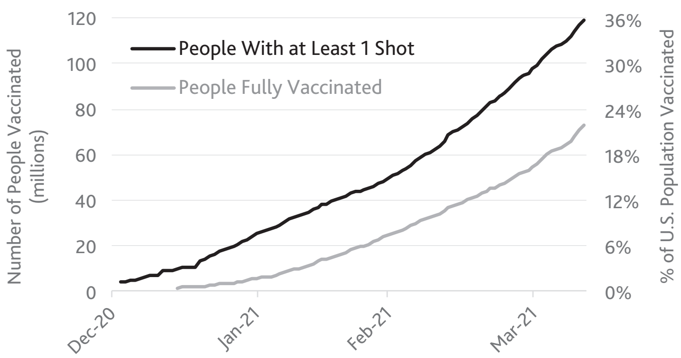
It has been a full year in pandemic mode and things are finally starting to improve. The infection rate is still dangerously high, but vaccine production and distribution are advancing rapidly, and the pandemic seems to be at a pivotal point. And so is the economy. Businesses are reopening, more people are returning to their pre-pandemic routines, and mobility is on the rise. Baseball is in full swing, and the basketball and hockey seasons are progressing well. Restaurant dining is closing the gap from its pre-pandemic levels and air travel is well off its lows and rebounding rapidly, although some of the recent change may be due to Spring break.

Vaccinations are Progressing, and Mobility is on The Rise

COVID Vaccinations

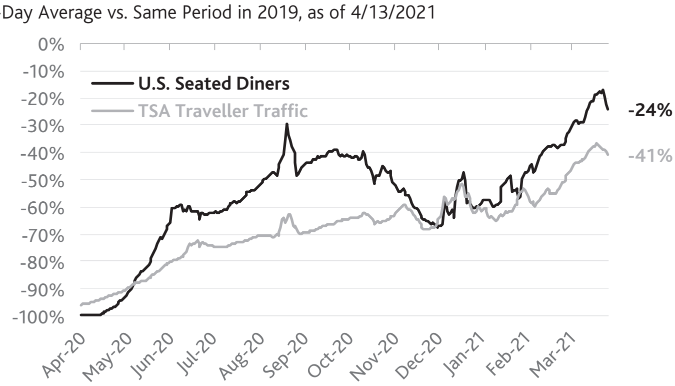
as of 4/13/2021



Source: Centers for Disease Control and Prevention

Travel and Restaurant Activity

7-Day Average vs. Same Period in 2019, as of 4/13/2021



Source: Transportation Security Administration, OpenTable.

Of course, there is much work to be done before the gaps close and economic losses are recovered. And some losses may be recovered more quickly than others, particularly because certain areas of the economy and people were more severely affected. Yet, the subsiding effects of the pandemic and the recent pace of positive developments are encouraging, which makes us feel more optimistic about the economy. The March jobs report smashed expectations and showed significant increase in employment in leisure and hospitality, which were among the worst affected businesses last year. Employment was also higher in education,

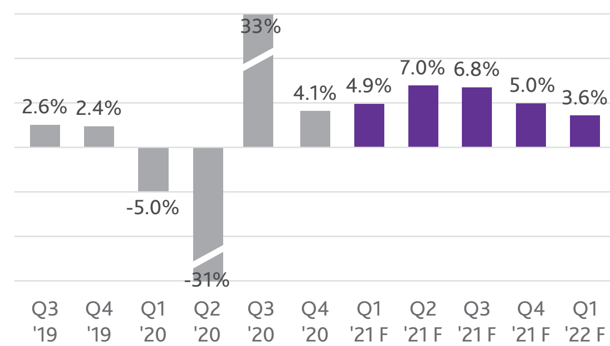
LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

construction, manufacturing, and services, among other areas. We believe the economy is well positioned for a strong second quarter. Economists also expect declining unemployment and a significant increase in U.S. economic output throughout 2021, as shown on the charts below.

The Economy Is Recovering at a Solid Pace

U.S. Real GDP Growth

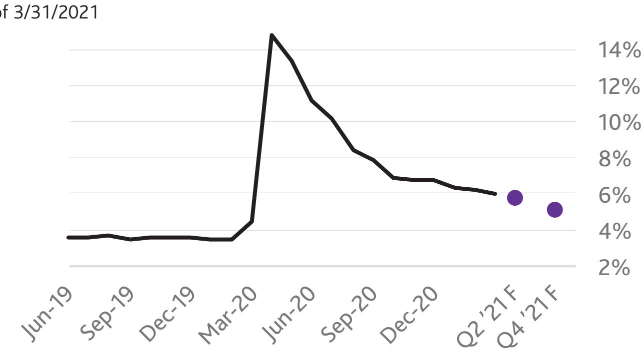
as of 3/31/2021



Sources: U.S. Bureau of Economic Analysis, WSJ Economic Survey.

U.S. Civilian Unemployment Rate

as of 3/31/2021



Sources: U.S. Bureau of Labor Statistics, WSJ Economic Survey.

Letter from Linda

With rising optimism and strong company earnings and earnings expectations, and despite some concerns of rising rates and inflation, the U.S. stock market reached new highs in March. As of 3/31/2021, the S&P 500 Index had risen ~78% from its lows about a year ago, rewarding those investors that stayed put during the pandemic-driven decline.

Stocks Have Recovered, and Earnings are on The Rise

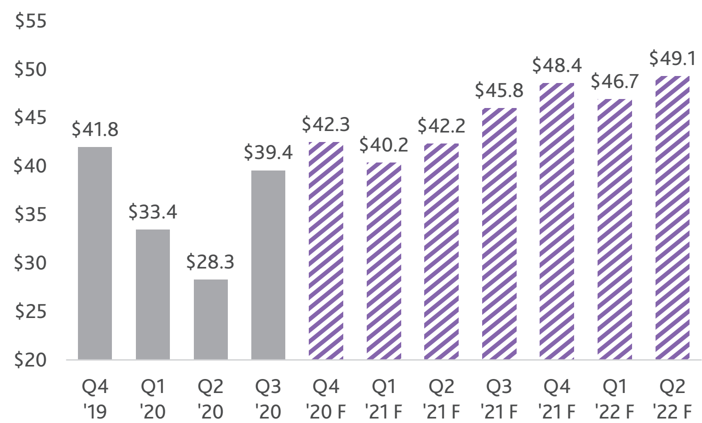
S&P 500 Index

as of 3/31/2021

Source: FactSet. Performance does not include dividends.
The performance data quoted represents past performance.
Past performance is no guarantee of future results.

S&P 500 Index - Quarterly Earnings per Share

as of 3/31/2021



Source: FactSet. Purple bars represent forecasts via FactSet estimates.

During the first quarter of 2021, we saw a continued rotation toward value stocks. The Energy and Financials sectors, which primarily consist of value stocks, performed best. Real estate investment trusts (REITs) also outperformed the broad market, although performance varied significantly by real estate type. Other property-related segments, like homebuilding, real estate services, and hotels and resorts also beat the S&P 500 Index by a significant margin, as the chart below shows.

Q1 2021 Performance Has Been Strong but Uneven

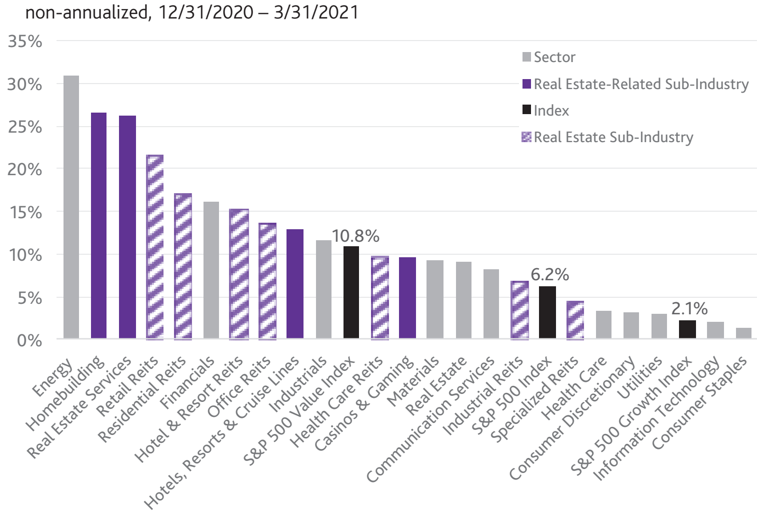
S&P 500 Index – Q1 2021 Performance by Sector

non-annualized, 12/31/2020 – 3/31/2021

GICS Sector	Return
Energy	30.85%
Financials	15.99%
Industrials	11.41%
Materials	9.08%
Real Estate	9.02%
Communication Services	8.03%
S&P 500 Index	**6.17%**
Health Care	3.18%
Consumer Discretionary	3.11%
Utilities	2.80%
Information Technology	1.98%
Consumer Staples	1.15%

Q1 2021 Performance by Segment

non-annualized, 12/31/2020 – 3/31/2021



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

Despite the quick market rebound since last year's trough and strong performance in Q1 2021, stock prices in some areas have not fully recovered or are significantly lagging the pace of the broad market. As the table below shows, travel and leisure businesses and REITs still trade below their pre-pandemic highs, which puts them behind the rest of the market.

Real Estate is Lagging the Broad Market's Recovery

Cumulative Returns by Period

	COVID Panic 2/19/20 - 3/23/20	Return Needed to Recover Losses	COVID Recovery 3/23/20 - 3/31/21
S&P 500 Index	-33.8%	51.0%	80.7%
Russell 3000 Index	-35.0%	53.8%	88.1%
Russell 3000 Index – Real Estate	-42.5%	74.0%	44.4%
Russell 3000 Index – REITs	-42.2%	73.0%	42.2%
Russell 3000 Index – Hotels	-50.2%	100.7%	52.3%
Russell 3000 Index – Travel & Leisure	-47.6%	90.8%	60.4%

Source: FactSet.
Note: The COVID Panic period dates are the peak and trough dates of the S&P 500 Index during its decline after the World Health Organization declared COVID a pandemic.
The performance data quoted represents past performance. Past performance is no guarantee of future results.

Real estate and real estate-related businesses are notable not only because we see remaining upside in their continued recovery, but also because we believe that currently there are particularly attractive investment opportunities, given where we are in the cycle.

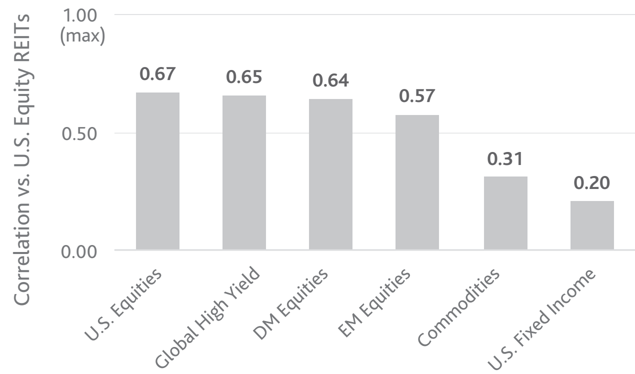
Similar to the broader economy, real estate is cyclical. A typical cycle lasts five to seven years, going from recovery through expansion, followed by exuberance, and ending with a recession. The effects of real estate cyclicalty propagate through all industries at various degrees, typically most affecting direct real estate investments, like REITs, and other businesses whose revenues and cash flows are strongly tied to real estate (e.g., hotels, resorts, casinos, home improvement). Following the significant decline in economic activity and stock prices in 2020, we believe that real estate and real estate-related businesses are in the initial stages of a new multi-year cycle. If the expectations for strong economic growth, continued low interest and mortgage rates, and accommodative central bank policy come true, as we believe will happen, real estate should be poised to deliver a strong multi-year performance.

In addition to the above, we believe that equity real estate presents an attractive investment opportunity due to its potential diversification benefits. As the charts on the right show, over a long period of time, REITs have had a modest correlation versus stocks and a low correlation versus bonds and commodities. At the same time, REITs have been the best performer over the past 20 years.

REITs Have Historically Offered Diversification and High Returns

Historical 20-Year Correlations of U.S. Equity REITs vs. Other Asset Types

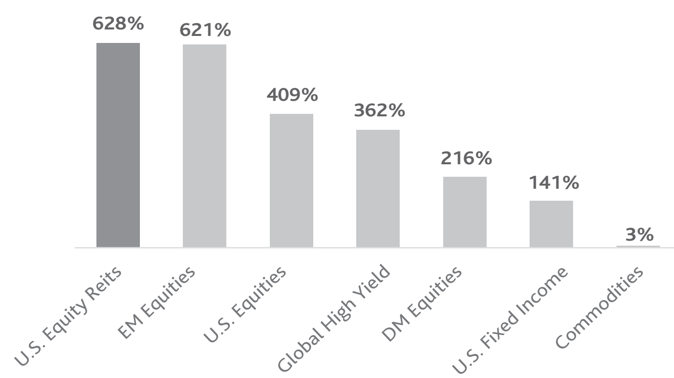
3/31/2001 – 3/31/2021



Note: A correlation of zero implies no relationship, while correlations close to 1 or -1 imply a strong positive or negative relationship, respectively.
Correlations between 0.50 and 0.70 are generally considered moderate.
Correlation does not imply there is a causal relationship.

Historical 20-Year Cumulative Returns

3/31/2001 – 3/31/2021



Source: FactSet. Indexes used are as follows: U.S. Equity REITs: FTSE Nareit All Equity REITs Index; U.S. Equities: S&P 500 Index; Global High Yield: Bloomberg Barclays Global High Yield Index; DM Equities: MSCI EAFE Index; EM Equities: MSCI Emerging Markets Index; Commodities: Bloomberg Commodity Index; U.S. Fixed Income: Bloomberg Barclays US Aggregate Index.
The performance data quoted represents past performance. Past performance is no guarantee of future results.

Correlation is a statistical measure of how two variables (in the chart above, two indexes) move in relation to each other. While the correlation benefits and upside potential may differ from one real estate investment to another, we believe that a skilled active manager could capture and incorporate an attractive balance of these features. Note that diversification could help reduce certain investment risks, but it cannot guarantee profit or protect against a loss.

In addition, real estate has offered a good, although not always full, protection against inflation in the past. According to academic research, real estate can be considered a hedge against inflation, under the assumption that future rent growth and property values tend to increase when prices do.

Real Estate Is More Than REITs

For many investors, equity real estate investing is generally synonymous with investing in REITs. REITs are companies that own (and in many cases operate) income-producing real estate, including office and apartment buildings, hotels, shopping centers, industrial centers, storage facilities and many other. Pursuant to SEC guidelines, REITs must have the bulk of their assets and income connected to real estate investments and must distribute at least 90% of their taxable income to shareholders annually in the form of dividends. The dividends are derived from a stream of contractual rents paid by the tenants of the properties owned by the REIT. In addition to dividends, REITs may generate value for investors through long-term capital appreciation.

Since their creation in 1960, REITs have become a significant part of the economy, with approximately $3.5 trillion in gross real estate assets, according to Q4 2020 data from the National Association of Real Estate Investment Trusts. Many REIT stocks are publicly traded, and today they dominate the real estate sector composition in broad market indexes such as the S&P 500 Index and the Russell 3000 Index. A number of popular real estate indexes are entirely or almost entirely composed of REITs, and the biggest real estate passive products in the U.S. are benchmarked to those.

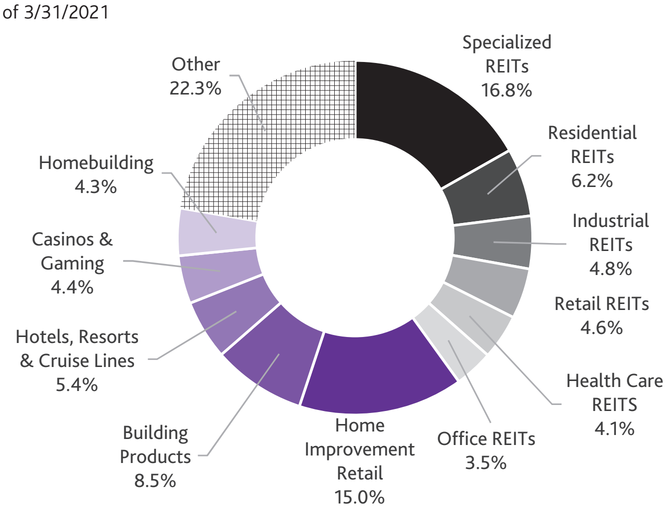
As useful and important as REITs are, real estate investing is not limited to just REITs. In our view, there are attractive real estate-related investing opportunities across all sectors. Location, uniqueness, and other property specifics can result in significant competitive advantages for some non-real estate businesses.

The MSCI USA IMI Extended Real Estate Index, a custom benchmark that Baron helped create over a decade ago, is one example of a broader real estate view. About 40% of the index consists of various types of REITs and the remaining weight is allocated to selected sub-industries that MSCI considers related to real estate, some of which are listed in the chart below.

Real Estate Beyond the GICS Real Estate Sector

MSCI USA IMI Extended Real Estate Index Weights

as of 3/31/2021



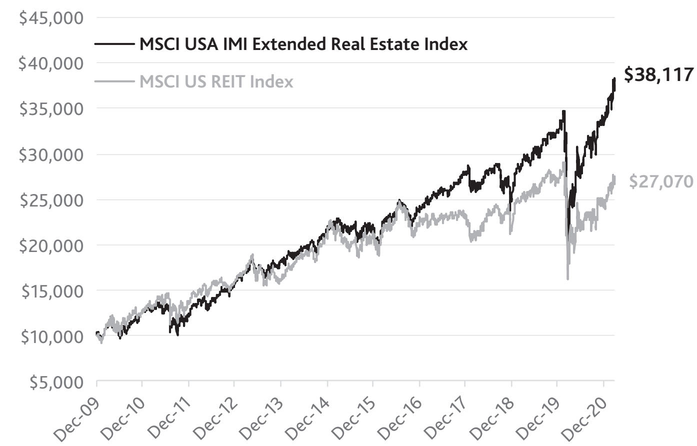
Source: MSCI Inc.

Since its inception at the end of 2009, the extended real estate index has outperformed REITs by a significant margin, as the chart below shows. Performance has been stronger over the short and medium terms, too.

A Broader Approach to Real Estate Has Generated Better Performance

Growth of $10,000

12/31/2009 – 3/31/2021



Cumulative Total Returns

as of 3/31/2021

	MSCI USA IMI Extended Real Estate Index	MSCI US REIT Index	Return Difference
1 Year	64.2%	36.1%	28.1%
3 Years	43.5%	26.6%	16.9%
5 Years	66.8%	21.8%	45.0%
10 Years	190.3%	100.7%	89.6%

Source: FactSet. Based on net total returns.
The performance data quoted represents past performance. Past performance is no guarantee of future results.

Despite the broader scope of the MSCI USA IMI Extended Real Estate Index, its definition and periodic rebalancing are formulaic and backward looking, as are all indexes. In our view, formulas cannot fully appreciate the qualities of a property, nor can they connect these qualities with the competitive advantages and growth prospects of a business, or the skill of its management, to assess the overall investment opportunity. Moreover, given the lack of clarity of how much office space will be needed in the future, whether business travel will return to pre-pandemic levels, or the impact on urban living and brick and mortar retail, having a view of the future and the flexibility to change things are more critical than ever for public real estate investors. We believe that a skilled active manager could navigate the tricky real estate investment landscape better than an index and generate alpha.

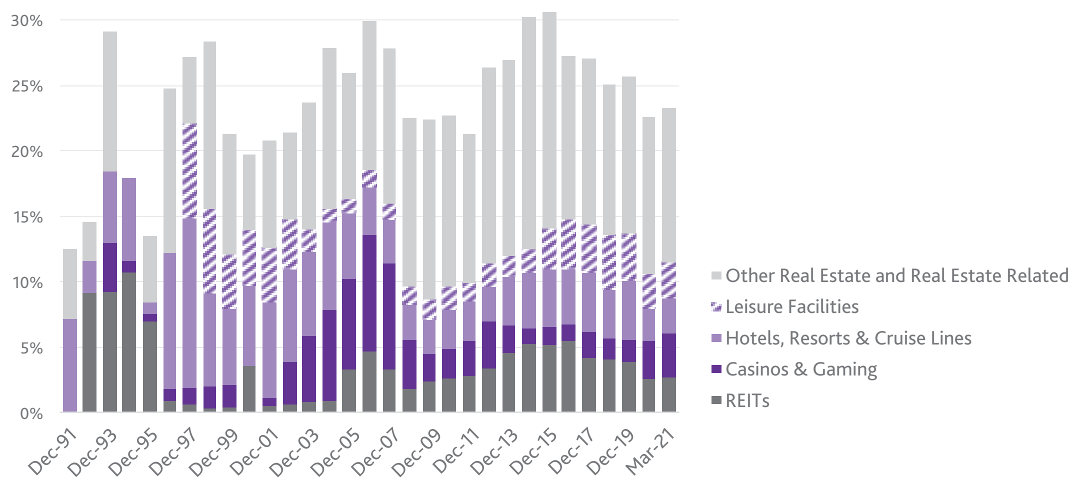
Baron's Approach to Real Estate Investing

Real estate-related businesses have been a significant source of investment ideas at Baron throughout the history of our Firm. As the chart below shows, as of 3/31/2021 nearly a quarter of Baron's assets were invested in what we consider real estate-related businesses across a variety of categories, and our allocation to such investments has been significant for the past 30 years. We consider real estate-related businesses those whose cash flows, competitive advantages, and prospects are tied to real estate or to secular growth trends in real estate.

Baron Has a Long History of Investing in Real Estate

Baron Funds – % of Net Assets Invested in Real Estate and Real Estate-Related Businesses

12/31/1991 – 3/31/2021



Source: FactSet, Baron Capital.

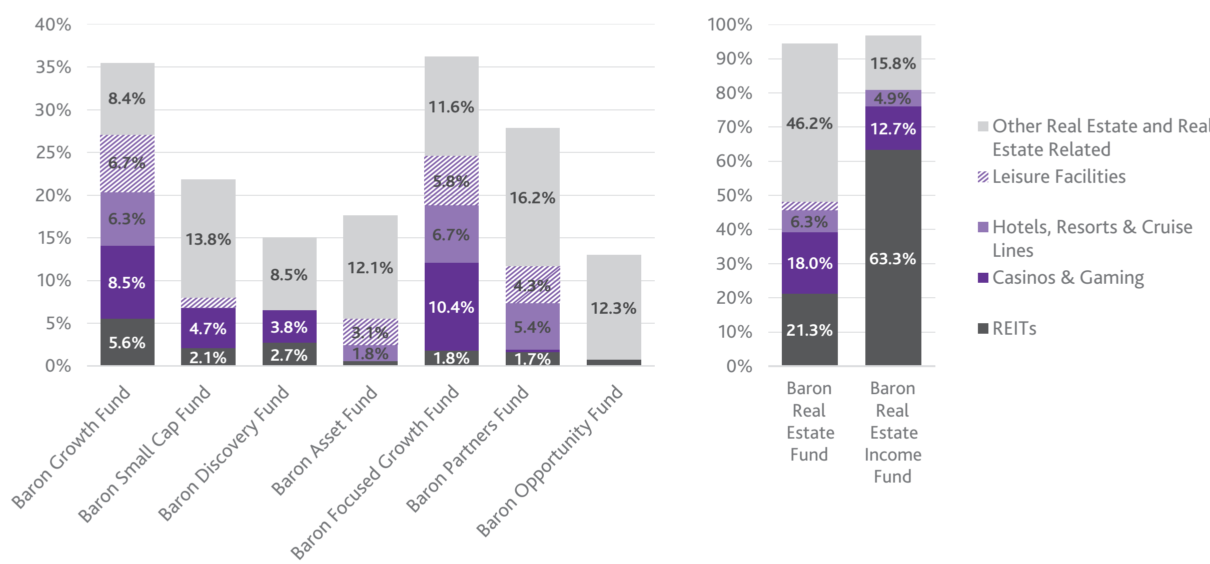
Our dedicated real estate investment team consists of four exceptional investment professionals. Three of them have been at Baron for over a decade, and two have been with the Firm for 16 years. However, our expertise in real estate does not end there – many of our portfolio managers have long-term expertise in real estate-related investing.

We believe that our strong team and decades of institutional knowledge in investing in real estate and real estate-related businesses make Baron's approach and offerings unique. Most of our Funds have meaningful exposures to real estate-related companies, and we also have two sector Funds which focus entirely on real estate.

Baron Has Significant Exposure to Real Estate-Related Companies

Baron Funds – % of Net Assets Invested in Real Estate and Real Estate-Related Businesses

as of 3/31/2021



Source: FactSet, Baron Capital.

As of March 31, Baron had investments worth over $10 billion in real estate-related companies across all mutual Funds we manage. This represents around 23% of our mutual Fund assets under management. Our top 10 largest mutual Fund investments in the area have a combined value of over $6 billion, as shown in the table below. Our cost for these investments was $1.5 billion, and over time they have generated $5.8 billion in realized and unrealized gains for our shareholders, including dividends. For more information about these companies, please see Appendix 1 to this letter with business descriptions and our investment premises.

Baron's Top Real Estate-Related Holdings Have Generated Significant Returns

Baron Funds – Top 10 Largest Real Estate-Related Positions (Currently Held)

as of 3/31/2021

Security Name	Aggregate Baron Funds Cost (millions)	Aggregate Baron Funds Gains* (millions)	Aggregate Baron Funds Investment Value (millions)	Aggregate Baron Funds % of Net Assets	# of Years Held	Security Cumulative Total Return	Security Annualized Total Return	Security Cumulative Excess Return vs. Russell 3000 Growth Index	Security Annualized Excess Return vs. Russell 3000 Growth Index
CoStar Group, Inc.	$175.8	$1,554.3	$1,388.1	3.2%	19.4	4637.1%	22.0%	4054.4%	11.6%
Vail Resorts, Inc.	$124.8	$1,110.0	$1,093.0	2.5%	24.2	1469.7%	12.1%	725.5%	2.8%
Penn National Gaming, Inc.	$126.9	$1,044.7	$914.4	2.1%	12.7	1463.7%	24.1%	1024.7%	9.9%
Zillow Group, Inc.	$171.3	$465.6	$601.4	1.4%	5.6	414.2%	33.8%	261.0%	15.8%
GDS Holdings Ltd.	$320.6	$131.4	$432.7	1.0%	3.2	195.3%	40.6%	123.7%	22.1%
Choice Hotels International, Inc.	$84.1	$546.7	$398.2	0.9%	24.4	2137.5%	14.2%	1553.4%	6.0%
Marriott Vacations Worldwide Corp.	$148.7	$233.0	$365.1	0.8%	8.1	350.5%	20.5%	63.2%	2.2%
Gaming and Leisure Properties, Inc.	$173.0	$222.1	$323.1	0.7%	7.4	99.9%	9.8%	-122.0%	-7.3%
Hyatt Hotels Corp.	$113.5	$207.9	$312.9	0.7%	11.4	201.5%	10.2%	-314.5%	-7.1%
Trex Company, Inc.	$59.9	$312.9	$305.6	0.7%	7.0	929.6%	39.5%	723.9%	22.2%
Total:	**$1,498.6**	**$5,828.6**	**$6,134.5**	**14.1%**					

Source: FactSet, Baron Capital.
* *Including dividends.*
The performance data quoted represents past performance. Past performance is no guarantee of future results.

These 10 stocks are not only our largest investments related to real estate, they are also some of our longest-held investments. All 10 investments have delivered significant absolute returns over time, and eight of 10 have outperformed the Russell 3000 Growth Index since we first purchased them. Hyatt Hotels Corp., a hotel operator, and Gaming and Leisure Properties, Inc., a specialized REIT, were among the more significantly impacted businesses during COVID which explains a large part of their underperformance. Despite the recent challenges, our investment theses for both companies are unchanged, and we believe their long-term competitive advantages remain intact and that they will deliver strong results in the future.

We believe our time-tested approach and investing principles will continue to lead to strong results. Real estate-related investments have contributed significantly to our absolute and relative returns, mainly through strong stock selection. The tables on the next page show several significant outcomes as of 3/31/2021 for the Baron Funds with more significant real estate-related exposures:

(i) The Funds have generated strong positive absolute returns over the past year and longer periods.

(ii) The Funds have generated positive excess returns over the long term.

(iii) Stock selection has been a positive contributor and a driver of excess returns over the long term.

(iv) Stock selection in real estate-related companies has been a positive contributor and a driver of the Funds' overall stock selection over the long term.

Baron's Scorecard

Baron Mutual Funds with Significant Real Estate-Related Exposures – Absolute and Relative Performance

as of 3/31/2021 (Institutional Shares)

	Fund Performance (annualized, except for 1Q '21)					Primary Benchmark (annualized, except for 1Q '21)					Fund Excess Return vs. Primary Benchmark (annualized, except for 1Q '21)				
	1Q '21	1 Year	3 Years	5 Years	10 Years or SI*	1Q '21	1 Year	3 Years	5 Years	10 Years or SI*	1Q '21	1 Year	3 Years	5 Years	10 Years or SI*
Baron Growth Fund	0.94%	72.85%	21.47%	19.91%	14.13%	4.88%	90.20%	17.16%	18.61%	13.02%	-3.94%	-17.35%	4.31%	1.30%	1.11%
Baron Small Cap Fund	2.67%	88.40%	20.71%	21.19%	13.68%	4.88%	90.20%	17.16%	18.61%	13.02%	-2.21%	-1.80%	3.55%	2.58%	0.66%
Baron Discovery Fund	7.47%	123.05%	32.16%	31.52%	21.38%	4.88%	90.20%	17.16%	18.61%	13.12%	2.59%	32.85%	15.00%	12.91%	8.26%
Baron Asset Fund	-1.03%	58.28%	20.31%	20.05%	14.74%	-0.57%	68.61%	19.41%	18.39%	14.11%	-0.46%	-10.33%	0.90%	1.66%	0.63%
Baron Focused Growth Fund	0.11%	167.83%	44.10%	31.27%	18.02%	2.49%	87.50%	19.96%	19.91%	14.21%	-2.38%	80.33%	24.14%	11.36%	3.81%
Baron Partners Fund	-0.38%	213.03%	50.75%	38.03%	23.14%	-0.57%	68.61%	19.41%	18.39%	14.11%	0.19%	144.42%	31.34%	19.64%	9.03%
Baron Opportunity Fund	0.88%	104.55%	38.62%	33.50%	18.37%	1.19%	64.31%	22.39%	20.87%	16.35%	-0.31%	40.24%	16.23%	12.63%	2.02%

	Fund Stock Selection Effect vs. Primary Benchmark (annualized, except for 1Q '21)					Stock Selection Effect in Real Estate Related Companies (annualized, except for 1Q '21)					Attribution Total Effect in Real Estate Related Companies (annualized, except for 1Q '21)				
	1Q '21	1 Year	3 Years	5 Years	10 Years or SI*	1Q '21	1 Year	3 Years	5 Years	10 Years or SI*	1Q '21	1 Year	3 Years	5 Years	10 Years or SI*
Baron Growth Fund	-5.05%	-8.19%	6.09%	2.37%	1.33%	-2.83%	-2.39%	0.66%	1.13%	0.31%	-0.90%	0.91%	0.84%	1.09%	0.67%
Baron Small Cap Fund	-3.81%	-0.73%	2.57%	2.38%	1.09%	-1.06%	1.00%	1.51%	0.66%	-0.04%	-0.35%	2.36%	1.78%	0.80%	0.38%
Baron Discovery Fund	2.41%	33.04%	13.08%	11.42%	7.66%	-0.003%	5.99%	3.36%	1.99%	1.03%	0.20%	7.27%	3.79%	2.26%	1.34%
Baron Asset Fund	-0.84%	-5.01%	2.57%	1.27%	1.08%	-0.92%	-0.48%	0.53%	0.94%	0.69%	-0.03%	-0.43%	0.20%	0.71%	0.60%
Baron Focused Growth Fund	-8.23%	61.16%	24.86%	10.86%	3.80%	-2.04%	7.48%	3.74%	4.15%	1.06%	-0.08%	9.28%	2.21%	3.15%	0.88%
Baron Partners Fund	-4.13%	97.39%	27.21%	13.79%	4.61%	-2.22%	12.24%	3.25%	4.95%	1.84%	-0.67%	8.07%	-0.14%	3.27%	1.39%
Baron Opportunity Fund	-1.82%	34.50%	12.73%	8.88%	0.41%	-0.25%	2.66%	1.86%	1.74%	0.57%	0.49%	3.30%	1.91%	1.84%	0.85%

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.

Fund Primary Benchmarks: *for Baron Growth Fund, Baron Small Cap Fund, and Baron Discovery Fund – Russell 2000 Growth Index; Baron Asset Fund and Baron Partners Fund – Russell Midcap Growth Index; Baron Opportunity Fund – Russell 3000 Growth Index; Baron Focused Growth Fund – Russell 2500 Growth 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 Opportunity Fund – 2/29/2000; Baron Partners Fund – 1/31/1992; Baron Focused Growth Fund – 5/31/1996.*

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 or call 1-800-99BARON.

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 Discovery Fund, 1.08%. Annual expense ratios for Inst. Shares as of 12/31/2020: Baron Partners Fund, 1.30% (comprised of operating expenses of 1.05% and interest expense of 0.25%), Baron Focused Growth Fund, 1.07%.

As we previously mentioned, Baron has a distinct approach to real estate investing. We find opportunities in a wide group of real estate categories, and we are not limited by index or GICS boundaries. Just like in other areas, we research companies one by one and focus on sustainable, long-term growth opportunities, lasting competitive advantages, and strong management teams. We also evaluate real estate-related specifics such as asset quality, short vs. long term leases, commercial vs. residential real estate, interest rate sensitivity, and cyclical and secular forces, among other factors. We like unique real estate assets and high-quality products or services enabled by property specifics. Yet, there isn't a single set of rules that we follow when we look for these opportunities and when we make our evaluations, which is largely why our real estate-related investments come from many areas.

One example of a business we consider real estate-related is **Vail Resorts, Inc.** Vail is the largest operator of ski resorts in North America. It owns and operates 37 world class ski resorts in some of the most desired locations in the U.S, Canada, and Australia. Vail's competitive advantages are directly related to the quality and uniqueness of these properties and to its successful long-term real estate development expertise. We believe that the strong customer demand for top quality outdoor experiences, combined with the company's efforts to attract more customers through the expansion of attractions for non-skiers should work well and further grow Vail's customer base.

We also consider real estate-related those companies that provide goods and services to the real estate sector. **Trex Company, Inc.**, the largest U.S. manufacturer of wood-alternative decking and railing, is one such investment we have in several of our Funds. The company has 40% market share, with 90% of sales tied to the U.S. construction repair/remodel segment. While Trex's revenues and cash flows are not directly tied to properties, they are tied to trends in construction and real estate market activity. Trex is 2.5 times the size of its next biggest competitor and maintains a cost advantage by processing recycled raw materials, which give it strong competitive advantages.

Zillow Group, Inc. is an example of a real estate-related company whose competitive advantages are not tied to a specific property but to a vast portfolio of properties not owned by the company. Zillow operates the leading residential real estate websites in the U.S., including Zillow.com, Trulia.com, StreetEasy.com, and Hotpads.com. The company also operates a mortgage marketplace and the Zillow Offers home-buying business. Zillow has less than 10% share of the $19 billion-plus U.S. real estate advertising market. With the leading brands in each of its relevant categories, we believe Zillow will continue to take share in the online and offline real estate advertising markets for years to come. Zillow is also an example of the convergence between real estate and technology, known as proptech. The growing demand for efficiency in real estate transactions combined with digitalization have given rise to a secular growth trend around real estate and technology, a theme in which we have several investments.

Other real estate-related themes that we are currently investing in include residential real estate, COVID-19 recovery beneficiaries, and niche REITs. For more information and examples on these themes, please see portfolio manager Jeff Kolitch's quarterly letter for Baron Real Estate Fund.

Baron's Real Estate Sector Funds

Our conviction and successful track record in real estate were among the key reasons behind the launch of two real estate-specific Baron Funds. Baron Real Estate Fund was established at the end of 2009, and Baron Real Estate Income Fund was added at the end of 2017. Both Funds have been managed by Jeff Kolitch, and our seasoned analyst David Kirshenbaum is an assistant portfolio manager of Baron Real Estate Income Fund. We view the two products as highly complementary to each other. Baron Real Estate Fund is mostly focused on best-in-class real estate-related businesses with attractive growth prospects over the long term, while Baron Real Estate Income Fund's primary emphasis is income producing real estate investment trusts. The table below outlines the key similarities and differences between the two Funds.

The Baron Real Estate Sector Funds Are Complementary

	Baron Real Estate Income Fund	Baron Real Estate Fund
Investment Objective	Income & capital appreciation	Capital appreciation
Equity vs. Income Orientation	Greater than 75% income	Equity
Typical exposure to REITs	75% or more	25% – 30%
Real Estate Category Focus	Primarily commercial real estate	Commercial and residential real estate
Market Capitalization Focus	All Cap	All Cap
Typical number of securities	30 – 45	40 – 60
Weight of top 10 securities as of 3/31/2021	35.8%	33.7%

Source: FactSet, Baron Capital.

Since their inceptions, both Funds have generated outstanding absolute and relative returns driven by strong stock selection.

The Baron Real Estate Sector Funds Have Generated Strong Performance

Baron Real Estate Fund and Baron Real Estate Income Fund – Performance

as of 3/31/2021 (Institutional Shares)

	1Q '21	1 Year	3 Years	5 Years	10 Years	Since Inception
Baron Real Estate Fund	11.08%	99.99%	24.02%	19.54%	15.94%	17.39%
MSCI USA IMI Extended Real Estate Index	12.20%	64.19%	12.79%	10.77%	11.25%	12.63%
Fund Excess Return	-1.12%	35.80%	11.23%	8.77%	4.69%	4.76%
Fund Total Stock Selection Effect	0.42%	14.56%	6.57%	4.38%	4.20%	
Stock Selection From non-REITs	0.58%	15.28%	3.02%	1.48%	3.22%	
Stock Selection From REITs	-0.16%	-0.72%	3.55%	2.90%	0.98%	
Baron Real Estate Income Fund	7.58%	56.17%	19.36%			15.53%
MSCI US REIT Index	8.50%	36.13%	8.18%			4.67%
Fund Excess Return	-0.92%	20.04%	11.18%			10.86%
Fund Total Stock Selection Effect	0.57%	2.11%	2.75%			2.83%

Source: Baron Capital, FactSet.
The MSCI USA IMI Extended Real Estate Index's inception date is 12/23/2010. Performance attribution results prior to 12/23/2010 are not available for Baron Real Estate Fund.
***Fund Primary Benchmarks:** for Baron Real Estate Fund – MSCI USA IMI Extended Real Estate Index; for Baron Real Estate Income Fund – MSCI US REIT Index.*
***Fund Inception Dates:** for Baron Real Estate Fund – 12/31/2009; Baron Real Estate Income Fund – 12/29/2017.*
The performance data quoted represents past performance. Past performance is no guarantee of future results. The indexes and the Funds include reinvestment of dividends, net of withholding taxes, which positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly in an index.
Annual expense ratios for Inst. Shares as of 12/31/2020: Baron Real Estate Fund, 1.08%, Baron Real Estate Income Fund, 0.80%.

The strong performance of the two Funds, especially over longer periods, has ranked them in the top quartile of their Morningstar peer group the majority of the time. As of 3/31/2021, Baron Real Estate Fund ranked in the 1st percentile by 3-, 5-, and 10-year returns, and in the 2nd percentile by 1-year returns. Baron Real Estate Income Fund's scorecard has also been impressive: 2nd percentile for 3-year returns and 8th percentile for 1-year returns.

Performance Rankings

as of 3/31/2021 (Institutional Shares)

	% Of Time Ranked in the Top Quartile of the Morningstar Real Estate Category			
	1-Year Rolling Rankings	3-Year Rolling Rankings	5-Year Rolling Rankings	10-Year Rolling Rankings
Baron Real Estate Fund	59%	70%	75%	100%
Baron Real Estate Income Fund	64%	100%		

Source: Morningstar Direct.
The performance data quoted represents past performance. Past performance is no guarantee of future results.

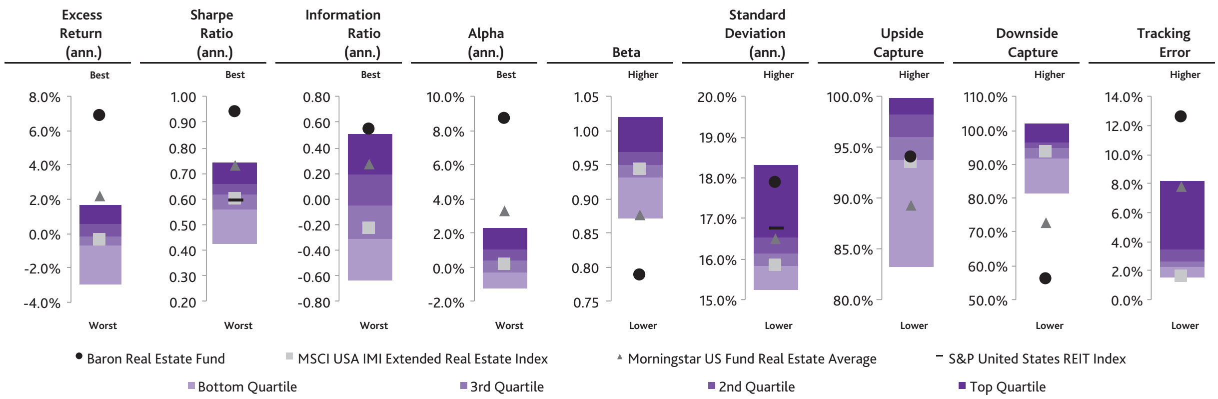
As of 3/31/2021, the Morningstar Real Estate Category consisted of 248, 225, 201, and 145 share classes for the 1-, 3-, 5-, and 10-year periods. Morningstar calculates the Morningstar Real Estate Category Average performance and rankings using its Fractional Weighting methodology. Morningstar rankings 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.

Moreover, the top performance of both Funds has been accompanied by strong risk-adjusted returns. As the charts below show, since their inception dates the Funds have generated outstanding return-to-risk payoffs (Sharpe Ratio and Information Ratio), high alphas with low betas, and impressive upside and downside capture ratios.

The Baron Real Estate Sector Funds Have Attractive Risk-Adjusted Returns

Baron Real Estate Fund – Performance-Based Characteristics Since Inception

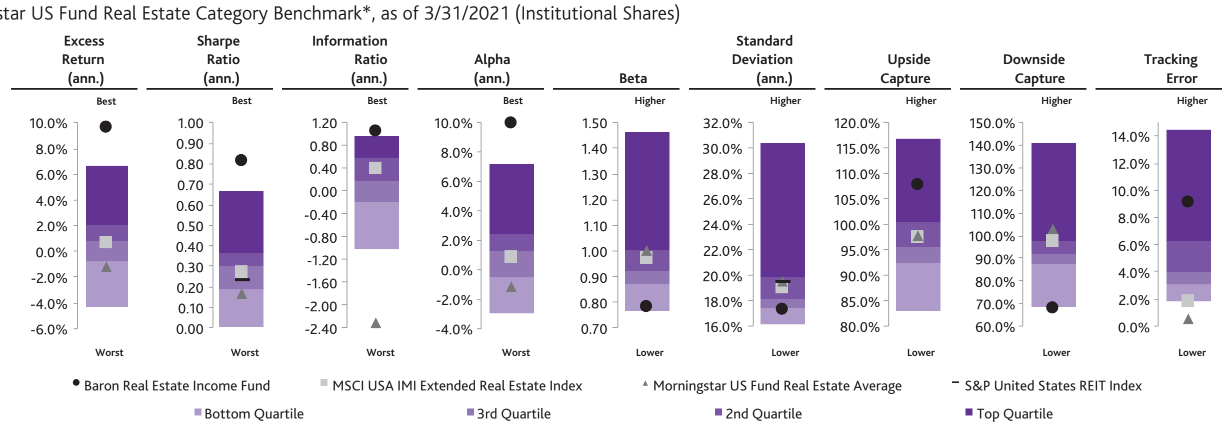
vs. the Morningstar Real Estate Category Benchmark*, as of 3/31/2021 (Institutional Shares)



Source: Morningstar Direct.
* *The S&P United States REIT Index.*
The performance data quoted represents past performance. Past performance is no guarantee of future results.

Baron Real Estate Income Fund – Performance-Based Characteristics Since Inception

vs. the Morningstar US Fund Real Estate Category Benchmark*, as of 3/31/2021 (Institutional Shares)



Source: Morningstar Direct.
* *The S&P United States REIT Index.*
The performance data quoted represents past performance. Past performance is no guarantee of future results.

In addition, both Funds have generated strong results in rising rate environments. We believe that interest rates will remain low relative to history for an extended period, but we understand that some investors may think differently. Broadly speaking, the share price movements of real estate-heavy companies (both REITs and non-REITs) tend to be more sensitive to changes in interest rates due to two key considerations. First, many real estate-related companies utilize a high proportion of debt in the capitalization of their companies. When interest rates rise, higher borrowing costs negatively impact earnings growth and real estate values. Second, some real estate companies, most notably REITs, pay out dividends. When interest rates rise, the relative attractiveness of REIT dividend yields decreases.

Nonetheless, there have been periods when real estate-related stocks rise as rates increase. Interest rates are only one of many factors that move company stock prices. Companies will be impacted differently depending on their idiosyncrasies, industry, competitive landscape, and capital structure, among other things.

The overall economic environment may also counter or amplify the effects of rising rates. Interest rates could increase at times of improving economic conditions, as a result of higher capital demand. On the other hand, they could increase due to worsening conditions, like higher inflation.

In the table below, we show six rising rate periods that we have identified since 2010.

The S&P 500 Index increased in all six periods, the MSCI USA IMI Extended Real Estate increased in five of them, and the MSCI US REIT Index generated positive returns half of the time. Baron Real Estate Fund delivered positive returns and outperformed its primary benchmark in all periods except for 2017/18. Baron Real Estate Income Fund also generated solid absolute and excess performance in the one period of rising rates since its inception.

The Baron Real Estate Sector Funds Performed Well When Rates Rose

Cumulative Returns During Periods of Rising Rates

			Cumulative Total Returns				
Rising Rate Period	**Increase in 10-Year Treasury Yield**	**Change in 10-Year Treasury Yield (bps)**	**S&P 500 Index**	**MSCI US REIT Index**	**MSCI USA IMI Extended Real Estate Index**	**Baron Real Estate Fund**	**Baron Real Estate Income Fund**
10/8/2010 – 2/10/2011	2.38% to 3.72%	+ 134 bps	14.17%	9.04%	13.85%	**16.61%**	
7/24/2012 – 1/1/2014	1.39% to 3.04%	+ 165 bps	42.60%	3.47%	32.83%	**60.33%**	
1/30/2015 – 6/10/2015	1.64% to 2.48%	+ 84 bps	6.38%	-10.62%	-1.36%	**3.76%**	
7/8/2016 – 3/13/2017	1.36% to 2.63%	+ 127 bps	13.07%	-8.43%	1.42%	**5.92%**	
9/7/2017 – 10/5/2018	2.06% to 3.23%	+ 117 bps	19.48%	-1.97%	4.56%	**-1.82%**	
3/9/2020 – 3/31/2021	0.50% to 1.74%	+ 124 bps	47.33%	12.00%	35.18%	**83.59%**	**44.85%**

Source: FactSet, Board of Governors of the Federal Reserve System (US).
The analysis is based on daily data. The quoted performance for the Baron Funds is for the Institutional Shares.
The performance data quoted represents past performance. Past performance is no guarantee of future results.
The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly in an index.

The table above shows one additional important outcome – the S&P 500 Index has delivered strong returns over all analyzed periods of rising rates. We believe this is an important observation, particularly for those investors who may be concerned with how rising rates may impact equities. Our analysis over a longer period of history shows a similar outcome – equities have rarely declined in rising rate environments (full analysis in Appendix 2).

Notwithstanding the uncertainty of the current environment, we are optimistic about the prospects for stocks and the economy. It is precisely in periods of uncertainty when skilled active managers can add value by identifying mispriced opportunities and secular shifts, or simply by staying put. While we do not know what lies ahead, our seasoned research team will continue to work tirelessly to identify what we believe are the best investment opportunities.

Sincerely,

Linda S. Martinson
Chairman, President and COO

Appendix 1 – Baron Funds Top Ten Real Estate-Related Holdings & Investment Premises
as of 3/31/2021

Company	Market Capitalization (billions)	Company Description	Baron's Investment Premise	GICS Sub-Industry
CoStar Group, Inc.	$ 32.39	**CoStar Group, Inc. (CSGP)** is the leading provider of information and marketing services to the commercial real estate industry.	CoStar has built a proprietary database through data collection over a 20-year period, creating high barriers to entry. We think CoStar's suite should grow at mid-teens rates, and we believe its Loopnet marketing platform can grow even faster. The Apartments.com platform has emerged as the dominant multi-family internet listing service and should grow revenue more than 20%. CoStar is starting to expand into residential, creating additional significant growth opportunities. Its balance sheet and cash generation create M&A optionality.	Research & Consulting Services
Vail Resorts, Inc.	$ 11.74	**Vail Resorts, Inc. (MTN)** is the largest ski resort operator in North America. It owns 37 resorts in the U.S., Canada, and Australia, including Vail and Breckenridge in Colorado, Whistler Blackcomb in Canada, and Stowe in Vermont. Its RockResorts brand offers luxury ski lodging properties.	Most of Vail's revenue comes from its ski resorts. The company has been upgrading its properties to offer new and higher quality services and amenities and summer recreational activities, which we believe should help attract more visitors and allow it to continue to raise lift ticket prices. Vail is also focused on increasing season pass sales and has been acquiring resorts and forming partnerships to enhance the attractiveness of its season pass. The company generates strong free cash flow that it is using for increased dividends, debt reduction, and share buybacks.	Leisure Facilities
Penn National Gaming, Inc.	$ 16.41	**Penn National Gaming, Inc. (PENN)** is the largest and most diversified regional casino operator, with 42 facilities in 19 jurisdictions. Penn has a history of acquiring quality gaming companies at favorable prices that are accretive. It also has a 36% interest in online sports betting company Barstool.	We think Penn is one of the best regional gaming operators, with a strong and experienced management team and the highest gaming-tax adjusted margins in the industry. We think there is much potential to grow through the acquisition of Barstool and casino companies Pinnacle Entertainment, Margaritaville, and Greektown. Penn should generate substantial synergies from all four deals, and we expect the deals to add value for shareholders over time through debt reduction and further investment in the core business and its Barstool digital platform.	Casinos & Gaming
Zillow Group, Inc. Class A	$ 31.31	**Zillow Group, Inc. (ZG)** operates the leading residential real estate websites in the U.S., including Zillow.com, Trulia.com, StreetEasy.com, and Hotpads.com. Zillow also operates a mortgage marketplace and the Zillow Offers home-buying business.	Zillow Group has less than 10% share of the $19 billion-plus U.S. real estate advertising market. With the leading brands in each of its relevant categories, we believe Zillow will continue to take share in the online and offline real estate advertising markets for years to come. In our view, Zillow is well positioned to penetrate the large online real estate advertising opportunity with substantial upside from Offers, which could grow the company's addressable market in both houses to be bought/sold and leads provided to Premier Agents, as well as from Zillow Home Loans.	Interactive Media & Services
GDS Holdings Ltd.	$ 15.16	**GDS Holdings Limited (GDS)** is a market-leading China-based operator of data centers with over 50 data centers, five markets, and approximately 320,000 square meters in service. More than 50% of its revenue comes from top Chinese internet companies.	We believe that as the preferred provider to Alibaba and Tencent, GDS is poised to benefit from the exploding growth in cloud computing in China. Cloud adoption is still in the early stages in China, and GDS is capturing more than its fair share of incremental deployments due to its proven track record and carrier-neutral value proposition.	Internet Services & Infrastructure
Choice Hotels International, Inc.	$ 5.96	**Choice Hotels International, Inc. (CHH)** is one of the largest hotel franchisors in the world with brands in the economy, midscale, and upscale segments. Its franchise contracts are long term, with many as long as 20 years. Brands include Quality Inn, Comfort Inn, Comfort Suites, Cambria Suites, and Ascend.	Choice has a strong franchising business with recurring revenue. It has demonstrated consistent profitability across up and down cycles through increased rates and occupancy, new unit growth, and increased royalty rates. The company has a strong pipeline of new hotel franchises and is looking to expand the number of upscale brands in its portfolio through acquisitions and new brand creations like Cambria Suites and Ascend Collection. It is also selling its systems to third-party hotels, which we think will generate significant income over time.	Hotels, Resorts & Cruise Lines
Marriott Vacations Worldwide Corporation	$ 7.18	**Marriott Vacations Worldwide Corp. (VAC)** sells timeshare products, manages resorts, finances consumer purchases, and rents timeshare inventory. It has 100 timeshare resorts with 660,000 owners and completed its acquisition of Interval Leisure in August 2018.	A strong timeshare market has helped the company generate consistent revenue and earnings even during uncertain times which has allowed it to produce substantial free cash flow for share buybacks and increased dividends. The Interval Leisure and Welk acquisitions should be accretive and accelerate growth in the years to come, in our view. Management has outlined only cost synergies. We think revenue synergies could be as much as cost synergies over time, which should lead to strong earnings and free cash flow that is not currently being valued by the market.	Hotels, Resorts & Cruise Lines

Company	Market Capitalization (billions)	Company Description	Baron's Investment Premise	GICS Sub-Industry
Gaming and Leisure Properties, Inc.	$ 9.88	**Gaming and Leisure Properties, Inc. (GLPI)** holds all of the real property interests related to the gaming operations of Penn National Gaming, Tropicana, the Casino Queen in Illinois, and four assets of Boyd Gaming in Ohio and Missouri. It also owns and operates Penn's Baton Rouge and Maryland casinos.	Management has indicated it expects to spend about $500 million a year on acquisitions. The company, structured as a REIT, expects to finance these transactions with half debt and half equity. It has a $1.1 billion credit facility at 2% interest, and its stock trades at 12.5 times forward EBITDA, so buyouts should be free cash flow accretive and add significantly to the dividend, in our view. It has a strong balance sheet and should be able to make further acquisitions and increase its dividend. Its current 6.5% dividend yield remains attractive based on 2022 estimates.	Specialized REITs
Hyatt Hotels Corporation	$ 8.38	**Hyatt Hotels Corp. (H)** is a global hospitality company with 974 Hyatt-branded properties representing 235,272 keys. The company's brands include Park Hyatt, Grand Hyatt, Hyatt Regency, Hyatt, Hyatt Place, and Hyatt Summerfield Suite. It derives 60% of EBITDA from fees and 40% from owned assets.	We believe Hyatt has a significant opportunity to market more of its brands globally, given an undersupply of rooms in developing countries. Compared to its competitors, Hyatt has the least brand penetration across the globe and the largest pipeline of unit growth. We believe its asset light strategy and strong balance sheet, coupled with continued strong pricing for hotel assets, give Hyatt an opportunity to generate strong growth. The resulting potential increased cash flow could be used for continued share repurchases and further acquisitions.	Hotels, Resorts & Cruise Lines
Trex Company, Inc.	$ 10.61	**Trex Company, Inc. (TREX)** is the largest U.S. manufacturer of wood-alternative decking and railing, with 40% market share. The majority of sales come from the U.S., with 90% of sales tied to the U.S. construction repair/remodel segment.	Trex is the pioneer and leader in composite decking, which is taking share from wood decking due to its low maintenance qualities. Trex continues gaining share, and is now 2.5 times the size of its next biggest competitor. We think it can double its volumes with minimal incremental CapEx needs at high incremental margins. Trex is expanding internationally and into new markets, and an improving U.S.. housing industry should boost long-term demand as well. Lastly, Trex maintains a cost advantage by processing recycled raw materials.	Building Products

Appendix 2 – S&P 500 Index Performance in Periods of Rising Rates

as of 3/31/2021, based on monthly data

			10-Yr Treasury Rate			
From	To	Length (months)	Start	End	Change	S&P 500 Index Return
4/30/1954	10/31/1957	42	2.25%	3.99%	1.74%	67.94%
4/30/1958	12/31/1959	20	2.83%	4.77%	1.94%	45.99%
5/31/1961	8/31/1966	63	3.68%	5.36%	1.68%	36.93%
3/31/1967	5/31/1970	38	4.50%	7.95%	3.45%	-6.08%
10/31/1971	9/30/1975	47	5.87%	8.48%	2.61%	2.68%
12/31/1976	9/30/1981	57	6.81%	15.84%	9.03%	38.26%
4/30/1983	5/31/1984	13	10.27%	13.91%	3.64%	-3.89%
8/31/1986	9/30/1987	13	6.95%	9.63%	2.68%	31.57%
9/30/1993	11/30/1994	14	5.40%	7.91%	2.51%	2.15%
12/31/1995	8/31/1996	8	5.58%	6.96%	1.38%	7.45%
9/30/1998	1/31/2000	16	4.44%	6.68%	2.24%	39.44%
5/31/2003	6/30/2006	37	3.37%	5.14%	1.77%	39.33%
12/31/2008	3/31/2010	15	2.06%	3.84%	1.78%	33.28%
7/31/2012	12/31/2013	17	1.47%	2.97%	1.50%	38.34%
7/31/2016	11/30/2018	28	1.45%	3.01%	1.56%	33.16%
7/31/2020	3/31/2021	8	0.54%	1.74%	1.20%	22.78%

Source: FactSet, Board of Governors of the Federal Reserve System (US).
The performance data quoted represents past performance. Past performance is no guarantee of future results. Index performance is not Fund performance; one cannot invest directly in an index.

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. 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.

Asset Fund's 1Q 2021, **Discovery Fund's** 1Q 2021, 3- and 5-year, and **Opportunity Fund's** 1Q 2021, 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.

Risks: In addition to general market conditions, the value of the Real Estate and Real Estate Income Funds will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Funds invest in debt securities which are affected by changes in prevailing interest rates and the perceived credit quality of the issuer. The Funds invest in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

Portfolio holdings as a percentage of net assets as of March 31, 2021 for securities mentioned are as follows: – **CoStar Group, Inc.** – Baron Asset Fund (3.1%), Baron Growth Fund (5.7%), Baron Opportunity Fund (1.7%), Baron Partners Fund (8.7%*), Baron Focused Growth Fund (7.6%), Baron Real Estate Fund (2.5%), Baron FinTech Fund (2.1%); **Vail Resorts, Inc.** – Baron Asset Fund (3.1%), Baron Growth Fund (6.7%), Baron Partners Fund (4.2%*), Baron Focused Growth Fund (5.8%); **Penn National Gaming, Inc.** – Baron Growth Fund (7.6%), Baron Small Cap Fund (2.5%), Baron Focused Growth Fund (9.4%), Baron Real Estate Fund (3.4%), Baron Discovery Fund (1.3%), Baron Real Estate Income Fund (2.1%); **Zillow Group, Inc.** – Baron Asset Fund (2.9%), Baron Opportunity Fund (1.7%), Baron Real Estate Fund (3.2%), Baron Partners Fund (5.2%*), Baron FinTech Fund (2.1%); **GDS Holdings Ltd.** – Baron Asset Fund (1.0%), Baron Partners Fund (1.1%*); Baron Opportunity Fund (1.4%), Baron Fifth Avenue Growth Fund (1.8%), Baron Focused Growth Fund (1.9%), Baron International Growth Fund (0.8%), Baron Real Estate Fund (4.2%), Baron Emerging Markets Fund (1.5%), Baron Global Advantage Fund (2.7%), Baron Real Estate Income Fund (2.8%); **Choice Hotels International, Inc.** – Baron Asset Fund (1.0%), Baron Growth Fund (3.7%), Baron Focused Growth Fund (2.5%), **Marriott Vacations Worldwide Corp.** – Baron Partners Fund (1.8%*), Baron Growth Fund (2.5%), Baron Real Estate Fund (1.6%); **Gaming and Leisure Properties, Inc.** – Baron Partners Fund (1.1%*), Baron Growth Fund (2.7%), Baron Real Estate Fund (0.9%), Baron Real Estate Income Fund (2.3%); **Hyatt Hotels Corp.** – Baron Asset Fund (0.8%), Baron Partners Fund (3.5%*), Baron Focused Growth Fund (4.2%); **Trex Company, Inc.** – Baron Growth Fund (2.4%), Baron Small Cap Fund (1.4%), Baron Real Estate Fund (0.3%); Baron Discovery Fund (1.2%).

* % of Long Positions.

Portfolio holdings may change over time.

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

The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. **The Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. The **Russell 3000® Index** measures the performance of the broad 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® 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 **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. 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. The **MSCI US REIT Index** is a 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. 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. 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 indexes and the Funds include reinvestment of interest, capital gains and dividends, which positively impact the performance results. The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

The portfolio manager defines "**Best-in-class**" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents the manager's opinion and is not based on a third-party ranking.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. **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. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero.

The stock selection effect appearing in the table on pages 7 and 9 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: [(benchmark weight)] * [(portfolio return) – (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.

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).