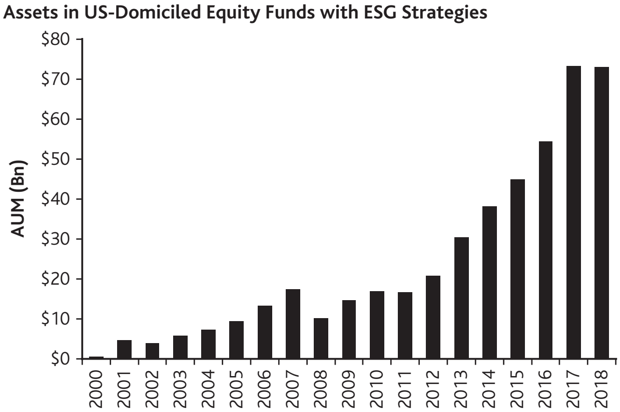


Source: BofA US Equity & Quant Strategy, Baron Capital.

Investing on the basis of ESG factors has attracted substantial assets over the past few years, and we expect that momentum to continue.

ESG AUM is Growing Exponentially

Total Assets in US-Domiciled Equity Funds with ESG Strategies



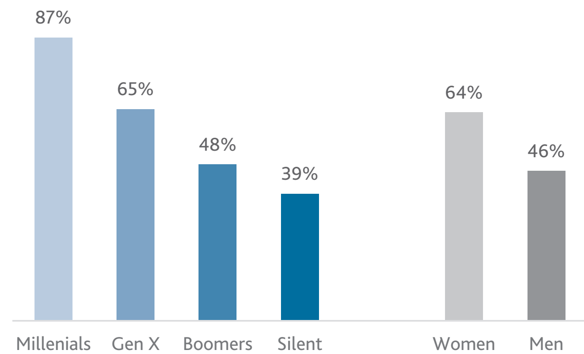
* *Source: Strategic Insight SimFund, BofA Merrill Lynch US Equity & Quant Strategy*

As with gender and social equality issues, addressing climate change requires a lot of effort by many constituents. One avenue is using capital markets – investing in companies that are more environmentally and socially responsible and have prudent governance.

Survey data shows that the younger generation and women are increasingly conscious about the companies in which they invest, focusing on more than just profitability and returns.

ESG Matters More to the Young and Women

% Who Agree on the Importance of ESG in their Investment Process



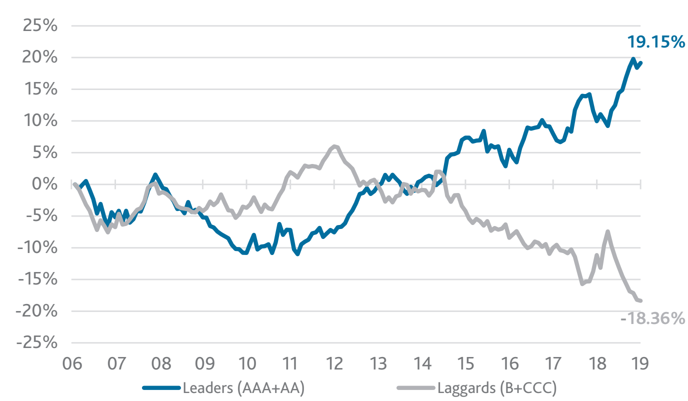
Source: BofA US Trust Survey 2018.

In our view, investing in an ESG-conscious way will become the standard and will have significant positive implications. It will force businesses to improve the way they operate; it will help close gender, racial, and other social gaps; and it will become a major conduit for anyone who wants to help resolve environmental and social issues.

Investing in an ESG-conscious way does not mean sacrificing returns for the greater good. Historical data (see charts below) has shown that ESG leaders tend to outperform ESG laggards over the long term, and tend to have lower return volatility.

ESG Leaders Have Outperformed with Less Volatility

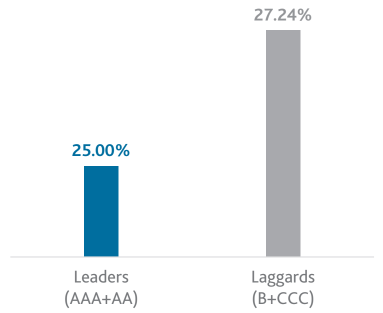
Cumulative Relative Performance of ESG Leaders/Laggards vs. Equal-weighted MSCI ACWI Index**



Source: MSCI ESG Research LLC, FactSet, Baron Capital.

MSCI ESG Research rates companies on a AAA to CCC scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers. "Leaders" are defined as companies with AAA or AA ratings while "Laggards" have CCC or B scores. Companies with AAA or AA ratings are companies that, according to MSCI, have the highest environmental, social and governance (ESG) rated performance, conversely, Companies with CCC or B score are those with the lowest ESG performance.

Median Forward 1-Year Daily Volatility of Returns by ESG Leaders/Laggards**



Source: MSCI ESG Research LLC, FactSet, Baron Capital.

We believe that this will change the landscape of the asset management industry, and, in our view, those managers who don't adapt will quickly become obsolete.

ESG is not a fad, and it is not going away. Baron is committed to continuing to integrate ESG into our investment approach. You can find out more about our ESG efforts at https://www.baronfunds.com/about#section-esg and in the letter from Jamie Stone in the current shareholder report.

Prediction #5
Technology will bring about more change

In our view, there is no next without technological progress.

Technological advancements arise both from our curiosity and from our need to solve problems. Since we will always have problems to tackle, we expect technological advancements to help solve them.

Technology affects all of us in a myriad of ways. Tech is pushing the boundaries of health and medicine; it has redefined the ways we communicate, learn, and do business; it has enabled us to use a variety of energy sources and store energy in more effective and environmentally-responsible ways.

Technology has caused both the birth and the demise of industries and has been redefining what's possible. It has given rise to secular growth trends and has been a source of inspiration and investment opportunities for Baron.

We are not oblivious to the negative aspects of technology, but we are optimistic about the future. We strongly believe that technological progress will continue to bring positive change.

Prediction #6
Active Management Will Not Die

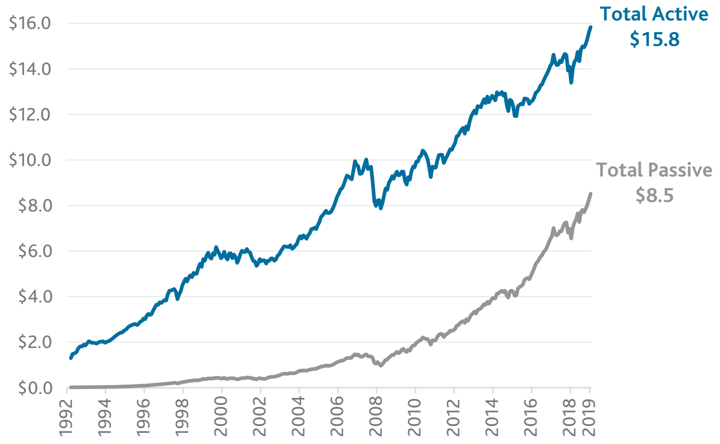
Contrary to popular belief, the reports of the death of active management are greatly exaggerated.

We do not believe that active management will disappear. There will always be investors who want to beat the market, and there will always be businesses and stocks that perform better than the average.

No doubt, active management has been disrupted by the rise of passive investing. With the exponential growth of assets under management in passive products, there has been increased competition for assets and pressure on fees. However, as the chart below shows, there is still a significant amount of assets managed by U.S. domiciled active mutual fund and ETF managers (including all equity and fixed income asset classes) – as of 12/31/2019, active accounted for 65% of the total assets. At the end of 2019, half of the assets in U.S. equity products were managed by active managers.

Active is Still Very Much Alive

U.S. Domiciled Funds – Active vs. Passive Assets
as of 12/31/2019, in trillions



Source: Morningstar Direct.

Less skilled managers have been forced to close or completely redefine their businesses. For skilled managers, this has been an opportunity.

Passive portfolios may be inexpensive, but they are not designed to beat the market. Only skilled active managers have the ability to outperform. We continue to believe that for long-term equity investors, skilled active managers can add more value.

Investors should be wary that the rapid accumulation of assets in passive products is already resulting in imbalances, and the accumulation of more imbalances will inevitably lead to the disruption of passive management.

Most importantly, passive products are built on backward-looking formulas and are largely managed by computers. Truly active managers, like us, look towards the future, and decisions are made by people.

People don't always make the best assessments and decisions. But, in our view, people are still better than machines in evaluating managements and understanding businesses and risks.

Prediction #7
Baron Will Continue to Invest for the Future

Because we focus on the long term, we constantly think about what's next. And when we say next, we don't mean the next quarter. We mean the next five years and beyond.

Our focus on the long term is not limited to just our investment research. We take to heart the predictions I just made.

We are building and investing in a diverse team of exceptional people, especially our women.

We are integrating ESG into our research and investment process because it is both an investment opportunity and a business imperative.

We are continuing to invest heavily in technology to ensure the security and smooth operation of our business. We are proud of our IT team and the entire Baron team.

We are especially proud of our performance – 81% of our mutual funds outperformed in 2019, 92% outperformed on a three-year basis, and 83% outperformed on a five-year basis.

Baron Funds Scorecard
as of 12/31/2019

	Fund Annualized Total Return					Fund Annualized Excess Return					Fund Annualized Alpha vs Primary Benchmark			
Fund Name	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Since Inception**	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Since Inception**	**3 Years**	**5 Years**	**10 Years**	**Since Inception**
Baron Growth Fund	40.50%	20.31%	12.18%	14.28%	13.46%	12.02%	7.82%	2.84%	1.27%	5.33%	8.62%	4.58%	3.88%	7.30%
Baron Small Cap Fund	34.87%	16.87%	10.83%	13.02%	10.33%	6.39%	4.38%	1.49%	0.01%	3.98%	4.43%	2.35%	1.70%	5.22%
Baron Discovery Fund	26.85%	20.14%	12.53%	–	15.00%	–1.63%	7.65%	3.19%	–	5.28%	5.89%	2.98%	–	4.73%
Baron Focused Growth Fund	30.33%	19.75%	11.16%	12.20%	11.49%	–2.32%	4.58%	0.32%	–1.81%	3.22%	7.80%	2.65%	0.81%	5.16%
Baron Asset Fund	37.96%	20.45%	13.27%	14.59%	11.88%	2.49%	3.09%	1.67%	0.35%	1.53%	3.70%	2.14%	0.97%	3.47%
Baron Partners Fund	45.38%	23.51%	13.90%	16.40%	13.39%	9.91%	6.15%	2.30%	2.16%	3.34%	4.75%	1.07%	0.63%	3.70%
Baron Opportunity Fund	40.60%	28.99%	15.75%	14.32%	7.77%	4.75%	9.10%	1.52%	–0.73%	2.59%	5.92%	–0.35%	–1.69%	2.04%
Baron Fifth Avenue Growth Fund	34.25%	24.26%	14.98%	14.50%	9.77%	–2.14%	3.77%	0.35%	–0.72%	–0.72%	2.52%	–0.84%	–1.80%	–1.04%
Baron Fifth Avenue Growth Fund *with the new manager since Nov. '11*	34.25%	24.26%	14.98%	–	16.47%	–2.14%	3.77%	0.35%	–	0.18%	0.03%	–0.01%	–	–1.57%
Baron Durable Advantage Fund	41.13%	–	–	–	14.39%	9.64%	–	–	–	2.26%	–	–	–	–
Baron Emerging Markets Fund	18.86%	10.86%	4.77%	–	4.92%	0.44%	–0.71%	–0.84%	–	2.81%	0.89%	0.25%	–	3.13%
Baron International Growth Fund	29.39%	13.52%	8.51%	8.29%	11.19%	7.88%	3.65%	3.00%	3.32%	3.34%	3.49%	3.49%	3.61%	4.21%
Baron Global Advantage Fund	45.45%	28.05%	15.42%	–	15.03%	18.85%	15.61%	7.01%	–	5.49%	13.28%	5.53%	–	4.30%
Baron Real Estate Fund	44.44%	13.96%	6.80%	14.25%	14.25%	14.23%	2.84%	–1.92%	1.71%	1.71%	0.80%	–2.79%	1.15%	1.15%
Baron Real Estate Income Fund	36.54%	–	–	–	10.22%	12.21%	–	–	–	2.01%	–	–	–	–
Baron Health Care Fund	35.57%	–	–	–	16.62%	13.46%	–	–	–	0.64%	–	–	–	–
Baron Wealth Builder Fund	36.49%	–	–	–	13.04%	5.00%	–	–	–	0.91%	–	–	–	–

Sources: Morningstar Direct, Baron Capital.

Sincerely,

Linda S. Martinson
Chairman, President and COO

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.

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, 2030, 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.

Annual expense Ratios for Inst. shares as of 9/30/2019: Baron Asset Fund, 1.05%, Baron Growth Fund, 1.04%, Baron Small Cap Fund, 1.05%, Baron Opportunity Fund, 1.09%, Baron Fifth Avenue Growth Fund, 0.80%, but the net annual expense ratio was 0.75% (net of the Adviser's fee waivers), Baron Discovery Fund, 1.10%. Annual expense Ratios for Inst. shares as of 12/31/2018: Baron Partners Fund, 1.77% (comprised of operating expense of 1.06% and interest expense of 0.71%), Baron Focused Growth Fund, 1.09%, Baron International Growth Fund, 1.07%, but the net annual expense ratio was 0.95% (net of the Adviser's fee waivers), Baron Real Estate Fund, 1.06%, Baron Emerging Markets Fund, 1.10%, Baron Global Advantage Fund, 1.18%, but the net annual expense ratio was 0.90% (net of the Adviser's fee waivers).

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.

Inception dates of Baron Growth Fund – 12/30/1994; Baron Small Cap Fund – 9/30/1997; Baron Discovery Fund – 9/30/2013; Baron Focused Growth Fund – 5/31/1996; Baron Asset Fund – 6/12/1987; Baron Partners Fund – 1/31/1992; Baron Opportunity Fund – 2/29/2000; Baron Fifth Avenue Growth Fund – 4/30/2004; Baron Emerging Markets Fund – 12/31/2010; Baron International Growth Fund – 12/31/2008; Baron Global Advantage Fund – 4/30/2012; Baron Real Estate Fund – 12/31/2009.

Primary benchmarks of the Baron Funds: for Baron Growth Fund, Baron Small Cap Fund, and Baron Discovery Fund – Russell 2000 Growth Index; for Baron Asset Fund and Baron Partners Fund – Russell Mid Cap Growth Index; for Baron Focused Growth Fund – Russell 2500 Growth Index; for Baron Opportunity Fund – Russell 3000 Growth Index; for Baron Fifth Avenue Growth Fund – Russell 1000 Growth Index; for Baron International Growth Fund – MSCI ACWI ex USA Index; for Baron Emerging Markets Fund – MSCI EM Index; for Baron Global Advantage Fund – MSCI ACWI Growth Index; for Baron Real Estate Fund – MSCI USA IMI Extended Real Estate Index.

The minimum investment in Institutional Shares is $1,000,000. Institutional Shares are intended for certain financial intermediaries that offer shares of the Baron Funds® through fee-based platforms, retirement platforms or other platforms for which the financial intermediary provides services and is not compensated by the Baron Funds® for those services.

The performance figures of Baron Focused Growth Fund and Baron Partners Fund reflect 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. The predecessor partnerships' performance is only for periods before the Funds' registration statements were effective (4/30/03 for BPF and 6/30/08 for BFGF). During those periods, the predecessor partnerships were not registered under the Investment Company Act of 1940 and were not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if they were, might have adversely affected their performance.

Unless otherwise noted, all performance and performance related calculations are based on the Institutional Shares. 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 prior to 5/29/2009 did not reflect this fee, the returns would be higher.

The Baron Discovery Fund's 5-year and the Baron Global Advantage Fund's 1, 3 and 5-year historical performances were impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Funds' level of participation in IPOs and secondary offerings will be the same in the future.

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.

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. The **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) 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 ACWI ex USA Index Net USD** is an unmanaged, free float-adjusted market capitalization weighted index. It measures the performance of large and mid-cap securities across developed and developed and emerging markets, excluding the U.S. The indexes are unmanaged. Index performance is not fund performance; one cannot invest directly into an index.

Return of Equity (ROE) is calculated as Net Income Before Extraordinary Items divided by the one-year average of Total Stockholders Equity (This item includes: 1. Capital Surplus 2. Common Stock 3. Nonredeemable Preferred Stock 4. Retained Earnings 5. Treasury Stock – Total Dollar Amount (reduces Stockholders Equity). This item excludes redeemable preferred stock.), multiplied by 100. **Return of Invested Capital (ROIC)** is calculated as Net Income divided by Average Invested Capital multiplied by 100. Average Invested Capital is calculated as the sum of Long-Term Invested Capital including Minority Interest and Total Short-Term Debt. **EBITDA Margin** (The Earnings Before Interest, Taxes, Depreciation and Amortization) is calculated as EBITDA (Operating Income plus D&A) divided by Sales, multiplied by 100. **FCF margin** is the ratio of Free Cash Flow divided by net sales or Revenue, usually presented in percent.

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

**The Cumulative Relative Performance of ESG Leaders/Laggards measures the percentage difference between the cumulative return of each group vs. the cumulative return of the Equal-weighted MSCI ACWI Index. The Cumulative Return of the Leaders/Laggards groups is calculated by geometrically linking the average monthly returns of the companies rated as Leaders/Laggards. The Equal-weighted MSCI ACWI index is calculated by geometrically linking the average monthly returns of all the constituents in the Index. The Median Forward 1-Year Daily Volatility of returns by ESG Leaders/Laggards is calculated as follows: first, measured the volatility of each company for each calendar year based on the company's daily returns; then calculated the average of the companies' volatilities within each group (i.e. Leaders/Laggards) for each calendar year; and last calculated the median of the average volatilities over all the calendar years.