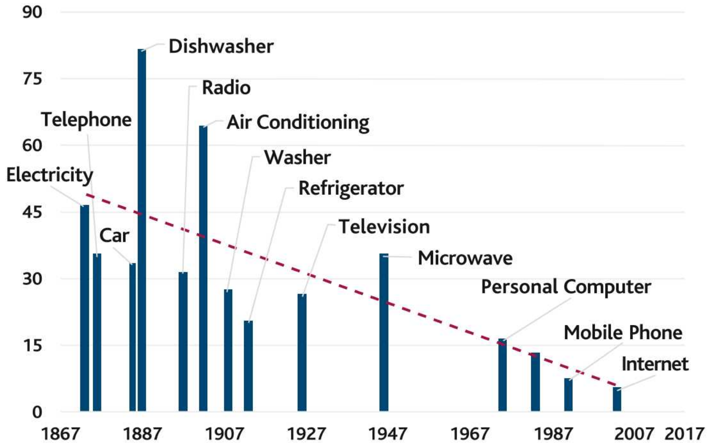
Five of the six largest public companies in the United States are technology-driven companies[1]. This is not a coincidence. It is a reflection of how our world has changed and what has been driving change.

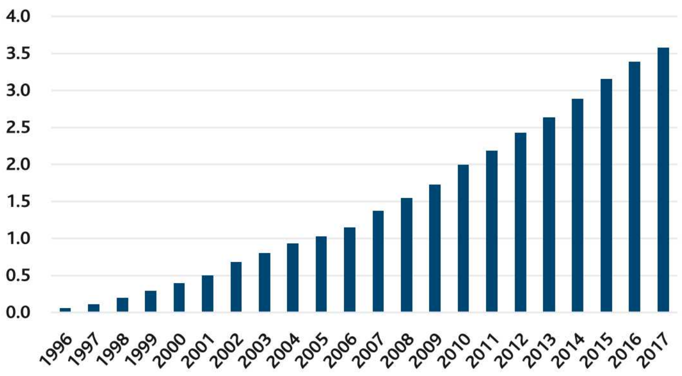
Over the past decade, technological advancements have significantly altered how we shop, get news, work, communicate, and exchange and process information, among other things. They have also altered when, where, and even why we do things. They have even made it possible to watch a football game (surreptitiously) during a dinner with the in-laws. Technologies like the internet and the smartphone have become basic necessities over a short period of time; 20 years ago less than 10% of the world's population used the internet, and smartphones did not exist.

New Technologies Are Being Adopted Faster

Number of Years Until 25% Adoption, U.S.



Global Internet Users (in Billions)



Source: Kleiner Perkins

LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

Motivated by the rapid evolution in the way people communicate, consume entertainment, and access other information, MSCI and Standard & Poor's implemented a major revision to the Global Industry Classification Standard (GICS)[2] classification on September 28, 2018. The changes affected over 2,000 global publicly-traded companies within the three sectors that have been most impacted by the advancements in technology. The Telecommunication Services sector was expanded and renamed Communication Services, and over 1,700 companies were moved there from Information Technology and Consumer Discretionary. In addition, nearly 100 companies previously classified as Information Technology were moved to the Consumer Discretionary sector. While this broadly summarizes the sector changes, there are important additional details that we outlined and analyzed in our recently published Baron Insight article[3], which we encourage you to read.

The restructuring had a significant impact on the widely-used large-cap indexes, partly because some of the largest companies were among the reclassified holdings, including Facebook, Inc., Alphabet Inc., Tencent Holdings, Ltd., and Alibaba Group Holding Limited. In addition, the growth indexes were more affected by the changes in the classification, as technology companies tend to be higher growth. The tables below summarize the impacts for several major U.S. and international equity indexes, including the category benchmarks of the nine U.S. equity Morningstar categories.

1 As of 9/30/2018, based on market capitalization.

2 The Global Industry Classification Standard (GICS®) was developed by Morgan Stanley Capital International (MSCI) and Standard and Poor's (S&P) in 1999 in response to the global financial community's need for a reliable, complete and standard industry classification system. It covers over 26,000 active companies and 29,000 securities – approximately 95% of the world's equity market capitalization.

3 Available at www.baronfunds.com

The GICS Change Had a Bigger Impact on the Larger-Cap and Growth Indexes

Sector Weights, 9/30/2018

	S&P 500 Index			MSCI ACWI ex USA Index			MSCI EM Index		
	Old GICS	New GICS	Change	Old GICS	New GICS	Change	Old GICS	New GICS	Change
Information Technology	26.25%	20.99%	–5.26%	11.61%	8.41%	–3.20%	26.93%	15.79%	–11.14%
Consumer Discretionary	13.10%	10.96%	–2.14%	10.90%	10.45%	–0.45%	9.04%	10.56%	1.52%
Telecommunication Services	1.97%	N/A	–1.97%	3.81%	N/A	–3.81%	4.49%	N/A	–4.49%
Communication Services	N/A	9.37%	9.37%	N/A	7.46%	7.46%	N/A	14.11%	14.11%

	Russell 1000 Value Index			Russell 1000 Index			Russell 1000 Growth Index		
Information Technology	10.04%	9.77%	–0.26%	26.11%	21.29%	–4.82%	41.92%	32.63%	–9.29%
Consumer Discretionary	8.07%	5.25%	–2.81%	13.06%	10.92%	–2.14%	17.97%	16.50%	–1.47%
Telecommunication Services	3.67%	N/A	–3.67%	1.90%	N/A	–1.90%	0.15%	N/A	–0.15%
Communication Services	N/A	6.75%	6.75%	N/A	8.85%	8.85%	N/A	10.92%	10.92%

	Russell Midcap Value Index			Russell Midcap Index			Russell Midcap Growth Index		
Information Technology	9.32%	9.07%	–0.26%	19.15%	18.13%	–1.02%	33.38%	31.25%	–2.14%
Consumer Discretionary	11.38%	8.97%	–2.41%	14.02%	11.99%	–2.03%	17.83%	16.37%	–1.47%
Telecommunication Services	0.62%	N/A	–0.62%	0.46%	N/A	–0.46%	0.22%	N/A	–0.22%
Communication Services	N/A	3.29%	3.29%	N/A	3.51%	3.51%	N/A	3.82%	3.82%

	Russell 2000 Value Index			Russell 2000 Index			Russell 2000 Growth Index		
Information Technology	10.52%	10.26%	–0.26%	15.23%	13.94%	–1.30%	19.66%	17.39%	–2.28%
Consumer Discretionary	11.56%	9.51%	–2.05%	13.43%	12.25%	–1.18%	15.18%	14.83%	–0.36%
Telecommunication Services	0.72%	N/A	–0.72%	0.78%	N/A	–0.78%	0.84%	N/A	–0.84%
Communication Services	N/A	3.03%	3.03%	N/A	3.26%	3.26%	N/A	3.47%	3.47%

Source: FactSet.

Despite these changes, the Information Technology sector remains a significant weight in most of these indexes, particularly in the Russell 1000 Growth Index and the Russell Midcap Growth Index.

GICS was created less than 20 years ago and quickly became the industry standard for classifying companies, portfolio diversification, and overall asset allocation decisions. The framework, developed jointly by two of the main global index providers, MSCI and S&P, is also used for the construction and rebalancing of their indexes. These indexes and their structures are frequently used by investment professionals to determine the composition of portfolios, assess investment products, and provide financial advice. As of 9/30/2018, over $7 trillion of mutual fund and ETF assets were benchmarked directly to S&P and MSCI indexes. Because of its widespread usage, virtually all other products are also assessed via the GICS structure.

Technology Is Where the Growth Is

While we recognize that many people use GICS to make investment decisions, at Baron we use it chiefly for client reporting and for complying with regulatory limits. We do not construct portfolios based on GICS.

The world has moved from the industrial age to the information age, where technology is changing so quickly that any classification is at risk of rapidly becoming obsolete. Moreover, modern-day technology plays a key role in virtually every industry, making it difficult to define clear borders. The GICS classification is victim to both of these issues and, while we welcome the recent updates, we do not view them as long-term solutions.

The penetration of technology, both for personal and business use, has been increasing, and we have no doubt that it will continue to be one of the main drivers of progress for a long time. Our conviction in technology-driven growth has been correspondingly reflected in the portfolios we manage. We believe that, over the long term, technological advancements can translate into considerable returns for investors, which is why all Baron Funds have significant exposures to technology-driven businesses.

Many technology-driven businesses offer significant growth opportunities, but not all have strong and sustainable competitive advantages. The combination of these two criteria is of key importance to us. In our opinion, more often than not, hardware and semiconductor companies do not provide strong, durable advantages since their products have short life-cycles and/or are easier to replicate. This makes many of them unattractive investments to us, although sometimes we find a special company that meets our stringent investment criteria.

In the late '90s, when hardware dominated the technology space, we did not have much exposure to technology stocks, largely because of the absence of durable competitive advantages. The staggering valuations at the time did not help either. However, the world has changed significantly since the Dot-Com era. Data has become the main driver of technological innovation, causing disruption in retail, transportation, health care, finance, entertainment… even sports. It has spurred megatrends like cloud computing, artificial intelligence, autonomous driving, cybersecurity, e-commerce, mobile, and many others, and quickly made the services of Google (Alphabet), Amazon.com, Inc., Facebook, and their likes ubiquitous and a necessity for billions of people.

We believe that these secular shifts are still in their early stages, and we have identified many attractive businesses with durable competitive advantages that we believe will drive them or otherwise capitalize on them. As a result, a high proportion of Baron's technology-driven investments are in software and information services companies. The table below shows the absolute and relative exposures of our diversified mutual funds using the GICS Information Technology sector and its three industry groups, reflecting our preference for software and services companies.

Baron's IT Investments Are Mostly in Software & Services Companies

Sector and Industry Group Weights, 9/30/2018

	Absolute Portfolio Weights				Relative Portfolio Weights*			
	GICS Sector	GICS Industry Groups			GICS Sector	GICS Industry Groups		
Diversified Baron Mutual Funds	Information Technology	Software & Services	Technology Hardware & Equipment	Semiconductors & Semiconductor Equipment	Information Technology	Software & Services	Technology Hardware & Equipment	Semiconductors & Semiconductor Equipment
Baron Discovery Fund	26.5%	18.6%	2.8%	5.1%	9.1%	6.9%	0.3%	1.9%
Baron Growth Fund	20.6%	19.8%	0.8%	0.0%	3.2%	8.1%	–1.7%	–3.2%
Baron Small Cap Fund	34.6%	32.4%	2.2%	0.0%	17.2%	20.7%	–0.3%	–3.2%
Baron Asset Fund	25.2%	24.4%	0.8%	0.0%	–6.0%	3.7%	–4.2%	–5.5%
Baron Opportunity Fund	46.9%	39.3%	4.1%	3.5%	15.5%	20.5%	–4.4%	–0.6%
Baron Fifth Avenue Growth Fund	24.8%	19.7%	2.7%	2.4%	–7.8%	0.3%	–6.3%	–1.8%
Baron Durable Advantage Fund	24.7%	12.0%	8.2%	4.5%	3.7%	1.1%	2.0%	0.6%
Baron Global Advantage Fund	32.2%	25.1%	1.6%	5.5%	10.1%	14.1%	–5.4%	1.4%
Baron Emerging Markets Fund	9.0%	2.2%	4.9%	1.9%	–6.8%	0.2%	–3.1%	–3.9%
Baron International Growth Fund	16.4%	11.5%	3.6%	1.3%	8.0%	9.0%	0.0%	–1.0%
Baron WealthBuilder Fund	22.3%	19.4%	1.9%	1.0%	1.3%	8.6%	–4.4%	–2.9%

Source: FactSet.

* *Versus primary prospectus benchmarks, as follows: for Baron Discovery Fund, Baron Growth Fund, and Baron Small Cap Fund – the Russell 2000 Growth Index; for Baron Asset Fund – the Russell Midcap Growth Index; for Baron Opportunity Fund – the Russell 3000 Growth Index; for Baron Fifth Avenue Growth Fund – the Russell 1000 Growth Index; For Baron Durable Advantage Fund and Baron Wealth Builder Fund – the S&P 500 Index; for Baron Global Advantage Fund – the MSCI ACWI Growth Index; for Baron Emerging Markets Fund – the MSCI EM Index; for Baron International Growth Fund – the MSCI ACWI ex USA Index.*

Our Funds' significant exposures to the software and services industry group are the result of our investment process rather than an intentional decision to overweight a particular GICS-defined area. Because we are not limited by what GICS characterizes as technology, we are able to find what we believe are technology-driven growth opportunities across the GICS spectrum. For example, Baron Fifth Avenue Growth Fund's weight of 19.7% in software and services does not account for the Fund's investment in Veeva Systems, Inc., which could also be considered a software company but is categorized in the Health Care sector. Likewise, to most people, Amazon may simply be an online store, but to us it is also the largest employer of data scientists. To most people, Facebook and Google may be just a social media platform and a search engine, respectively, but to us they are also the world's number one and two digital marketers.

Alex Umansky, manager of the large-cap Baron Fifth Avenue Growth Fund[4], looks for opportunities in industries that are being or are likely to be disrupted by technology, particularly digitization. He is focused on finding the "game-changers" with solid growth opportunities, although the key investment criteria for him is whether these companies have a strong competitive advantage because of their technology. According to Alex, Amazon, Mastercard Incorporated, Illumina, Inc., Alphabet, CME Group, Inc., and Equinix, Inc., all have that advantage in common. Something they don't have in common is their GICS classification – they are all assigned to different sectors. Amazon is classified in Consumer Discretionary, Mastercard in Information Technology, Illumina in Health Care, Alphabet in Communication Services, CME Group in Financials, and Equinix in Real Estate.

Mike Lippert, manager of the all-cap Baron Opportunity Fund, also invests in technology-driven companies that are classified all over the GICS spectrum, but he takes a slightly different approach. He focuses on finding growth opportunities in secular themes like cloud computing, software-as-a-service, big data, digital media, and e-commerce (you can read more about his themes in his quarterly letters). Within these themes, Mike looks for the well-established, clear leaders that have strong recurring revenues and material free cash flows, among other factors. Such companies include Guidewire Software, Inc., Expedia Group, Inc., Electronic Arts Inc, Sage Therapeutics, Inc., CoStar Group, Inc., The Charles Schwab Corp., and Equinix which, again, are all classified in different GICS sectors.

Technology Stocks Offer Diversification

The technology space has evolved significantly over a relatively short period of time and so have the companies in it. Compared to the Dot-Com era, today there are significantly more well-established technology businesses with strong fundamentals that have successfully navigated through multiple industry and market cycles. Their valuations are much more in line with their fundamental strength too.

Moreover, many technology businesses, particularly in the software and services area, are highly diversified, offering broad spectrums of products and sourcing revenues from a wide variety of end users, markets, and geographies. Three of our long-term investments, classified in the application software sub-industry, are particularly good examples of this.

ANSYS, Inc. is the market leader in simulation-driven product development. The company builds simulation software that is used by mechanical and electrical engineers across multiple industries to test effects of real-world forces on a design without creating a physical model. The company is sourcing its revenues from maintenance, licensing, and servicing across multiple countries, including the United States (38%), Japan (12%), Germany (10%), South Korea (6%), and France (5%).

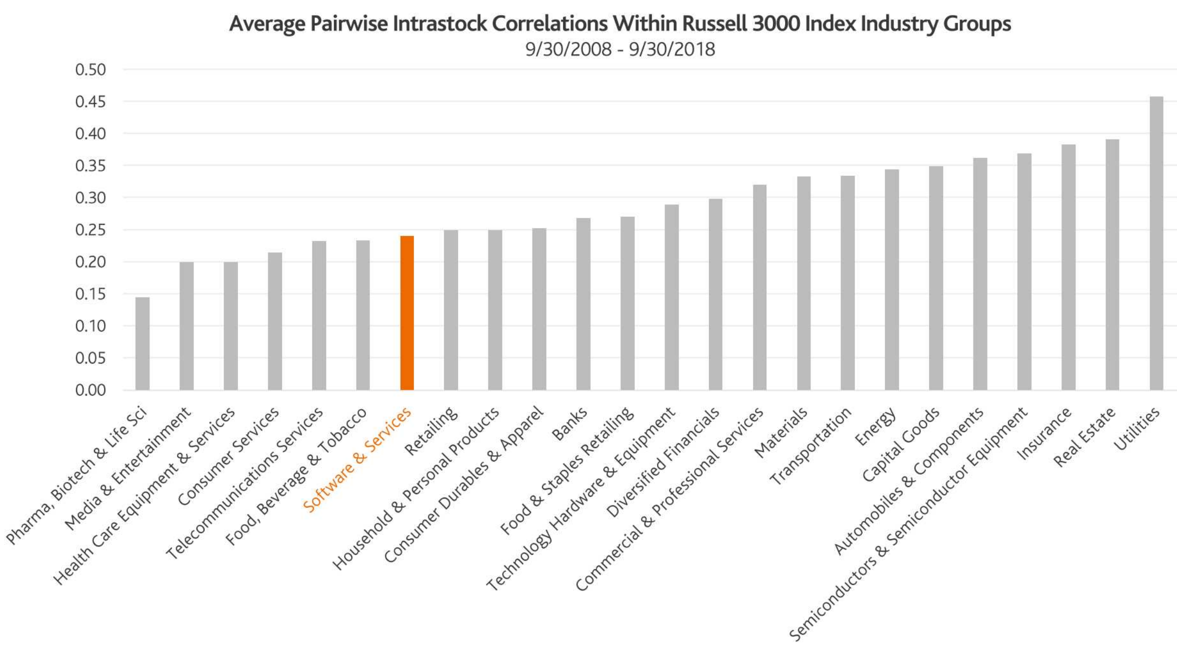
[4] In addition to Baron Fifth Avenue Growth Fund, Alex Umansky is the portfolio manager for Baron Global Advantage Fund and Baron Durable Advantage Fund.

Benefitfocus, Inc. is a leading provider of cloud-based benefits software for consumers, employers, insurance carriers, and brokers. Thus, its revenues are derived from two end markets: employers (63% of revenue) and insurance carriers (37% of revenue). The company supports over 100 unique types of benefits from 1,500 unique providers, ranging from health care, dental, and life insurance to transit, wellness, and pet insurance plans, which allows it to have a highly diversified set of services and customers.

Guidewire Software, Inc. is the leading provider of core systems software to the global property and casualty insurance industry. The company sells three primary web-based applications that help insurers to perform key functions such as underwriting, policy administration, claims management, and billing. Most of its revenues are coming from licensing (48%) and services (41%) and a smaller proportion from maintenance. More than a third of revenues are coming from outside the U.S.

The high business diversity in the software and services industry group has been reflected by the different stock-price movements of the companies in it. As the chart below shows, the average intrastock correlations in that segment have been amongst the lowest over the past decade, which means that these stocks did not tend to move together as much as the companies in most other industry groups. Note that diversification could help reduce certain investment risks, but cannot guarantee a profit or protect against a loss.

Software & Services Companies Have Been Less Correlated Than Most



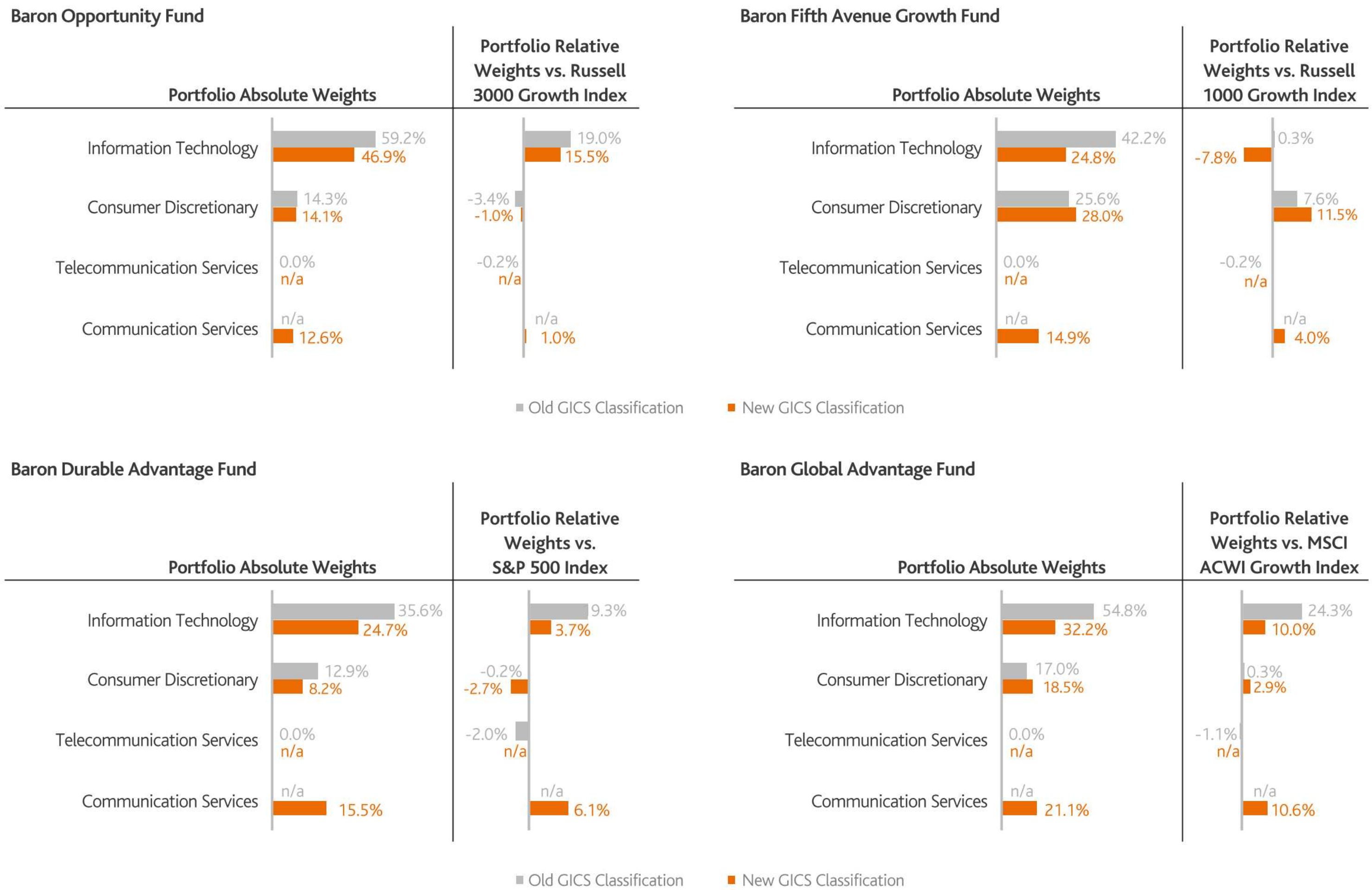
Source: FactSet, Baron Capital.

GICS Revision Impact on Baron Funds

Our Funds' sector and industry exposures have always been a result of our bottom-up investment approach and the recent GICS reclassification has not changed that. Because we do not have target exposures to the GICS segments, when the classification changed, our Funds' absolute and relative exposures changed purely as a result of the reclassification. The changes were more meaningful to our large-cap and all-cap diversified Funds, which are shown in the charts on the next page.

Some Baron Funds Look Significantly Different After the GICS Reclassification

Sector Weights, 9/30/2018



Source: Factset.

It is interesting to see how different our Funds are presented, before and after the GICS reclassification. For example, Baron Fifth Avenue Growth Fund went from market weight in the Information Technology sector to underweight overnight. Baron Opportunity Fund's weight in the Information Technology sector fell from nearly 60% to 47%. While the portfolios look more diversified now, to us they have been well-diversified all along and we have always tried to communicate to our investors.

As active investors, we take our own approach to building portfolios. We don't automatically construct or manage portfolios based on a classification system with which we don't entirely agree. We believe that this has helped us add value over the long term and we believe that other investors can also benefit from assessing portfolios through more than a single lens.

Sincerely,

Linda S. Martinson
Chairman, President, and COO

Portfolio Holdings
As a Percentage of Net Assets
As of September 30, 2018

	Baron Asset Fund	Baron Growth Fund	Baron Small Cap Fund	Baron Opportunity Fund	Baron Partners 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 Health Care Fund
Alibaba Group Holding Limited				1.3		5.0		0.5		2.7	4.7				
Alphabet Inc.				4.8		4.7					4.7		4.4		
Amazon.com, Inc.				6.3		16.4					5.5				
ANSYS, Inc.	2.8	4.0		0.3											
Benefitfocus, Inc.		1.3		1.3	1.1*		4.0								
The Charles Schwab Corp.	2.9			1.7	5.0*	2.4									
CME Group, Inc.						2.9							3.1		
CoStar Group, Inc.	2.3	5.2		2.7	12.9*		13.0		1.7						
Electronic Arts Inc.				2.1									3.5		
Equinix, Inc.	1.5			1.7		2.8			5.8				2.2	6.4	
Expedia Goup, Inc.	1.0			1.5		1.3									
Facebook, Inc.				1.5		3.6					3.6				
Guidewire Software, Inc.	3.5	1.7	3.8	4.9	4.3*		4.5								
Illumina, Inc.	3.0			1.5		4.3					2.9				3.4
Mastercard Incorporated				2.0		4.7							4.6		
Sage Therapeutics, Inc.	0.7			1.7		1.9					2.2	0.5			3.9
Tencent Holdings, Ltd.				1.2				1.0		3.7					
Veeva Systems Inc.	1.3					3.1					3.8				1.7

* % of Long Positions.

As of September 30, 2018, Baron Energy and Resources Fund did not own any of the securities listed above.

The performance data quoted represents past performance. Past performance is no guarantee of future results.

Portfolio holdings and weightings are subject to change. Future and current portfolio holdings are subject to risk.

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.

Risks: Equity securities are subject to price fluctuations in the stock market. Companies propelled by innovation, including technology advances and new business models, may present the risk of rapid change and product obsolescence, and their success may be difficult to predict for the long term. Even if a Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell.

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this presentation reflect those of the respective speaker. 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 at any time based on market and other conditions and Baron has no obligation to update them.

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

S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. **MSCI ACWI ex USA Growth Index** captures large and mid-cap securities exhibiting overall growth style characteristics across 22 Developed Markets countries and 24 Emerging Markets countries. **MSCI Emerging Markets Index** is an unmanaged float-adjusted market capitalization index designed to measure equity market performance of large and mid-cap securities in the emerging markets. **MSCI ACWI (All Country World) Growth Index Net USD** 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. **Russell 1000® Index** measures the performance of large-sized U.S. companies. **Russell 1000® Value Index** measures the performance of large-sized U.S. companies that are classified as value. **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. **Russell Midcap® Index** measures the performance of medium-sized U.S. companies. **Russell Midcap® Value Index** measures the performance of medium-sized U.S. companies that are classified as value. **Russell Midcap® Growth Index** mea-sures the performance of medium-sized U.S. companies that are classified as growth. **Russell 2000® Index** measures the performance of small-sized U.S. companies. **Russell 2000® Value Index** measures the performance of small-sized U.S. companies that are classified as value. **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. **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 index performance is not fund performance; one cannot invest directly into an index.

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