

# Baron Funds®

## Quarterly Report

December 31, 2021

**"During inflation, Goodwill is the gift that keeps on giving." Warren Buffett. 2022.**

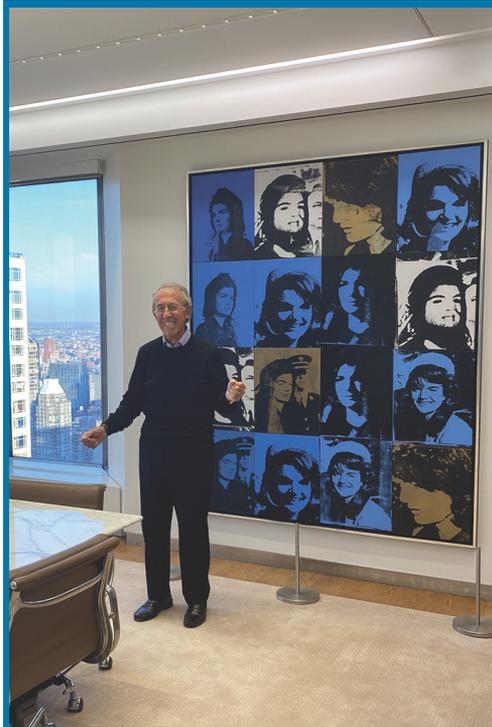
Buffett is such an easy person to quote. His sentences are simple. His ideas elegant. We presume what he refers to when he says "Goodwill is the gift that keeps giving" is the positive effect inflation has on increasing the intangible value of businesses. We define "Goodwill" as the value of a business in excess of its stated "book value."

Included in business "Goodwill" are its management talent...its culture...its competitive advantages...its reputation...its clients...its operations...its brands...its growth prospects...its contracts both real and implied...and the discounted value of its cumulative "nominal" long-term earnings. ("Nominal" means present day dollars.) When inflation increases the value of business "Goodwill," it increases the value of that business and the defensive "moats" surrounding it. Unlike fixed assets that really do depreciate and must be replaced or refurbished in present day dollars, "Goodwill" in general does not decline in value and does not need to be replaced...beyond normal annual operating and growth expenses.

Intangible assets and ideas are what most investors and analysts find difficult to assess and value. The focus of Baron is to invest in our asset management business by hiring, training, and retaining extraordinary individuals to study businesses and to value their long-term intangible assets...not only their fixed assets.

Baron invests on behalf of our clients...and ourselves...for the *long term* in exceptional business executives who operate fast growing, competitively advantaged businesses. Baron Capital, our family-owned management company, my family, and our Baron employees are the largest shareholders in Baron mutual funds.

We believe that inflation has always been and always will be present in our democracy...as it has been in virtually every democracy or any other form of government that has existed for more than 2,000 years. *Inflation in the U.S. on average doubles the price of what all of us want to purchase about every 14-15 years.* This means prices on average increase over the long term about 4% to 5% per year! At times, like the present, as has been the case historically following a war...a financial panic...a pandemic...or a depression, inflation is above average. Just like it was after World War II...the Vietnam War...the



GOODBYE COVID-19... Almost!!!  
GOODBYE WFH... Again!!!  
HELLO Baron Employees!!! Welcome back!!!  
Ron in Baron's 48th Floor Andy Warhol Conference Room with Warhol's "Sixteen Jackies."

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Financial Panic in 2008-2009...and now the COVID Pandemic. Inflation reduces the burden of our government's indebtedness incurred to fight wars and plagues and stabilize our economy. Our government devalues its currency...by creating inflation...so debt will be a smaller part of our economy. This allows America to repay or pay interest on borrowings with less valuable dollars. Inflation is also present in ordinary times. This is since it helps our economy grow faster..."a lot of good can come from 2% inflation" is how a business executive explained it to me early in my career. Inflation historically accounts for about two-thirds the annual growth of our economy.

Stock prices have grown significantly faster than inflation as you can see from my personal "Inflation" Table on the next page. We think of Baron Funds' investments in growth stocks as a hedge against the devaluation of our currency...as well as a way to participate in the growth of America's economy. Over the long term (i.e., over the 40 years since the founding of our Firm on March 12, 1982) Baron Funds'

investments in growth stocks have met our expectations. This is by *significantly outperforming market indexes after dividends have been included.* As of 12/31/2021, 16 of 17 Baron Funds, representing 98.3% of Baron Funds' assets under management ("AUM"), have outperformed their respective passive benchmarks since their inception. In addition, 14 of those funds, representing 98.0% of Baron Funds' AUM, rank in the top 18% of their respective Morningstar categories; and 11 funds, representing 73.0% of AUM, rank in the top 8%. Our Firm's assets under management on December 31, 2021 were \$57.0 billion. Baron has earned \$52 billion in realized and unrealized gains since 1992. Our Firm had \$100 million under management in 1992.

Although we are proud of all our children, as they say, we are especially proud of Baron Partners Fund. Since Baron Partners Fund's inception as a private partnership on January 31, 1992, the Fund has had an annualized return of 16.87%. For comparison, from January 31, 1992 through December 31, 2021, the best performing U.S. equity mutual fund had a 13.93% annualized return. There are 312 mutual funds with this length of track record. The annualized return of the Russell Midcap Growth Index, the Fund's benchmark, over the same period was 10.91%. This means that a hypothetical \$10,000 investment in Baron Partners Fund from its inception was worth \$1.1 million on December 31, 2021. That is approximately five times the \$221,394 value of an identical investment at Baron Partners Fund's inception in a fund designed to track the Russell Midcap Growth Index.

On April 30, 2003, Baron Partners Fund was converted to an open end, no load mutual fund. **Since its conversion to a mutual fund on April 30, 2003, Baron Partners Fund had an annualized return of 20.13%. Its performance since that date is ranked number one among all U.S. equity mutual funds (2,182 share classes) through December 31, 2021.\***

When asked, I generally recommend that my friends invest in Baron WealthBuilder Fund. Baron WealthBuilder Fund is a *diversified* fund that invests in 16 of our 17 Baron Funds; charges no management fee; caps its operating expenses at 5 basis points; and is charged the underlying Baron Funds Institutional Share Class' management fees and net operating expenses. The underlying Baron Funds



# Letter from Ron

**Table I.**  
Inflation according to Ron

	Year	Cost	January 2022	Multiple	CAGR
Ron's Home 1948-1955 1122 Grassmere Avenue, Wanamassa, NJ (Asbury Park, NJ "suburb")	1948	\$5,000	\$400,000	80.0X	6.1%
Ron's Home 1955-1975 542 Deal Parkway, West Allenhurst, NJ (Asbury Park, NJ "suburb")	1955	\$20,000	\$800,000	40.0X	5.7%
Minimum Wage	1957	\$1/hour	\$15/hour	15.0X	4.3%
Golf Caddy Fees	1957	\$4/18 holes	\$160/18 holes	40.0X	5.9%
Gallon of Gasoline	1960	\$0.31/gallon	\$3.60/gallon	12.9X	4.3%
Ron's Annual Tuition at Bucknell University	1965	\$3,500	\$58,000	16.6X	5.3%
Ron's U.S. Patent Examiner Annual Salary	1966	\$7,729	\$86,000	11.1X	4.5%
Ford Mustang	1966	\$2,500	\$32,000	12.8X	4.7%
Sirloin Steak	1966	\$0.67/pound	\$11/pound	16.4X	5.2%
NYC Top Law Firm – First Year Associate Annual Salary	1970	\$15,000	\$200,000	13.3X	5.2%
Gold	1974	\$188/ounce	\$1,836/ounce	9.8X	4.9%
Dow Jones Industrial Average	1982	795	36,800	46.3X	10.1%**
S&P 500 Index	1982	107	4,800	44.7X	10.0%**

\*\* Returns for indexes listed do not include dividends which add an estimated 1.5% to 2.0% annually to such returns.

normally require a \$1 million investment per fund to qualify for Institutional Shares, which do not charge a 25 basis point 12-b1 fee like the Retail Shares. Individuals investing just \$2,000 in Baron WealthBuilder Fund get access to the Institutional Shares of the underlying Baron Funds! Baron WealthBuilder Fund is four years old and is the number one asset allocation fund since its inception. Its annualized return for the past four years is 24.83% (Institutional Shares) vs. 17.65% for S&P 500 Index and 12.12% for the MSCI ACWI Index.

We believe there are at least *three reasons Baron Funds have outperformed* benchmark indices. *First*, the U.S. economy and U.S. stock markets grow over the long term about 7% to 8% per year. Baron is more selective when choosing businesses in which to invest than benchmarks that include all stocks. Baron Funds invest primarily in businesses we think have the potential to grow more than 15% per year...for years. *Second*, growth businesses often penalize current earnings by investing profits to become larger. We believe this makes those businesses less attractive in the short term to traders focused on quarterly earnings. As a result, we often have opportunities to invest in attractive businesses at cheaper prices than they would command if they were not spending on growth initiatives. The value of our Firm's intense and proprietary research enables us to judge whether we think those initiatives will be successful...and we have been right a lot more than we have been wrong! *Third*, we believe our focus on investing in exceptional people for the long term has provided Baron with competitive advantage compared to benchmarks and other investors.

***"If I'm selling International Game Technology ("IGT") stock, you can be certain IGT is doing better than you thought."*** *That was IGT's CEO Chuck Mathewson's response to my question in 1992 when I asked him about his recent stock sales, the proceeds of which he used to build a house and pay taxes.*

**Charles N. Mathewson. 1928(b)-2021(d). Chairman Emeritus International Game Technology. Chairman Emeritus Baron Funds.**

Chuck Mathewson's above remark is emblematic of his unquestioned integrity and high ethical standards. I believe Chuck's character was one of the most important reasons for his great commercial success. As was his intelligence, hard work, and caring personality, of course. I met Chuck in 1985. Baron then had a significant portion of our almost \$100 million of clients' assets invested in gaming businesses. In 1985, we began to purchase IGT shares. This was because the growth opportunities for IGT, the small-cap, Reno-based, slot machine manufacturer, seemed substantial. Further, we thought IGT's Chairman and Founder, Si Redd, would likely retire soon and possibly sell that company.

Chuck was a serial, self-made entrepreneur. He had been a co-founder of brokerage firm Jefferies Financial Group. His success there enabled him to retire at age 41! When we learned all those years ago that Chuck was also investing in IGT, we called him. He told us he thought IGT's video slot machine business had enormous potential. Chuck began investing in IGT in 1983 after seeing crowds in Las Vegas casinos standing in line to play IGT's new video poker games. Chuck purchased a major stake in

IGT from 1983-1985 and Si Redd asked Chuck to become its Chairman and CEO in 1986. Due to Chuck's outstanding efforts to serve IGT's casino customers, IGT became worth more than \$10 billion by 1995, 100 times its value in 1983!

As IGT's Chairman and CEO, Chuck used his friendships with casino owners to create competitive advantage for IGT. Those relationships enabled Chuck to understand casinos' needs. Casinos were then using tractors on their casino floors to move, count, and wrap slot machine coin, a huge and disruptive undertaking. IGT tried to solve the problem by introducing cashless slot systems. Next, under Chuck's leadership, IGT invented multi-denomination, multi-game slots. By allowing higher limits on weekends when tourists mobbed casinos and lower limits during the week to attract less affluent "locals" traffic, slot yields increased. IGT's innovative multi-game machines also enabled the introduction of "hot" new games at will. Finally, IGT's introduction of linked "Megabucks" slot jackpots throughout Las Vegas created huge jackpots, just like state lotteries. These games were enabled by Chuck's relationships with casino owners he regarded as "partners" and ultimately turned IGT into a gaming behemoth.

Chuck became my good friend and served as a Baron Funds' director for 25 years from 1988 through 2013. He was Baron Funds' Board Chairman from 2004 through 2010. Chuck had been Baron Funds' Chairman Emeritus from 2010 until his death in October 2021 at age 93.

One more thing. In October 2002 Chuck visited me in New York. He told me that since I considered it necessary to visit companies in

which we invest, he thought it impractical for me to travel commercial. "Why not use Net Jets?" I demurred telling him I couldn't afford such an extravagance. No more than 15 minutes after Chuck left that afternoon, Warren Buffett, with whom Chuck regularly played bridge on the internet, called on our 800 number to extol the virtues of Net Jets. Warren then explained why I couldn't afford *not* to own a Berkshire Net Jets' time share. Warren also complained how hard it was to reach me on our 800 number. Warren, a persuasive salesman, made the Net Jets' time share sale to me. He and I also swapped direct phone numbers so that, if I had a problem, I could easily reach him. He also told me how much he enjoyed reading Baron shareholder letters!

When Chuck died on October 24, 2021, I called Stacie, Chuck's wife, with my condolences. Stacie then asked if I would call Warren Buffett to let him know of his friend's passing. Stacie remembered I had Warren's direct number that he answers himself.

When I spoke with Warren that afternoon, he told me how much he had enjoyed his friendship with Chuck and how much he and everyone else liked and admired Chuck. Warren then described his own friendship with Charlie Munger, now 98 years old. Charlie has been Warren's closest friend since they met decades ago. "Never a cross word from Charlie for all these years. I am a better investor because of Charlie since I never wanted to let him down."

When I spoke to Stacie before I called Warren, she told me that Chuck had recently been sitting on their living room couch when a friend called. After his friend told Chuck he had seen me interviewed by David Rubenstein on Bloomberg and that I mentioned Chuck favorably, Stacie said he chuckled. "Ron has always honored me," he told his wife. Like Charlie Munger with Warren, Chuck was one of those people with whom I am close that I never wanted to disappoint. And still don't want to disappoint. Which I believe has also made me a better investor.

We will continue to provide you with information about Baron Funds that we would like to have if our roles were reversed. Thank you for your confidence in joining us as investors in Baron Funds.

Respectfully,



Ronald Baron  
CEO and Portfolio Manager  
December 31, 2021

**P.S. Just a friendly reminder... Baron Capital was founded March 12, 1982...**

**So...we will be celebrating our management company's 40th Anniversary in 2022...and we haven't held our annual conference in either of the last two years due to COVID....and, this is the Roaring Twenties...**

**So...if I were you...I wouldn't miss the 29th Annual Baron Investment Conference on November 4, 2022. Metropolitan Opera House, Lincoln Center, New York City...just sayin'...**

**\* This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 12/31/2021. There were 2,182 share classes in these nine Morningstar Categories for the period from 4/30/2003 to 12/31/2021.**

Note, the peer group used for this analysis includes all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for this analysis are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories.

The Morningstar Large Growth Category consisted of 1,237, 1,012, and 768 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Partners Fund in the 5<sup>th</sup>, 1<sup>st</sup>, 1<sup>st</sup>, and 1<sup>st</sup> percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund on 4/30/2003, and the category consisted of 413 share classes. On an absolute basis, Morningstar ranked Baron Partners Fund Institutional Share Class as the 3rd, 32nd, 1st, 1st, and 1st best performing share class in its Category, for the quarter-to-date, 1-, 3-, 5-, and 10-year periods, respectively.

The Morningstar Allocation—85%+ Equity Category consisted of 189 and 171 share classes for the 1-year and since inception (12/29/2017) periods. Morningstar ranked Baron WealthBuilder Fund in the 72nd and 1st percentiles, respectively. On an absolute basis, Morningstar ranked Baron WealthBuilder Fund Institutional Share Class as the 142nd and 1st best performing share class in its Category, for the 1-year and since inception periods, respectively.

Morningstar calculates the Morningstar Large Growth and Allocation—85%+ Equity Category average performance and rankings 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.

*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](http://www.BaronFunds.com). Please read them carefully before investing.*

# Letter from Ron

Baron Funds (Institutional Shares) and Benchmark Performance 12/31/2021

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns				Annual Expense Ratio	Net Assets
					1-Year	3-Year	5-Year	10-Year		
<b>SMALL CAP</b>										
Baron Growth Fund	Russell 2000 Growth Index	14.38%	8.81%	12/31/1994	20.15%	30.96%	22.73%	17.01%	1.03% <sup>(3)</sup>	\$9.66 billion
Baron Small Cap Fund	Russell 2000 Growth Index	11.66%	7.24%	9/30/1997	15.84%	30.01%	21.07%	16.33%	1.03% <sup>(3)</sup>	\$5.49 billion
Baron Discovery Fund†	Russell 2000 Growth Index	18.91%	11.59%	9/30/2013	4.89%	30.26%	24.75%	N/A	1.05% <sup>(3)</sup>	\$1.94 billion
<b>SMALL/MID CAP</b>										
Baron Focused Growth Fund <sup>(1)</sup>	Russell 2500 Growth Index	14.85%	9.25%	5/31/1996	19.16%	51.24%	35.44%	21.07%	1.07% <sup>(4)</sup>	\$838.19 million
<b>MID CAP</b>										
Baron Asset Fund	Russell Midcap Growth Index	12.52%	11.08% <sup>(2)</sup>	6/12/1987	14.22%	28.08%	21.62%	17.51%	1.03% <sup>(3)</sup>	\$6.35 billion
<b>LARGE CAP</b>										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	11.84%	12.83%	4/30/2004	11.22%	31.07%	26.34%	19.64%	0.75%/0.75% <sup>(3)(6)</sup>	\$844.99 million
Baron Durable Advantage Fund	S&P 500 Index	20.11%	17.65%	12/29/2017	32.16%	30.93%	N/A	N/A	1.48%/0.70% <sup>(3)(7)</sup>	\$59.29 million
<b>ALL CAP</b>										
Baron Partners Fund <sup>(1)</sup>	Russell Midcap Growth Index	17.00%	10.91%	1/31/1992	31.73%	68.36%	43.97%	28.23%	1.30% <sup>(4)(5)</sup>	\$8.66 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	10.80%	7.38%	2/29/2000	12.29%	44.04%	35.47%	21.22%	1.05% <sup>(3)</sup>	\$1.66 billion
<b>INTERNATIONAL</b>										
Baron Emerging Markets Fund	MSCI EM Index	5.86%	3.05%	12/31/2010	-6.07%	12.99%	10.58%	8.46%	1.09% <sup>(4)</sup>	\$8.89 billion
Baron Global Advantage Fund†	MSCI ACWI Index	18.82%	11.12%	4/30/2012	0.90%	38.10%	30.62%	N/A	0.92%/0.90% <sup>(4)(8)</sup>	\$2.61 billion
Baron International Growth Fund	MSCI ACWI ex USA Index	12.49%	8.06%	12/31/2008	9.88%	22.98%	16.03%	11.80%	1.01%/0.95% <sup>(4)(9)</sup>	\$757.67 million
Baron New Asia Fund	MSCI AC Asia Ex-Japan Index	1.70%*	-3.19%*	7/30/2021	N/A	N/A	N/A	N/A	2.07%/1.20% <sup>(10)</sup>	\$4.49 million
<b>SECTOR</b>										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	17.32%	13.64%	12/31/2009	24.36%	37.36%	21.57%	18.18%	1.08% <sup>(4)</sup>	\$2.04 billion
Baron Real Estate Income Fund	MSCI US REIT Index	17.79%	10.94%	12/29/2017	29.58%	29.34%	N/A	N/A	3.45%/0.80% <sup>(4)(11)</sup>	\$132.48 million
Baron Health Care Fund	Russell 3000 Health Care Index	24.12%	17.60%	4/30/2018	15.72%	32.34%	N/A	N/A	1.45%/0.85% <sup>(4)(12)</sup>	\$255.22 million
Baron FinTech Fund†	S&P 500 Index	30.31%	23.44%	12/31/2019	15.35%	N/A	N/A	N/A	2.43%/0.95% <sup>(4)(13)</sup>	\$78.31 million
<b>EQUITY ALLOCATION</b>										
Baron WealthBuilder Fund	S&P 500 Index	24.83%	17.65%	12/29/2017	16.70%	37.40%	N/A	N/A	1.22%/1.11% <sup>(4)(14)</sup>	\$576.84 million

<sup>(1)</sup> 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.

<sup>(2)</sup> For the period June 30, 1987 to December 31, 2021.

<sup>(3)</sup> As of 9/30/2021.

<sup>(4)</sup> As of 12/31/2020.

<sup>(5)</sup> Comprised of operating expenses of 1.05% and interest expenses of 0.25%.

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

<sup>(7)</sup> Annual expense ratio was 1.48%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).

<sup>(8)</sup> Annual expense ratio was 0.92%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers).

<sup>(9)</sup> Annual expense ratio was 1.01%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).

<sup>(10)</sup> Expense ratios are estimated for the fiscal year ended December 31, 2021.

<sup>(11)</sup> Annual expense ratio was 3.45%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).

<sup>(12)</sup> Annual expense ratio was 1.45%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).

<sup>(13)</sup> Annual expense ratio was 2.43%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).

<sup>(14)</sup> Annual expense ratio was 1.22%, but the net annual expense ratio was 1.11% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).

\* Not annualized.

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

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.

**Baron Discovery Fund's** 1-, 3- and 5-year, **Baron Fifth Avenue Growth Fund's** 4Q 2021 and 1-year, **Baron FinTech Fund's** 4Q 2021 and 1-year, **Baron Global Advantage Fund's** 4Q 2021, 1-, 3- and 5-year, **Baron International Growth Fund's** 4Q 2021, and **Baron Opportunity Fund's** 4Q 2021, 1-, 3-, 5- and 10-year historical performance were impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Funds' level of participation in IPOs will be the same in the future.

**Risks:** All investments are subject to risk and may lose value.

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

Ranking information provided is calculated for the Retail Share Class and is as of 12/31/2021. 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 average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges.** Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. The **Morningstar Large Growth Category** consisted of 1,237, 1,012, and 768 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Opportunity Fund* in the 87<sup>th</sup>, 2<sup>nd</sup>, 6<sup>th</sup>, and 3<sup>rd</sup> percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 2/29/2000, and the category consisted of 261 share classes. Morningstar ranked *Baron Partners Fund* in the 5<sup>th</sup>, 1<sup>st</sup>, 1<sup>st</sup>, and 1<sup>st</sup> percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 413 share classes. The **Morningstar Mid-Cap Growth Category** consisted of 588, 491, and 380 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 47<sup>th</sup>, 27<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 18 share classes. Morningstar ranked *Baron Growth Fund* in the 21<sup>st</sup>, 20<sup>th</sup>, 28<sup>th</sup>, and 5<sup>th</sup> percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 53 share classes. Morningstar ranked *Baron Focused Growth Fund* in the 26<sup>th</sup>, 2<sup>nd</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 310 share classes. The **Morningstar Small Growth Category** consisted of 615, 513, and 385 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 33<sup>rd</sup>, 31<sup>st</sup>, 36<sup>th</sup>, and 11<sup>th</sup> percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 9/30/1997, and the category consisted of 90 share classes. Morningstar ranked *Baron Discovery Fund* in the 73<sup>rd</sup>, 10<sup>th</sup>, and 3<sup>rd</sup> percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 432 share classes. The **Morningstar Real Estate Category** consisted of 253, 200, and 149 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 89<sup>th</sup>, 1<sup>st</sup>, 1<sup>st</sup>, and 1<sup>st</sup> percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 127 share classes. Morningstar ranked *Baron Real Estate Income Fund* in the 86<sup>th</sup> and 3<sup>rd</sup> percentiles for the 1-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 253 share classes. The **Morningstar Foreign Large Growth Category** consisted of 450, 332, 221, and 197 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 46<sup>th</sup>, 23<sup>rd</sup>, 20<sup>th</sup>, and 11<sup>th</sup> percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 791, 615, 342, and 277 share classes for the 1-, 5-, 10-year, and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 84<sup>th</sup>, 34<sup>th</sup>, 11<sup>th</sup>, and 8<sup>th</sup> percentiles, respectively. The **Morningstar World Large-Stock Growth Category** consisted of 355, 261, and 172 share classes for the 1-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked *Baron Global Advantage Fund* in the 91<sup>st</sup>, 2<sup>nd</sup>, and 2<sup>nd</sup> percentiles, respectively. The **Morningstar Health Category** consisted of 166 and 138 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron Health Care Fund* in the 28<sup>th</sup> and 4<sup>th</sup> percentiles, respectively.

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