

## 2020: A YEAR WE WILL REMEMBER



LINDA MARTINSON  
CHAIRMAN, PRESIDENT AND COO

2020 was a year that will be hard to forget. The headlines were dominated by the pandemic and its social and economic aftermath, but there were also wildfires, violent social and racial unrest, the U.S. elections chaos and results, growing political divide, and exacerbated tensions between leading global economies, among other important things. Few positives made it to the front pages.

The extent and unpredictability of these events made the year extra challenging. But, even if we somehow knew at the beginning of the year that a deadly pandemic would strike our world, I do not think anyone could have predicted the way things unfolded after that. Many investors could likely have forecasted the economic and market volatility, although few could have guessed the severity. With the complete or near-complete shutdown of many businesses, we saw record high layoffs, the worst quarterly GDP drop in modern U.S. history, and record-high market volatility, among other dismaying developments. I think even fewer would have thought it was possible for the stock market to end the year in positive territory, and hardly anyone would have guessed the S&P 500 Index could end up as high as 18.40%.

We did not know where the market would end up either, and we did not try to guess. While we closely monitored short-term developments, our investment decisions continued to be made with a focus on the long term. We believe our long-term view, combined with our time-tested process and expertise, resulted in the outstanding absolute and relative performance of our Funds in 2020. Those investors that remained invested in the Baron Funds were meaningfully rewarded for the active risk taken over the past 3-, 5-, and 10-year periods, as evidenced by the superior risk-adjusted returns of the majority of our Funds (see the Appendix for Sharpe ratio and information ratio data).

All of Baron's 17 mutual Funds outperformed the S&P 500 Index for the year, with 13 Funds outperforming by double digits and two Funds outperforming by triple digits. All but two of our Funds outperformed their primary benchmarks in 2020, and all Funds outperformed over the past three, five, and 10 years (or since inception for the Funds with track record less than 10 years). The table on the next page shows the performance figures by Fund and by period.

The magnitude of our recent performance stands out in the scorecard on the next page. Annual increases of 30%-50% or 100% or 150% are not something we see or expect to see every year. And when such sizeable returns happen, we certainly do not expect to see them simultaneously across all our Funds. So why did Baron generate such an outstanding record in 2020?

# Letter from Linda

## Baron's Scorecard

### Absolute and Relative Performance

as of 12/31/2020 (Institutional Shares)

Asset Class	Fund Name	Fund Total Return (annualized)				Fund Excess Return (annualized, vs. Primary Benchmark)			
		1 Year	3 Years	5 Years	10 Years or Since Inception*	1 Year	3 Years	5 Years	10 Years or Since Inception*
Small Cap	Baron Growth Fund	33.06%	22.08%	19.76%	15.06%	-1.57%	5.88%	3.40%	1.58%
	Baron Small Cap Fund	40.68%	20.78%	19.88%	14.47%	6.05%	4.58%	3.52%	0.99%
	Baron Discovery Fund	66.13%	28.48%	28.52%	20.99%	31.50%	12.28%	12.16%	8.13%
Small-Mid Cap	Baron Focused Growth Fund	122.75%	44.56%	31.03%	18.83%	82.28%	24.65%	12.35%	3.83%
Mid Cap	Baron Asset Fund	33.33%	22.58%	19.93%	15.64%	-2.26%	2.08%	1.27%	0.60%
Large Cap	Baron Fifth Avenue Growth Fund	50.81%	27.09%	23.24%	18.10%	12.32%	4.10%	2.24%	0.89%
	Baron Durable Advantage Fund	20.32%	16.34%	-	16.34%	1.92%	2.16%	-	2.16%
All Cap	Baron Partners Fund	149.18%	52.68%	37.40%	24.04%	113.59%	32.18%	18.74%	9.00%
	Baron Opportunity Fund	89.28%	42.34%	31.13%	19.09%	51.02%	19.84%	10.46%	2.16%
	Baron Emerging Markets Fund	29.22%	7.78%	12.88%	7.13%	10.91%	1.61%	0.07%	3.50%
International	Baron International Growth Fund	30.83%	11.70%	14.17%	8.82%	20.18%	6.82%	5.24%	3.90%
	Baron Global Advantage Fund	79.46%	35.99%	30.14%	21.09%	63.21%	25.93%	17.88%	10.80%
	Baron Real Estate Fund	44.28%	17.56%	15.97%	15.72%	40.07%	10.96%	6.84%	5.19%
Sector	Baron Real Estate Income Fund	22.30%	14.11%	-	14.11%	31.00%	11.86%	-	11.86%
	Baron Health Care Fund	47.72%	-	-	27.43%	28.38%	-	-	10.20%
	Baron FinTech Fund	47.20%	-	-	47.20%	28.80%	-	-	28.80%
Fund of Funds	Baron WealthBuilder Fund	62.85%	27.67%	-	27.67%	44.45%	13.49%	-	13.49%

Source: FactSet PA, Baron Capital.

\* Since inception for the Baron Funds younger than 10 years.

Notes: Excess Returns are calculated versus each Fund's primary benchmark. Fund Primary Benchmarks: for Baron Growth Fund, Baron Small Cap Fund, and Baron Discovery Fund – Russell 2000 Growth Index; Baron Focused Growth Fund – Russell 2500 Growth Index; Baron Partners Fund and Baron Asset Fund – Russell Midcap Growth Index; Baron Opportunity Fund – Russell 3000 Growth Index; Baron Fifth Avenue Growth Fund – Russell 1000 Growth Index; Baron Durable Advantage Fund, Baron WealthBuilder Fund, and Baron FinTech Fund – S&P 500 Index; Baron Emerging Markets Fund – MSCI EM Index; Baron International Growth Fund – MSCI ACWI ex USA Index; Baron Global Advantage Fund – MSCI ACWI Index; Baron Real Estate Fund – MSCI USA IMI Extended Real Estate Index; Baron Real Estate Income Fund – MSCI US REIT Index; Baron Health Care Fund – Russell 3000 Health Care Index. Fund Inception Dates: Baron Growth Fund – 12/31/1994; Baron Small Cap Fund – 9/30/1997; Baron Discovery Fund – 9/30/2013; Baron Asset Fund – 6/12/1987; Baron Focused Growth Fund – 5/31/1996; Baron Partners Fund – 1/31/1992; Baron Opportunity Fund – 2/29/2000; Baron Fifth Avenue Growth Fund – 4/30/2004; Baron Durable Advantage Fund – 12/29/2017; 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; Baron Real Estate Income Fund – 12/29/2017; Baron Health Care Fund – 4/30/2018; Baron FinTech Fund – 12/31/2019; Baron WealthBuilder Fund – 12/29/2017.

Annual expense Ratios for Inst. shares as of 9/30/2020: Baron Asset Fund, 1.05%, Baron Growth Fund, 1.04%, Baron Small Cap Fund, 1.05%, Baron Opportunity Fund, 1.08%, Baron Fifth Avenue Growth Fund, 0.78%, but the net annual expense ratio was 0.75% (net of the Adviser's fee waivers), Baron Discovery Fund, 1.08%, Baron Durable Advantage Fund, 2.40% but the net annual expense ratio was 0.70% (net of the Adviser's fee waivers). Annual expense Ratios for Inst. shares as of 12/31/2019: Baron Partners Fund, 1.96% (comprised of operating expense of 1.06% and interest expense of 0.90%), Baron Focused Growth Fund, 1.11%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers), Baron International Growth Fund, 1.04%, but the net annual expense ratio was 0.95% (net of the Adviser's fee waivers), Baron Real Estate Fund, 1.08%, Baron Emerging Markets Fund, 1.09%, Baron Global Advantage Fund, 1.00%, but the net annual expense ratio was 0.90% (net of the Adviser's fee waivers), Baron Real Estate Income Fund, 5.63%, but the net annual expense ratio was 0.80% (net of the Adviser's fee waivers), Baron Health Care Fund, 2.39%, but the net annual expense ratio was 0.85% (net of the Adviser's fee waivers), Baron FinTech Fund, 1.62%, but the net annual expense ratio was 0.95% (estimated for the current fiscal year, net of the Adviser's fee waivers), and Baron WealthBuilder Fund, 1.33%, but the net annual expense ratio was 1.23% (net of the Adviser's fee waivers).

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, 2031, 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](http://www.BaronFunds.com) or call 1-800-99BARON.

## The Drivers of Our Returns

The remarkable returns of most of our Funds have been strongly driven by long-term investments in exceptional businesses and secular growth trends that we have identified and thoroughly researched over the years. We invest in companies we believe have significant growth potential that the market has not yet appreciated, and we often have to wait for years before our investments pay off. Sometimes the market gradually recognizes a company's merits and value creation, but most of the time the payoffs are highly nonlinear. We may see slow growth and even below-market performance for several years before a stock takes off.

In 2020, the pandemic amplified the ongoing secular changes in multiple industries (e.g., digital transformation, e-commerce, cybersecurity, etc.), which boosted the stock prices of many businesses that are or may be beneficiaries of these trends. Our Funds were well positioned and benefitted, not only because of our strategic exposure to the accelerating areas, but also because of strong stock selection. As the table below shows, in 2020, stock selection contributed positively to all of our Funds except one and was a significant driver of outperformance. Over longer periods, stock selection has been positive and significant for all Baron Funds with no exceptions.

## Stock Selection Drove Baron's Excess Returns

### Contributions to Excess Return from Stock Selection

as of 12/31/2020 (Institutional Shares)

Asset Class	Fund Name	Fund Excess Return (annualized, vs. Primary Benchmark)				Excess Return from Stock Selection Effect (annualized, vs. Primary Benchmark)			
		1 Year	3 Years	5 Years	10 Years or Since Inception*	1 Year	3 Years	5 Year	10 Years or Since Inception*
Small Cap	Baron Growth Fund	-1.57%	5.88%	3.40%	1.58%	5.74%	7.49%	3.78%	2.11%
	Baron Small Cap Fund	6.05%	4.58%	3.52%	0.99%	7.98%	4.13%	3.32%	1.87%
	Baron Discovery Fund	31.50%	12.28%	12.16%	8.13%	32.44%	10.40%	11.17%	7.67%
Small-Mid Cap	Baron Focused Growth Fund	82.28%	24.65%	12.35%	3.83%	89.91%	26.03%	11.09%	3.56%
Mid Cap	Baron Asset Fund	-2.26%	2.08%	1.27%	0.60%	-1.01%	2.62%	1.29%	0.88%
Large Cap	Baron Fifth Avenue Growth Fund	12.32%	4.10%	2.24%	0.89%	13.25%	3.98%	2.14%	1.09%
	Baron Durable Advantage Fund	1.92%	2.16%	-	2.16%	5.85%	2.43%	-	2.43%
All Cap	Baron Partners Fund	113.59%	32.18%	18.74%	9.00%	108.29%	25.74%	11.72%	3.61%
	Baron Opportunity Fund	51.02%	19.84%	10.46%	2.16%	44.75%	15.47%	6.36%	0.78%
	Baron Emerging Markets Fund	10.91%	1.61%	0.07%	3.50%	6.49%	1.03%	1.04%	2.14%
International	Baron International Growth Fund	20.18%	6.82%	5.24%	3.90%	15.01%	4.41%	4.44%	3.29%
	Baron Global Advantage Fund	63.21%	25.93%	17.88%	10.80%	50.20%	20.03%	13.34%	7.34%
	Baron Real Estate Fund	40.07%	10.96%	6.84%	5.19%	25.70%	7.11%	3.05%	2.50%
Sector	Baron Real Estate Income Fund	31.00%	11.86%	-	11.86%	17.14%	9.17%	-	9.14%
	Baron Health Care Fund	28.38%	-	-	10.20%	31.01%	-	-	11.17%
	Baron FinTech Fund	28.80%	-	-	28.80%	18.52%	-	-	18.52%

Source: FactSet PA, Baron Capital.

\* Since inception for the Baron Funds younger than 10 years.

Notes: Excess Returns are calculated versus each Fund's primary benchmark. Stock Selection Effect was calculated using the Brinson performance attribution method and is a combination of selection and interaction effects. Brinson attribution is a form of relative performance attribution and was introduced to the investment industry in 1985, known as Brinson, Hood, Beebower (BHB). The BHB framework evaluates excess performance based on the manager's decision-making process. A portfolio manager that has discretion as to which sectors to invest in and which assets within those sectors to buy can be evaluated as to how well he or she executes those decisions. Which sectors to invest in are known as allocation decisions. Which assets to buy are known as selection decisions. For additional information, please see last page.

The performance data quoted represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

While many of our stocks rose significantly more than the broad market, the ranges of returns and contributions to Fund performance were wide. Our most lucrative investment for the year, Tesla, Inc., increased significantly and drove the returns of Baron Partners Fund and Baron Focused Growth

Fund, despite other excellent investments in these Funds, rising 50% – 100% for the year. For the rest of our Funds, the overall returns were driven by a variety of strongly performing holdings, as the table on the next page shows.

# Letter from Linda

## Baron's Returns Were Driven by Many Well-Performing Stocks

### Contributions to Return

as of 12/31/2020 (Institutional Shares)

Asset Class	Fund Name	Fund Return CY 2020	Fund Contribution to Return From Top Contributors			
			Top 1	Top 3	Top 5	Top 10
Small Cap	Baron Growth Fund	33.06%	7.05%	17.39%	23.70%	33.37%
	Baron Small Cap Fund	40.68%	4.95%	12.13%	16.76%	26.11%
	Baron Discovery Fund	66.13%	4.35%	12.14%	18.76%	31.97%
Small-Mid Cap	Baron Focused Growth Fund	122.75%	106.10%	126.83%	134.92%	141.78%
Mid Cap	Baron Asset Fund	33.33%	5.28%	10.06%	13.98%	21.74%
Large Cap	Baron Fifth Avenue Growth Fund	50.81%	9.44%	19.76%	26.25%	38.87%
	Baron Durable Advantage Fund	20.32%	2.38%	6.82%	9.90%	15.75%
All Cap	Baron Partners Fund	149.18%	139.80%	158.92%	170.15%	182.13%
	Baron Opportunity Fund	89.28%	16.81%	27.77%	33.33%	45.48%
	Baron Emerging Markets Fund	29.22%	3.44%	9.29%	13.41%	21.95%
International	Baron International Growth Fund	30.83%	2.92%	7.52%	10.89%	18.17%
	Baron Global Advantage Fund	79.46%	6.28%	16.85%	26.02%	42.39%
	Baron Real Estate Fund	44.28%	11.00%	20.10%	27.07%	37.76%
Sector	Baron Real Estate Income Fund	22.30%	9.95%	16.89%	20.95%	27.62%
	Baron Health Care Fund	47.72%	6.46%	14.63%	20.25%	28.87%
	Baron FinTech Fund	47.20%	6.69%	15.01%	20.70%	31.21%

Source: FactSet PA, Baron Capital.

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Furthermore, the top contributions to our performance came from a diverse group of stocks, with no or little overlap among Funds. In other words, a stock that was a top contributor for one Fund, was most likely not a top contributor for any or most of our other Funds. As the table below shows, among our 13 domestic Funds, including sector, there were 79 unique top 10 contributors to returns in 2020. 49 of them were a top 10 contributor to

only one Fund and another 18 stocks were a top 10 contributor to just two Funds. Only one stock was a top 10 contributor to six of our Funds at the same time. A top 10 contributor in one Fund may have not been a top contributor in another Fund, although it may have been held by both Funds over the same period. Our analysis shows similar results for our international/global Funds and for the three-year period ended 12/31/2020.

## Baron's Returns Were Driven by a Broad Variety of Stocks

### Breakdown of the Top 10 Contributors

(as of 12/31/2020)

	12/31/2019 - 12/31/2020		12/31/2017 - 12/31/2020	
	Top 10 Contributors to Baron's Domestic Funds, incl. Sector (13 Funds Total)	Top 10 Contributors to Baron's International/Global Funds (3 Funds Total)	Top 10 Contributors to Baron's Domestic Funds, incl. Sector (11 Funds Total)	Top 10 Contributors to Baron's International/Global Funds (3 Funds Total)
Total Number of Unique Top 10 Contributors	79	27	68	25
Contributors to 6 Funds	1	–	1	–
Contributors to 5 Funds	–	–	–	–
Contributors to 4 Funds	6	–	3	–
Contributors to 3 Funds	5	–	4	–
Contributors to 2 Funds	18	3	20	5
Contributors to 1 Fund	49	24	40	20
Information Technology	21	12	23	11
Health Care	19	5	11	4
Consumer Discretionary	13	6	10	7
Industrials	8	1	9	1
Communication Services	7	3	2	2
Financials	6	–	6	–
Real Estate	5	–	7	–
Disruptive Growth	32	15	22	14
Steady Growth	47	12	46	11

Source: FactSet PA, Baron Capital.

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

Dissecting the data further shows that there was a good balance of company growth profiles among the top contributors to our performance. In the domestic and sector Funds, 32 out of the 79 top contributors for 2020 were disruptive growth companies and the remaining 47 were steady growers. For the international and global Funds, a little more than half of the top contributors were disruptive growth companies. The balance is similar among the top contributors to our three-year returns. We characterize as disruptive growth those companies whose businesses are growing or we expect will grow rapidly as a result of disruptive change that they are causing or from which they are benefitting. Steady Growers are typically businesses with established market positions, strong competitive advantages, and more stable fundamentals that are growing or we expect will grow at a moderate to fast pace.

Our most lucrative investments in 2020 came from a broad variety of sectors, which is also presented in the table on the prior page.

For example, out of the 79 unique top 10 contributors in 2020 in the Baron domestic Funds, including sector, 21 came from the Information Technology (“IT”) sector, 19 came from Health Care, and 13 came from Consumer Discretionary. The diversity of top contributors was similarly significant over the past three years and in our international/global portfolios.

It is no coincidence that our top contributors came specifically from the sectors shown in the table on the prior page. Some of the strongest secular growth themes that we have identified are led by companies in these sectors. For example, the disruptive changes caused by cloud computing, artificial intelligence, and big data are mostly driven by IT companies; trends in genomics, minimally invasive surgery, and animal health are mostly driven by Health Care companies; and the secular shift to e-commerce is mostly driven by businesses in the Consumer Discretionary sector.

**What’s Next**

Despite the already impressive performance of the top contributors to our returns, we believe that for many of them there is significant upside, and we continue to be invested. We believe that some of these companies are the prime beneficiaries of secular growth trends that are in their early days, with multifold returns yet to be made. Of course, we do not expect the stocks of these businesses to increase smoothly over time, but we believe that the long-term outcomes will eclipse any short-term fluctuations.

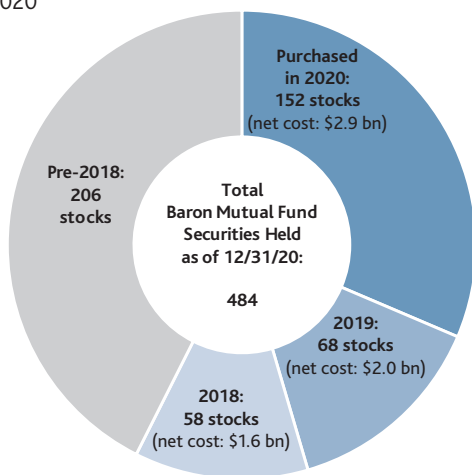
We also expect that a significant part of our future returns will be driven by stocks that we purchased over the past few years. The market volatility and the changing environment in 2020 presented us with a unique window of opportunity for purchasing stocks.

During the year, we added 152 new names that we still hold in our mutual funds, which is a little more than half of the total number of securities purchased over the past three years and are still held, as shown in the left chart below. Our net cost for these securities was \$2.9 billion.

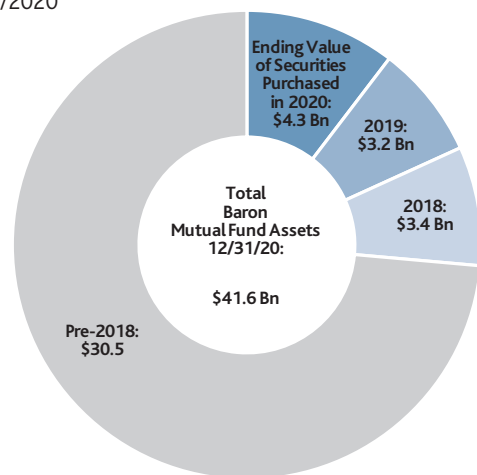
As the chart further shows, 278 of the 484 securities held by our mutual Funds at the end of 2020 were purchased over the past three years. Our aggregate net investment in these securities was \$6.5 billion. As of 12/31/2020, our investments in these companies had grown to nearly \$11 billion, which is around 26% of our net mutual Fund assets. The chart on the right below shows a breakdown of the market values of our holdings by vintage.

**Recent Baron Investments Represent A Large Number of Our Stocks and a Quarter of Our Assets**

**Number of New Securities Purchased by Year \***  
as of 12/31/2020



**Value of Net Purchases by Vintage**  
as of 12/31/2020



Source: FactSet PA, Baron Capital.

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

\*New Securities Purchased includes only those stocks that were not held by any Baron Mutual Fund before the beginning of the period and were still held by at least one Baron Mutual Fund at the end of the period.

Net cost is calculated as the total amount of purchases of New Securities Purchased less any subsequent sales of these securities.

# Letter from Linda

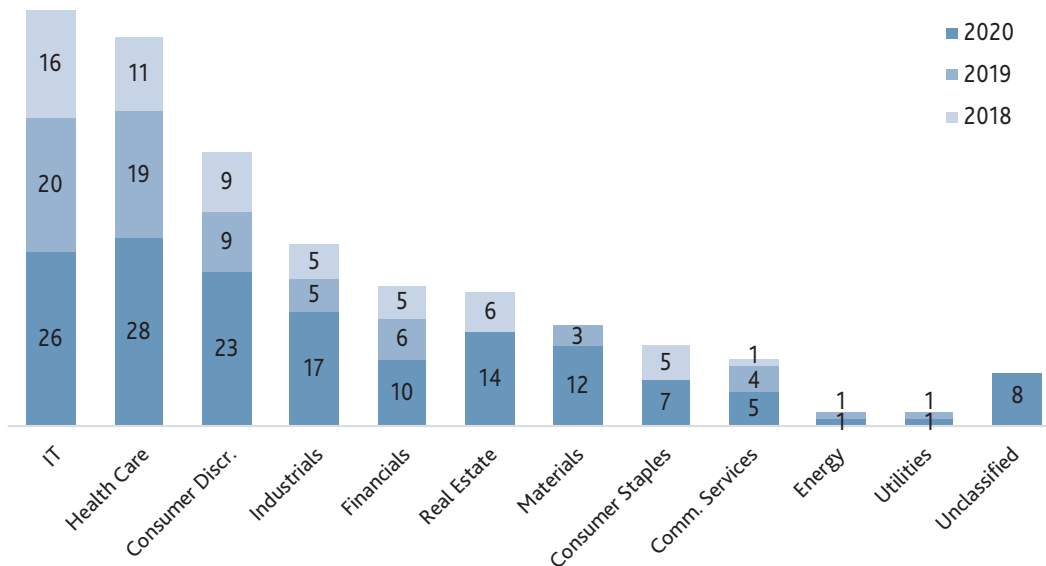
We expect these recent investments to multiply in value over the next few years, although there are no guarantees. Similar to the top 10 contributors to

our past returns, our recent investments span across multiple sectors, with an emphasis on the IT, Health Care, and Consumer Discretionary sectors.

## Baron's New Purchases Have Come from Diverse Areas

Number of New Securities Purchased\* by Sector and By Year

as of 12/31/2020



Source: FactSet PA, Baron Capital.

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

\*New Securities Purchased includes only those stocks that were not held by any Baron Mutual Fund before the beginning of the period and were still held by at least one Baron Mutual Fund at the end of the period.

Our new purchases were well balanced between stable and disruptive growth businesses. Some of our more recent disruptive investments include cloud-based platforms Snowflake Inc. and ZoomInfo Technologies, Inc., both of which we expect to benefit from the strong secular trends in the adoption of cloud-based computing and storage, as well as the growing demand for data insights.

In our international portfolios, a couple of new investments, one stable growth and one disruptive, were Kingsoft Corp. Ltd., an internet service and software company, and Ozon Holdings PLC, a leading Russian internet retailer. Both businesses are benefitting from the global shift toward digitization. In 2020, COVID accelerated the penetration of digitization and how people do and transact business, which gave an additional boost to these companies.

Genomics is another long-term theme where we have been investing. As the cost of DNA sequencing has declined, new applications for DNA sequencing have emerged in cancer diagnostics and treatment, as well as in reproductive health. Examples of newly established positions in this space include disruptive growth companies Adaptive Biotechnologies Corporation, which offers ClonoSeq for detection and monitoring of minimal residual disease in blood cancers and is developing early disease detection tests and other products based on its immune system sequencing platform; 10X Genomics, Inc., whose technology enables life sciences researchers to conduct high throughput single-cell and spatial genomic analysis using Illumina sequencers; and Pacific Biosciences of California, Inc., which offers a differentiated long-read sequencing platform for genetic analysis.

Some of our recent purchases are in newer companies and in early-stage trends, and we have invested via private equity, special purpose acquisition

companies, and IPOs. While we have participated in such offerings, 65% of our new purchases over the past three years that are still held have been in listed companies with longer trading histories.

Our investment style has not changed, and neither has our outlook. Despite the turbulent 2020, our long-term view on the U.S. and global economies remains optimistic. We do not know, nor are we trying to guess, if 2021 will be more like 2020 or 2019. Our attention and efforts remain firmly on the long run.

Last year was an unsettling reminder to investors that the future is unpredictable, and so is the stock market. As we have often written, no one can time the market consistently and profit from that in the long run. Those investors sitting on cash at the start of 2020 perhaps thought they outsmarted the market when it fell 35% by late March. If they failed to invest then, they have likely missed out on some handsome returns. Those who sold their stocks in March, and stayed out of the market, perhaps regret their decision today. And so, our advice remains: do not try to time the market, invest for the long term, and preferably, do it with a skilled active investor.

Sincerely,

Linda S. Martinson  
Chairman, President and COO



**Disclosures:**

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.

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.

Global Advantage Fund's 3- and 5-year, Discovery Fund's 1-, 3- and 5-year, and Opportunity Fund's 3-, 5- and 10-year historical performance 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.

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 document reflect those of the respective writer. Some of our comments are based on 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 as a percentage of net assets as of December 31, 2020 for securities mentioned are as follows: **Snowflake Inc.** – Baron Opportunity Fund (1.2%), Baron Fifth Avenue Growth Fund (1.9%), Baron Global Advantage Fund (1.8%); **ZoomInfo Technologies Inc.** – Baron Asset Fund (1.4%), Baron Opportunity Fund (2.5%), Baron Fifth Avenue Growth Fund (2.0%), Baron Global Advantage Fund (2.0%), Baron FinTech Fund (1.0%); **Kingsoft Corporation Ltd.** – Baron International Growth Fund (0.7%), Baron Emerging Markets Fund (1.3%); **Ozon Holdings PLC** – Baron Emerging Markets Fund (0.4%); **Adaptive Biotechnologies Corporation** – Baron Growth Fund (0.3%), Baron Health Care Fund (0.8%); **10X Genomics, Inc.** – Baron Asset Fund (0.2%), Baron Opportunity Fund (0.5%), Baron Fifth Avenue Growth Fund (1.8%), Baron Global Advantage Fund (1.8%), Baron Health Care Fund (1.1%); **Pacific Biosciences of California, Inc.** – Baron Opportunity Fund (1.5%), Baron Discovery Fund (1.9%), Baron Health Care Fund (3.2%).

Baron Partners Fund's Top 10 Holdings as of 12/31/2020 were as follows:

GICS Sector	Holding	% of Total Investments
Consumer Discretionary	Tesla, Inc.	44.6
Industrials	CoStar Group, Inc.	9.4
Health Care	IDEXX Laboratories, Inc.	5.5
Communication Services	Zillow Group, Inc.	5.2
Consumer Discretionary	Vail Resorts, Inc.	3.6
Financials	Arch Capital Group Ltd.	3.3
Financials	FactSet Research Systems, Inc.	3.2
Industrials	Space Exploration Technologies Corp.	3.0
Consumer Discretionary	Hyatt Hotels Corp.	3.0
Financials	The Charles Schwab Corp.	2.9
	<b>Total</b>	<b>83.7</b>
	Long Equity Exposure	105.3
	Cash & Equivalents	(5.3)

Baron Focused Growth Fund's Top 10 Holdings as of 12/31/2020 were as follows:

GICS Sector	Holding	% of Net Assets
Consumer Discretionary	Tesla, Inc.	38.4
Industrials	CoStar Group, Inc.	8.6
Consumer Discretionary	Penn National Gaming, Inc.	7.8
Consumer Discretionary	Vail Resorts, Inc.	5.6
Consumer Discretionary	Hyatt Hotels Corp.	3.8
Financials	FactSet Research Systems, Inc.	3.8
Industrials	Space Exploration Technologies Corp.	2.6
Consumer Discretionary	Choice Hotels International, Inc.	2.5
Communication Services	Iridium Communications Inc.	2.4
Communication Services	Spotify Technology S.A.	2.4
	<b>Total</b>	<b>77.9</b>

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

## Letter from Linda

The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell 2000® Growth Index** 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 U.S. 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 3000® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. The **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. The **MSCI ACWI Index** measures the equity market performance of large and midcap securities across developed and emerging markets, including the United States. The **MSCI ACWI ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 26 Emerging Markets countries. **MSCI USA IMI Extended Real Estate Net Index** is an unmanaged custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classified securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. **MSCI US REIT Index** is an unmanaged free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. MSCI is a trademark of Russell Investment Group. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

The stock selection effect appearing in the table on page 3 measures the aggregate result of the portfolio manager's ability to select securities within each of the GICS sectors relative to their benchmarks. The over or underperformance of the portfolio within each sector is weighted by the benchmark sector weight, therefore, selection is not affected by the manager's allocation to the sector. The weight of the sector in the benchmark determines the size of the effect – the larger the sector, the larger the effect is, positive or negative. Selection effect is calculated as follows:  $[(\text{benchmark weight}) * ((\text{portfolio return}) - (\text{benchmark return}))]$ . For a full description of the Brinson attribution method, please refer to Brinson, Gary P., L. Randolph Hood, and Gilbert L. Beebower, "Determinants of Portfolio Performance," *Financial Analysts Journal*, July-August 1986, pp. 39-44.

**Sharpe Ratio** is a risk-adjusted performance statistic that measures reward per unit of risk. The higher the Sharpe ratio, the better a fund's risk adjusted performance. **Information Ratio** (Info Ratio) is a ratio of portfolio returns above the returns of a benchmark -- usually an index -- to the volatility of those returns.

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).



## Appendix

Baron Funds vs. Primary Benchmarks and Category Averages – Sharpe Ratios and Information Ratios  
as of 12/31/2020

## Sharpe Ratios:

Asset Class	Fund Name	Primary Benchmark	Morningstar Category	3 Years			5 Years			10 Years or Since Inception*		
				Fund Benchmark	Average	Category	Fund Benchmark	Average	Category	Fund Benchmark	Average	Category
Small Cap	Baron Growth Fund	Russell 2000 Growth Index	Mid-Cap Growth	0.86	0.57	0.80	0.95	0.71	0.90	0.87	0.67	0.79
	Baron Small Cap Fund	Russell 2000 Growth Index	Small Growth	0.75	0.57	0.67	0.90	0.71	0.79	0.76	0.67	0.68
	Baron Discovery Fund	Russell 2000 Growth Index	Small Growth	0.97	0.57	0.67	1.19	0.71	0.79	0.93	0.61	0.64
Small-Mid Cap	Baron Focused Growth Fund	Russell 2500 Growth Index	Mid-Cap Growth	1.28	0.76	0.80	1.10	0.86	0.90	0.83	0.80	0.79
Mid Cap	Baron Asset Fund	Russell Midcap Growth Index	Mid-Cap Growth	1.04	0.87	0.80	1.10	0.98	0.90	0.97	0.91	0.79
Large Cap	Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	Large Growth	1.26	1.08	0.95	1.25	1.22	1.05	1.06	1.16	0.97
	Baron Durable Advantage Fund	S&P 500 Index	Large Growth	0.83	0.67	0.95	–	–	–	0.83	0.67	0.95
All Cap	Baron Partners Fund	Russell Midcap Growth Index	Mid-Cap Growth	1.30	0.87	0.80	1.12	0.98	0.90	0.92	0.91	0.79
	Baron Opportunity Fund	Russell 3000 Growth Index	Large Growth	1.83	1.04	0.95	1.54	1.18	1.05	1.03	1.13	0.97
	Baron Emerging Markets Fund	MSCI Emerging Markets Index	Diversified Emerging Mkts	0.29	0.23	0.19	0.65	0.66	0.59	0.40	0.17	0.14
International	Baron International Growth Fund	MSCI ACWI ex USA Index	Foreign Large Growth	0.52	0.18	0.55	0.81	0.50	0.73	0.53	0.28	0.48
	Baron Global Advantage Fund	MSCI ACWI Index	World Large Stock	1.55	0.46	0.46	1.52	0.74	0.72	1.15	0.70	0.71
Sector	Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	Real Estate	0.70	0.23	0.14	0.76	0.44	0.24	0.85	0.63	0.47
	Baron Real Estate Income Fund	MSCI US REIT Index	Real Estate	0.71	0.03	0.14	–	–	–	0.71	0.03	0.14
Fund of Funds	Baron WealthBuilder Fund	S&P 500 Index	Allocation–85%+ Equity	1.07	0.67	0.38	–	–	–	1.07	0.67	0.38

Source: FactSet, Morningstar Direct, Baron Capital.

\* Since inception for the Baron Funds younger than 10 years.

The performance data quoted represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Portfolio holdings are subject to change.

## Information Ratios

Asset Class	Fund Name	Primary Benchmark	Morningstar Category	3 Years		5 Years		10 Years or Since Inception*	
				Fund	Category Average	Fund	Category Average	Fund	Category Average
Small Cap	Baron Growth Fund	Russell 2000 Growth Index	Mid-Cap Growth	0.88	0.53	0.48	0.18	0.23	–0.04
	Baron Small Cap Fund	Russell 2000 Growth Index	Small Growth	0.74	0.67	0.58	0.39	0.18	–0.18
	Baron Discovery Fund	Russell 2000 Growth Index	Small Growth	1.42	0.67	1.59	0.39	0.97	–0.91
Small– Mid Cap	Baron Focused Growth Fund	Russell 2500 Growth Index	Mid-Cap Growth	1.20	–0.19	0.72	–0.36	0.30	–0.56
Mid Cap	Baron Asset Fund	Russell Midcap Growth Index	Mid-Cap Growth	0.46	–0.56	0.29	–0.60	0.15	–0.91
Large Cap	Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	Large Growth	0.58	–1.28	0.32	–1.43	0.14	–1.28
	Baron Durable Advantage Fund	S&P 500 Index	Large Growth	0.52	1.67	–	–	0.52	1.67
All Cap	Baron Partners Fund	Russell Midcap Growth Index	Mid-Cap Growth	1.29	–0.56	0.92	–0.60	0.59	–0.91
	Baron Opportunity Fund	Russell 3000 Growth Index	Large Growth	2.58	–1.24	1.30	–1.44	0.26	–1.36
	Baron Emerging Markets Fund	MSCI Emerging Markets Index	Diversified Emerging Mkts	0.28	–0.28	0.01	–0.57	0.52	–0.21
International	Baron International Growth Fund	MSCI ACWI ex USA Index	Foreign Large Growth	1.03	1.45	0.86	0.71	0.67	0.71
	Baron Global Advantage Fund	MSCI ACWI Index	World Large Stock	2.08	–0.08	1.59	–0.35	1.06	–0.15
Sector	Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	Real Estate	1.28	–0.33	0.86	–0.66	0.73	–0.39
	Baron Real Estate Income Fund	MSCI US REIT Index	Real Estate	1.28	1.23	–	–	1.28	1.23
Fund of Funds	Baron WealthBuilder Fund	S&P 500 Index	Allocation–85%+ Equity	1.54	–1.58	–	–	1.54	–1.58

Source: FactSet, Morningstar Direct, Baron Capital.

\* Since inception for the Baron Funds younger than 10 years.

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