

Three months ago, when I was writing my March quarterly letter, the world was engulfed by uncertainty. The rapid global spread of the Coronavirus and the lack of clarity about its impact and potential resolution led to a near-total economic standstill, unprecedented job losses, and huge stock market volatility and declines. The lack of a unified national response arguably exacerbated the crisis.

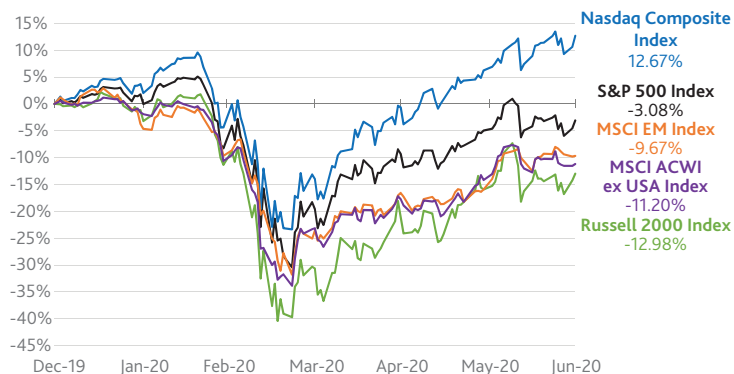
Today, there is still huge uncertainty about the impact of the virus. With the recent resurgence in cases in many states and the lack of a vaccine in sight, the sentiment remains bleak. Although some states have managed to limit the outbreak and reduce the number of new cases, economic progress has been slow and much remains to be done before things normalize. Many businesses remain closed, some permanently. To make a volatile situation even worse, the U.S. has been experiencing heightened social unrest driven by unacceptable inequality issues.

Notwithstanding the economic stress and social unrest, the S&P 500 Index is up nearly 40% from its March bottom, and just had one of the best quarters in its history. The technology-heavy Nasdaq Composite Index recovered its losses even quicker and reached a fresh all-time high in late June. Smaller-cap and international/emerging markets stocks have had a slower recovery but are still significantly higher than their 2020 lows.

The Stock Market Is Significantly Above the March Lows

Index Cumulative Total Returns

12/31/19 – 6/30/20



	2020 Pre-Crisis Peak Date	2020 Trough Date	2020: Peak to Trough Return	2020: Trough to 6/30 Return
S&P 500 Index	2/19/2020	3/23/2020	-33.8%	39.3%
Nasdaq Composite Index	2/19/2020	3/23/2020	-30.0%	47.0%
Russell 2000 Index	1/16/2020	3/18/2020	-41.7%	46.0%
MSCI EM Index	1/17/2020	3/23/2020	-33.7%	32.4%
MSCI ACWI ex. USA Index	1/17/2020	3/23/2020	-34.6%	34.3%

Source: FactSet. An investor cannot invest directly into an index. Past performance is no guarantee of future results. The performance of the indexes listed above includes dividends and is gross of withholding taxes.

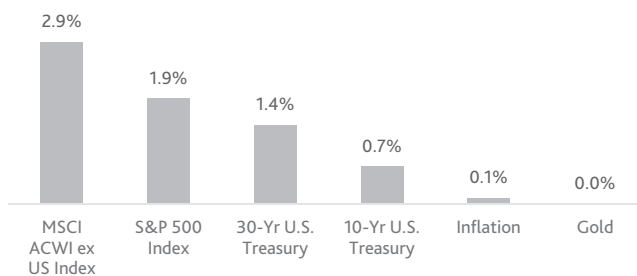


LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

Given the lack of certainty and poor economic fundamentals, many have been trying to understand the disconnect between the stock market's increase and economic reality. The Fed's unprecedented stimulus program undoubtedly has propped up stock prices. The attractive dividend yield of equities relative to other major asset classes may also have resulted in higher demand.

Equities Have an Attractive Dividend Yield

Dividend Yield as of 6/30/20



Source: FactSet, U.S. Department of The Treasury, U.S. Bureau of Labor Statistics. An investor cannot invest directly into an index. Past performance is no guarantee of future results.

Another, more unusual explanation links the market's strong increase to the temporary suspension of sports. With no games to bet on, some sports gamblers turned to the stock market for thrill and action. According to the New York Times¹, "millions of small-time investors have opened trading accounts in recent months." Robinhood, a popular no-fee, no-minimum trading platform which generates some of its revenue by selling customers' orders data to high-frequency trading firms, alone had opened over three million new accounts in 2020 by early May. However small the individual deposits, analysts believe that in aggregate the new market bets have been significant enough to affect daily trading volumes and stock prices.

¹ <https://www.nytimes.com/2020/06/14/business/sports-gamblers-stocks-virus.html>

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Option contracts have become a favorite among small-time investors for taking high-risk bets. In some cases, however, risk-taking has been pushed beyond rational reason. For example, when Hertz, the car rental company, announced bankruptcy in late May, investors piled into the stock, lifting it from \$0.40 to \$6.25. We surmise even the folks at Hertz are still scratching their heads about that one.

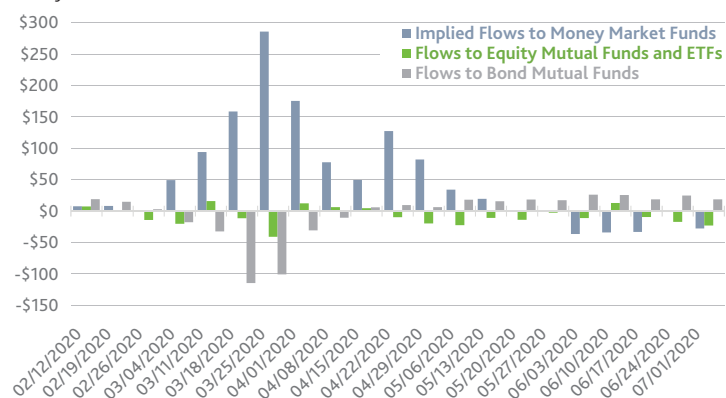
Whatever the reasons may be behind the recent market rebound, rationalizing stock market levels and behavior is a challenging undertaking. While we stay up to date on news and developments, we focus on assessing the long-term implications of the unfolding events on our investments. We do not spend time thinking about short-term stock price fluctuations or overall market levels. Although it has been hard to watch the news during the past few months, our long-term view remains optimistic. We continue to believe that the current uncertainties will resolve, as has happened many times in history. In our view, the case for long-term equity investors is intact and, if anything, the market uncertainty has presented new investment opportunities.

We recognize that for some investors it is hard to remain optimistic and disciplined during difficult and uncertain times and, perhaps, that is why so many investors left equities and bonds and rushed for safe haven to prime money markets during the early stages of the pandemic. As the chart below shows, money market fund assets grew by over a trillion dollars in just three months and, with the current levels of interest rates, it is safe to assume that virtually all of this was a flight to cash rather than appreciation.

Over A Trillion Dollars Was Moved to Safe Haven

Net Flows to Equity, Bond, and Money Market Funds

weekly, in billions



Source: Investment Company Institute

Notes: Weekly fund flows are estimates based on reporting covering more than 98% of mutual funds and ETF assets, while actual monthly mutual fund net new cash flow and ETF net issuance data are collected and reported separately. Past performance is not indicative of future results. Implied Flows to Money Market Funds are calculated as the difference in the total net assets of all money market funds. Past performance is no guarantee of future results.

For the investors who moved their money from equities to money markets, this has been costly. While this time around the biggest outflow was in the

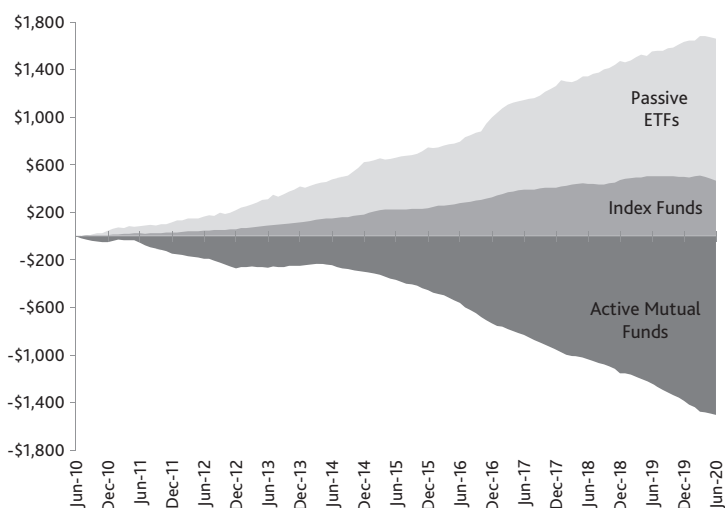
bond market, equities also experienced negative flows. As a result, hundreds of billions of dollars missed out on the 30% – 50% rebound in equities, had they been invested in a popular market ETF or index fund. And if they had invested with a top-performing active manager, the returns could have been even higher.

The poor performance of most active managers over the past decade has certainly deterred many investors from active products. Low-fee index products, whose purpose is to provide average market performance, have quickly become the preferred alternative. Since June 2010, approximately \$1.5 trillion has left active U.S. equity mutual funds and over \$1.6 trillion has been invested in passive equity products.

Money Has Been Steadily Flowing to Passive and Out of Active

Cumulative Net Flows in U.S. Equity Products Over the Past Decade

in \$ billions, as of 6/30/2020



Source: Morningstar Direct. Data includes obsolete funds. An investor cannot invest directly into an index. Past performance is no guarantee of future results.

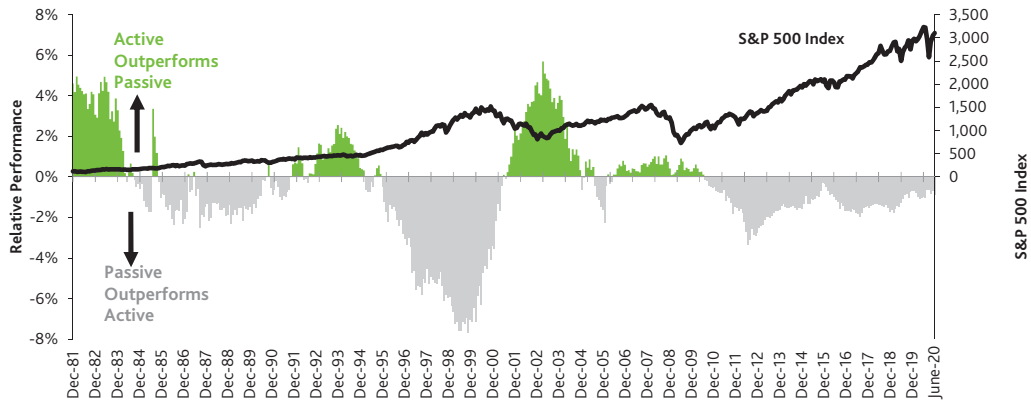
Despite the underperformance of many active managers after the financial crisis, a high proportion outperformed during the recent market decline and rebound (as discussed in detail further below), a result not completely unexpected.

Cyclicality of Active Performance

Historically, the performance of active managers has tended to be cyclical. The next chart shows several distinct periods when large-cap actively managed funds outperformed or underperformed passive products. A closer look at the data shows that active managers tend to fall behind during strong bull markets. The chart also shows that active funds fared better than passive funds, on average, in periods when the market returns were closer to historical averages, or when the market was down or recovering.

The Performance of Active and Passive Managers Has Been Cyclical

Difference in Average 3-Year Performance Between Large-Cap Active and Passive Funds



Source: Morningstar Direct, Baron Capital.

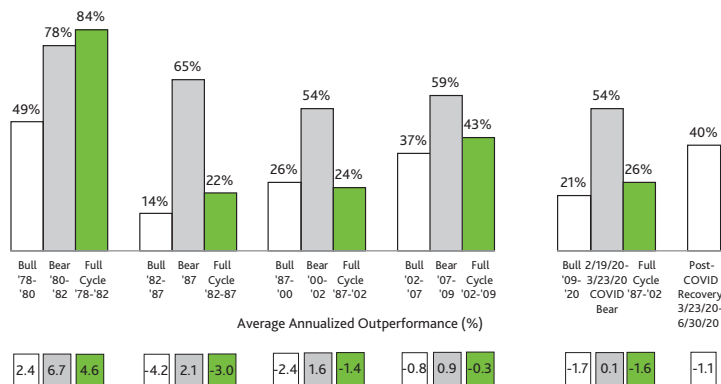
The analysis is based on monthly rolling 3-year returns for the period 12/31/1981 to 6/30/2020. The performance of active funds is calculated as the average 3-year performance of all share classes of open-end non-index funds in Morningstar’s US Fund Large Growth, US Fund Large Value, and US Fund Large Blend categories. The performance of passive funds is calculated as the average 3-year performance of all share classes of open-end index funds and ETFs in Morningstar’s US Fund Large Growth, US Fund Large Value, and US Fund Large Blend categories. Past performance is no guarantee of future results.

Over the past decade, U.S. equities experienced one of the strongest and longest bull markets in history. According to the chart below, only 21% of all large-cap active managers outperformed the Russell 1000 Index during this time. More importantly, the chart shows that there is a distinct relationship between the performance of large-cap active managers and up/down markets. Our analysis focuses on large cap, since it is normally the toughest category to outperform due to the high market efficiencies in this asset class. When we reviewed the performance for small-cap managers, we found similar patterns in performance.

Although the average excess return of large-cap active managers was positive in all bear markets, during the last four full cycles it was not sufficiently strong to offset the lost ground in the preceding up markets. In the case of the 1982-1987 and 2009-2020 market cycles, the bear markets lasted a very short time relative to the preceding bull market, thus likely not allowing enough time to active managers to compensate for the lost ground.

The Majority of Active Managers Have Outperformed in Bear Markets

% of Active Large-Cap Managers Outperforming the Russell 1000 Index



Source: Morningstar Direct, Baron Capital.

Active large-cap managers include all share classes of non-index open-end funds in Morningstar’s US Fund Large Value, US Fund Large Blend, and US Fund Large Growth categories. The analysis includes obsolete funds. Each cycle’s statistics are based only on share classes that had available returns during the entire cycle. Bull markets are defined as those with an increase of at least 20% after a trough, and bear markets are those with a decline of at least 20% after a peak. A full market cycle is defined as a bull market followed by a bear market. An investor cannot invest directly into an index. Past performance is no guarantee of future results.

Not All Active Managers Are Equal

While we are strong advocates of active management, we do not live with the illusion that every active manager is a good manager. We believe that it takes tremendous effort, skill, and experience to establish, develop, and maintain a solid alpha-generating investment process that can work for a long period of time. Many active managers lack consistently strong results, and this weighs negatively on the average statistics for all active managers.

When we weed out the poor active managers, even with a simplistic filter, the results become much more encouraging. In our filter, we track the performance of active managers with consistent and above average past performance, namely, rolling three-year returns ranked in the top half of all managers in their respective peer groups at least 60% of the time over the long term. While following a similar pattern of performance in bull and bear markets as in the chart above, (i) a higher fraction of these active managers tends to outperform; and (ii) they tend to generate, on average, positive excess returns over complete market cycles. The exception is the 1982-1987 cycle, when the bear market lasted just three months and the result was slightly negative (0.5%).

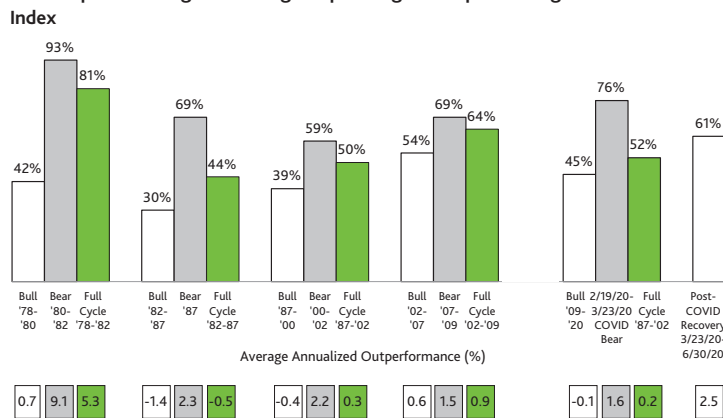
During the recent COVID market downturn, over three-quarters of the top-performing managers beat the index and the average excess return was 1.6%. And, despite the long and strong bull market over the past decade, 52% outperformed during the full cycle – double the rate of all large-cap

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active managers previously shown. The results for the top-performing large-cap managers are shown in the chart below.

Top Performing Active Managers Have Delivered Positive Excess Returns Over Full Market Cycles

% Of Top Performing Active Large-Cap Managers Outperforming the Russell 1000 Index



Source: Morningstar Direct, Baron Capital.

Active large-cap managers include all share classes of non-index open-end funds in Morningstar's US Fund Large Value, US Fund Large Blend, and US Fund Large Growth categories. Top performing active managers are defined as the managers who ranked in the top half of all large-cap managers at least 60% of the time, based on 3-year performance rolling monthly from 12/29/1978 until 6/30/2020. The analysis includes obsolete funds. Each cycle's statistics are based only on share classes that had available returns during the entire cycle. An investor cannot invest directly into an index. Past performance is no guarantee of future results.

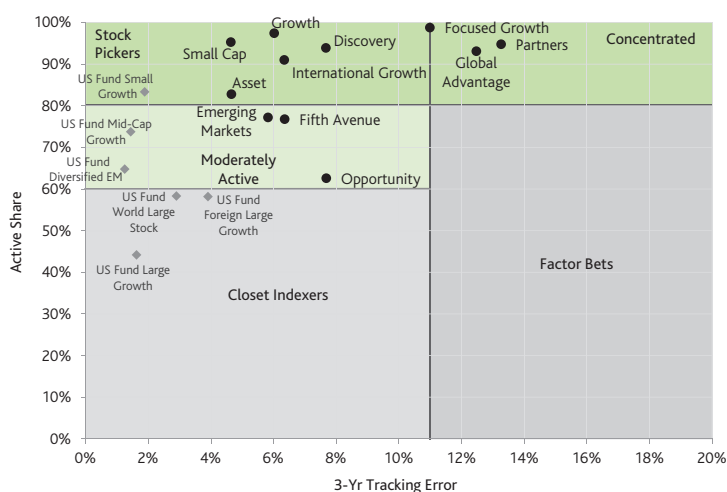
While the filter that we use in the exercise above is simplistic and by no means the only way to separate the best managers from the worst, it shows that within the broad group of active managers, there are sub-groups that tend to do better. Several academic researchers have argued similarly in the past. The inventors of active share, M. Cremers and A. Petajisto, found² that, on average, the U.S. managers with the highest active share deliver higher (and positive) excess return to investors than the managers with the lowest active share (a.k.a. closet indexers). In subsequent research³, Petajisto found that stock pickers, characterized by high active share and moderate tracking error, tend to do best. This was the only group of managers in his research (out of five groups) to outperform the benchmark both before and after fees. Another publication by M. Cremers and A. Pareek⁴ showed that the U.S. managers with high active share and long investment holding periods also tend to do best and deliver positive alpha.

All of these findings make sense to us and we believe they apply to international equity investing as well. Taking high-conviction active positions in carefully researched companies and holding for the long term are some of the essential characteristics of our investment approach that make us very different from an index product. As the chart below shows, our Funds have high active shares and the great majority of our Funds have moderate tracking errors versus their primary benchmarks. In addition, the table below shows that a large percentage of our investments have been held for a long time.

Baron Managers Are Stock Pickers

Baron Funds: Active Share and Tracking Error

as of 6/30/2020



Source: Morningstar Direct.

Notes: Only the Baron Funds with at least 3-year track record are included. Baron Sector Funds are excluded. The statistics for the Morningstar US Fund Small Growth, US Fund Mid-Cap Growth, US Fund Large Growth, US Fund Diversified Emerging Markets, US Fund Foreign Large Growth, and US Fund World Large Stock categories are versus the Russell 2000 Growth Index, Russell Midcap Growth Index, Russell 1000 Growth Index, MSCI Emerging Markets Index, MSCI ACWI Ex USA Index, and MSCI ACWI Index, respectively. Chart categories per Petajisto, Active Share and Mutual Fund Performance (January 15, 2013).

Baron Funds Invest for the Long Term

Baron Funds With 3 or More Years of Track Record

as of 6/30/2020

Fund's Inception Date	Fund's Age (Years)	Weighted Average Holding Period (Years)	Holding Period % of Net Assets as of 6/30/2020			Turnover (%)	
			> 3 years	1-3 years	< 1 year		
Older Funds (> 10 years Since Inception)							
Baron Asset Fund	6/12/87	33	11.3	77.3	13.8	7.7	10.1
Baron Partners Fund*	1/31/92	28	8.5	81.0	12.3	6.7	14.5
Baron Growth Fund	12/31/94	25	9.0	96.3	2.3	1.3	2.4
Baron Focused Growth Fund	5/31/96	24	6.9	76.0	15.1	6.3	6.7
Baron Small Cap Fund	9/30/97	23	6.2	58.5	21.9	17.4	17.8
Baron Opportunity Fund	2/29/00	20	5.0	41.9	33.9	19.7	35.2
Baron Fifth Avenue Growth Fund	4/30/04	16	5.8	59.4	24.3	12.1	15.7
Baron International Growth Fund	12/31/08	11	4.8	27.9	39.8	28.1	52.9
Baron Real Estate Fund	12/31/09	10	4.0	38.8	32.1	24.6	59.4
Younger Funds (< 10 years Since Inception)							
Baron Emerging Markets Fund	12/31/10	9	4.2	44.8	27.2	24.2	49.5
Baron Global Advantage Fund	4/30/12	8	4.2	38.2	31.6	20.8	18.1
Baron Discovery Fund	9/30/13	7	2.8	25.1	35.2	33.4	59.6

Source: Baron Capital.

* The Fund's Holding Period breakdowns are expressed as a percentage of the Fund's long positions. These percentages may change over time.

Note: Turnover percentages for all Funds are based on the averages of the last 3 years ended June 30, 2020.

² Cremers, Martijn and Petajisto, Antti, How Active is Your Fund Manager? A New Measure That Predicts Performance (March 31, 2009) Original working paper circulated in 2006.

³ Petajisto, Antti, Active Share and Mutual Fund Performance (January 15, 2013). Original working paper circulated in 2010.

⁴ Cremers, Martijn and Pareek, Ankur, Patient Capital Outperformance: The Investment Skill of High Active Share Managers Who Trade Infrequently (December 2015). Original working paper circulated in 2013.

As growth managers, we believe that having a long-term investment horizon is of key importance for achieving above-average performance. Few successful companies grow their business steadily over time, and few investors can correctly assess the growth potential early on. Companies that are still developing their products/services and are penalizing profitability by reinvesting in their businesses may stay undervalued by the market for an extensive period before their stock prices rise. We believe that it is a better investment process to identify and assess the growth opportunity and potential of a company than to guess when its stock will go up. As we have high confidence in our long-term investment process, we feel comfortable holding temporarily underperforming stocks until they take off. While we do have our share of mistakes, over time we have generated significantly more gains than losses following this investment approach.

The table below shows the 15 largest investments across the Baron Funds as of 6/30/2020. All of these investments have been held for an extensive period of time and have generated significant gains for our investors. Since we invested in these stocks, all of them have experienced at least one

extended period during which they underperformed the market. During these tough periods, we did not see deteriorating long-term fundamentals or growth prospects for these stocks, and we continue to hold. For example, our investment in CoStar Group, Inc., which we initiated in 2001, underperformed the market by over 12% annualized for a three-year period between 2006-2009. Our deep familiarity in CoStar's business gave us sufficient conviction to continue holding the stock, and we have been rewarded with significant gains for this. As of 6/30/2020, the total gains from our investment in CoStar amounted to \$1.35 billion, and the Funds' investments in the top 15 securities shown below have generated in aggregate nearly \$10 billion.

Some of the holdings listed below experienced their worst three years of underperformance just recently due to the COVID panic. In our view, this is temporary as we see no impairment to their long-term prospects. We continue to hold these investments, and we strongly believe we will be similarly rewarded for these decisions, although there is no guarantee that this will happen.

Baron's Top Holdings Have Generated Significant Gains Despite Temporary Periods of Underperformance

Top 15 Holdings Across the Baron Mutual Funds

as of 6/30/2020

	Aggregate Baron Funds Investment Value as of 6/30/20 (millions)	Date of First Purchase	Years Held	Worst 3-Yr Excess Return Period vs. Russell 3000 Growth Index since Date of Purchase	Worst Annualized 3-Yr Excess Return vs. Russell 3000 Growth Index since Date of Purchase	Annualized Excess Return vs. Russell 3000 Growth Index since Date of Purchase	Baron Funds Net Realized & Unrealized Gains since Date of Purchase (millions)
Tesla, Inc.	\$1,331.1	2/6/2014	6.4	5/22/2016 – 5/22/2019	-21.72%	17.34%	\$1,068.8
CoStar Group, Inc.	\$1,283.0	10/30/2001	18.7	7/23/2006 – 7/23/2009	-12.13%	12.64%	\$1,353.2
IDEXX Laboratories, Inc.	\$986.4	2/8/2005	15.4	7/2/2012 – 7/2/2015	-9.84%	11.72%	\$1,389.1
FactSet Research Systems, Inc.	\$790.2	11/2/2006	13.7	6/3/2011 – 6/3/2014	-14.70%	4.63%	\$758.9
Vail Resorts, Inc.	\$678.6	2/3/1997	23.4	3/3/1997 – 3/3/2000	-42.10%	1.86%	\$591.8
MSCI, Inc.	\$646.7	11/14/2007	12.6	11/6/2009 – 11/6/2012	-20.16%	12.30%	\$650.6
Gartner, Inc.	\$618.0	4/13/2007	13.2	6/24/2017 – 6/24/2020	-19.25%	1.48%	\$733.8
ANSYS, Inc.	\$615.2	1/9/2009	11.5	8/2/2013 – 8/2/2016	-11.63%	6.45%	\$623.4
Arch Capital Group Ltd.	\$546.2	4/2/2002	18.2	5/17/2017 – 5/17/2020	-25.58%	4.21%	\$677.5
Guidewire Software, Inc.	\$543.4	5/10/2012	8.1	3/4/2014 – 3/4/2017	-9.99%	5.28%	\$362.0
Alibaba Group Holding Ltd.	\$399.5	9/18/2014	5.8	6/30/2017 – 6/30/2020	-2.96%	0.95%	\$185.6
Wix.com Ltd.	\$388.4	12/9/2016	3.6	4/5/2017 – 4/5/2020	-1.65%	42.16%	\$313.3
Bio-Techne Corp.	\$336.3	2/4/2009	11.4	4/28/2009 – 4/28/2012	-16.72%	-1.22%	\$252.2
Mettler-Toledo International, Inc.	\$310.1	12/5/2008	11.6	6/22/2017 – 6/22/2020	-8.16%	5.79%	\$648.3
Choice Hotels International, Inc.	\$292.8	11/1/1996	23.7	10/15/1997 – 10/15/2000	-35.22%	5.48%	\$263.9
Top 15 Total	\$9,765.9						\$9,872.4

Source: Baron Capital, FactSet.

Note: The returns for Choice Hotels International, Inc. are since the company became public on 10/10/1997, while the net realized and unrealized gains are since the Date of First Purchase. The performance data quoted represents past performance. Past performance is no guarantee of future results.

Letter from Linda

The long-term holding period has certainly been a key driver of Baron's strong absolute and relative results. But we do not believe that holding for the long term alone is sufficient to achieve such results. In our view, long-term investing works best when combined with strong stock selection, driven by thorough, continuous research. We put enormous efforts and emphasis on our research process, and we believe that this is what has separated us from the competition, active and passive. The table below is a testament to our success and clearly shows that our excess returns have been largely driven by positive stock selection.

Baron's Performance Had Been Driven by Stock Selection

Absolute and Relative Results of the Baron Funds

as of 6/30/2020 (institutional shares)

	YTD			1 Year			3 Years (annualized)			5 Years (annualized)			10 Years or Since Inception (annualized)*			Since Inception (annualized)*	
	Fund Return	Excess Return	Stock Selection Effect	Fund Return	Excess Return	Stock Selection Effect	Fund Return	Excess Return	Stock Selection Effect	Fund Return	Excess Return	Stock Selection Effect	Fund Return	Excess Return	Stock Selection Effect	Fund Return	Excess Return
Baron Growth Fund	-0.97%	2.09%	5.28%	6.85%	3.37%	8.44%	13.78%	5.92%	6.53%	11.17%	4.31%	4.35%	14.24%	1.32%	1.40%	13.14%	5.31%
Baron Small Cap Fund	4.09%	7.15%	8.11%	8.61%	5.13%	7.06%	12.77%	4.91%	4.38%	10.78%	3.92%	4.00%	13.71%	0.79%	1.38%	10.28%	4.22%
Baron Discovery Fund	11.36%	14.42%	13.44%	16.74%	13.26%	11.92%	15.70%	7.84%	6.18%	13.86%	7.00%	6.84%	15.65%	7.19%	6.85%	15.65%	7.19%
Baron Asset Fund	6.73%	2.57%	2.30%	11.25%	-0.66%	-0.40%	16.26%	1.50%	1.48%	13.79%	2.19%	2.32%	15.67%	0.58%	0.59%	11.91%	1.59%
Baron Focused Growth Fund	17.13%	15.11%	22.10%	34.64%	25.43%	33.80%	18.96%	6.86%	8.81%	13.24%	3.67%	4.84%	14.05%	-0.40%	0.48%	11.97%	3.79%
Baron Partners Fund	18.53%	14.37%	18.03%	37.23%	25.32%	27.31%	20.19%	5.43%	3.00%	16.47%	4.87%	3.08%	18.35%	3.25%	0.16%	13.82%	3.80%
Baron Opportunity Fund	30.49%	21.51%	20.09%	42.31%	20.37%	16.95%	29.72%	11.51%	8.16%	20.41%	5.18%	2.93%	17.85%	0.93%	0.66%	8.99%	3.50%
Baron Fifth Avenue Growth Fund	24.83%	15.02%	12.77%	32.44%	9.16%	6.64%	24.20%	5.21%	4.29%	18.19%	2.30%	1.85%	18.12%	0.89%	0.81%	10.96%	0.17%
Baron Durable Advantage Fund	2.68%	5.76%	7.26%	16.84%	9.33%	9.37%	-	-	-	-	-	-	12.54%	4.31%	3.79%	12.54%	4.31%
Baron Emerging Markets Fund	-5.02%	4.76%	0.89%	0.56%	3.95%	-0.23%	2.46%	0.56%	0.31%	3.61%	0.75%	0.88%	4.09%	3.19%	1.74%	4.09%	3.19%
Baron International Growth Fund	0.76%	11.76%	8.24%	8.78%	13.58%	7.83%	7.72%	6.59%	4.91%	7.08%	4.82%	4.35%	8.93%	3.96%	3.26%	10.75%	4.34%
Baron Global Advantage Fund	35.23%	41.48%	33.11%	45.91%	43.80%	29.03%	31.02%	24.88%	18.88%	21.21%	14.75%	10.23%	18.34%	10.27%	7.10%	18.34%	10.27%
Baron Real Estate Fund	4.12%	17.42%	8.12%	21.17%	27.02%	15.59%	10.01%	7.07%	3.52%	7.51%	1.67%	-0.69%	14.88%	3.95%	1.73%	13.96%	3.56%
Baron Real Estate Income Fund	-1.41%	17.54%	12.88%	11.57%	25.49%	17.44%	-	-	-	-	-	-	7.48%	9.55%	8.89%	7.48%	9.55%
Baron Health Care Fund	13.00%	11.18%	12.46%	25.32%	12.53%	13.50%	-	-	-	-	-	-	19.08%	6.06%	7.90%	19.08%	6.06%
Baron FinTech Fund	15.50%	18.58%	12.80%	-	-	-	-	-	-	-	-	-	15.50%	18.58%	12.80%	15.50%	18.58%
Baron WealthBuilder Fund	10.42%	13.50%	n/a	19.83%	12.33%	n/a	-	-	-	-	-	-	14.77%	6.54%	n/a	14.77%	6.54%

Source: FactSet PA, Baron Capital.

* Since inception for the Baron Funds younger than 10 years. Not annualized for Baron FinTech Fund since the Fund does not have a full year of performance.

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 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.

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

Annual expense Ratios for Inst. shares as of 9/30/2019: Baron Asset Fund, 1.05%, Baron Growth Fund, 1.04%, Baron Small Cap Fund, 1.05%, Baron Opportunity Fund, 1.09%, Baron Fifth Avenue Growth Fund, 0.80%, but the net annual expense ratio was 0.75% (net of the Adviser's fee waivers), Baron Discovery Fund, 1.10%, Baron Durable Advantage Fund, 4.91% 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).

We are proud of our efforts and results, and we will strive to do even better in the future. Of course, as an active manager, we understand we will not outperform all of the time. However, we have outperformed more often than not, which we believe has been driven by closely adhering to our investment approach, philosophy, and process during all types of markets. As the table below shows, the majority of our Funds have consistently ranked in the top half or better of their respective categories and have on average delivered significant positive excess returns over three-, five-, and 10-year periods. With respect to Baron Fifth Avenue Growth Fund, we replaced the manager in November 2011; and since the new manager came on board, the Fund has been in the top half of the category 91% of the time based on three-year returns and 100% of the time based on five-year returns.

The Baron Funds "Score Board" vs. Passive

		Baron Funds (Active Investing) vs. Indexes (Passive) Batting Averages, Rankings, and Excess Returns as of 6/30/2020 ⁽¹⁾												
		Annualized Performance				10-Year Returns			5-Year Returns			3-Year Returns		
Name		1-Year	5-Year	10-Year	Since Inception ⁽²⁾	% Outperforming ⁽³⁾	% Time In Top Half ⁽⁴⁾	Average Excess Return ⁽³⁾	% Outperforming ⁽³⁾	% Time In Top Half ⁽⁴⁾	Average Excess Return ⁽³⁾	% Outperforming ⁽³⁾	% Time In Top Half ⁽⁴⁾	Average Excess Return ⁽³⁾
BARON FUNDS	Baron Discovery Fund	16.74%	13.86%	–	15.65%	–	–	–	100%	100%	4.73%	93%	100%	6.06%
	Baron Small Cap Fund	8.61%	10.78%	13.71%	10.28%	66%	100%	1.83%	59%	100%	2.55%	61%	60%	3.00%
	Baron Growth Fund <i>in Baron Adj. Small Growth Category</i>	6.85%	11.17%	14.24%	13.14%	79%	100%	3.51%	66%	75%	4.05%	65%	76%	4.23%
	Baron Growth Fund	6.85%	11.17%	14.24%	13.14%	79%	100%	3.51%	66%	86%	4.05%	65%	78%	4.23%
	Baron Focused Growth Fund	34.64%	13.24%	14.05%	11.97%	61%	36%	2.15%	55%	14%	1.80%	52%	35%	2.12%
	Baron Asset Fund	11.25%	13.79%	15.67%	11.91%	61%	100%	0.44%	51%	100%	0.53%	58%	91%	0.28%
	Baron Partners Fund	37.23%	16.47%	18.35%	13.82%	84%	100%	2.47%	69%	100%	2.49%	70%	96%	2.80%
	Baron Opportunity Fund	42.31%	20.41%	17.85%	8.99%	65%	100%	2.44%	66%	36%	2.70%	66%	49%	3.68%
	Baron Fifth Avenue Growth Fund	32.44%	18.19%	18.12%	10.96%	5%	100%	–1.21%	26%	96%	–1.13%	38%	81%	–0.77%
	Baron Fifth Avenue Growth Fund <i>with the new manager since Nov '11</i>	32.44%	18.19%	–	18.44%	–	–	–	73%	100%	0.51%	64%	91%	0.84%
	Baron International Growth Fund	8.78%	7.08%	8.93%	10.75%	100%	100%	3.45%	100%	68%	3.35%	100%	58%	3.30%
	Baron Emerging Markets Fund	0.56%	3.61%	–	4.09%	–	–	–	87%	96%	2.95%	70%	84%	3.01%
	Baron Global Advantage Fund	45.91%	21.21%	–	18.34%	–	–	–	100%	100%	6.58%	94%	97%	6.95%
	Baron Real Estate Fund	21.17%	7.51%	14.88%	13.96%	100%	100%	2.83%	63%	76%	0.48%	56%	70%	1.72%
PASSIVE	Russell 2000 Growth Index	3.48%	6.86%	12.92%	–	0%	–	–	0%	–	–	0%	–	–
	Russell 2500 Growth Index	9.21%	9.57%	14.45%	–	0%	–	–	0%	–	–	0%	–	–
	Russell Midcap Growth Index	11.91%	11.60%	15.09%	–	0%	–	–	0%	–	–	0%	–	–
	Russell 1000 Growth Index	23.28%	15.89%	17.23%	–	0%	–	–	0%	–	–	0%	–	–
	Russell 3000 Growth Index	21.94%	15.23%	16.92%	–	0%	–	–	0%	–	–	0%	–	–
	MSCI ACWI ex USA Index	–4.80%	2.26%	4.97%	–	0%	–	–	0%	–	–	0%	–	–
	MSCI EM Index	–3.39%	2.86%	3.27%	–	0%	–	–	0%	–	–	0%	–	–
	MSCI ACWI Index	2.11%	6.46%	9.16%	–	0%	–	–	0%	–	–	0%	–	–
	MSCI USA IMI Extended Real Estate Index	–5.85%	5.84%	10.93%	–	0%	–	–	0%	–	–	0%	–	–

Source: Morningstar Direct, Baron Capital.

* The indexes are unmanaged. The index performance is not fund performance. An investor cannot invest directly into an index. Past performance is no guarantee of future results. Unless otherwise noted, all performance and performance related calculations are based on the Institutional Shares. Rankings information is based on the performance of the Institutional Shares without extended performance.

- (1) Statistics are based on monthly rolling Morningstar Performance.
- (2) Fund Inception Dates: Baron Growth Fund – 12/31/94; Baron Small Cap Fund – 9/30/97; Baron Discovery Fund – 9/30/13; Baron Asset Fund – 6/12/87; Baron Focused Growth Fund – 5/31/96; Baron Partners Fund – 1/31/92; Baron Opportunity Fund – 2/29/00; Baron Fifth Avenue Growth Fund – 4/30/04; Baron Emerging Markets Fund – 12/31/10; Baron International Growth Fund – 12/31/08; Baron Global Advantage Fund – 4/30/12; Baron Real Estate Fund – 12/31/09.
- (3) The Average Excess Return is the simple average of the excess returns for each of the rolling periods. The excess returns are calculated for each 3-, 5- and 10-year period on a monthly basis since the inception of the institutional share class for each Fund, and then the excess returns for the 3-, 5- and 10-year rolling periods are averaged. Each Fund's excess return is calculated versus its primary benchmark, as follows: 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 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.
- (4) % Time In Top Half measures the fraction of time a fund ranked in the 50th percentile or better in its respective category based on total returns for the respective period. Baron Discovery Fund and Baron Small Cap Fund – Morningstar US Fund Small Growth; Baron Growth Fund – Baron Adj. Small Growth Category and Morningstar US Fund Mid-Cap Growth; Baron Focused Growth Fund, Baron Asset Fund, Baron Partners Fund, – Morningstar US Fund Mid-Cap Growth; Baron Opportunity Fund, Baron Fifth Avenue Growth Fund – Morningstar US Fund Large Growth; Baron International Growth Fund – Morningstar US Fund Foreign Large Growth; Baron Emerging Markets Fund – Morningstar US Fund Diversified Emerging Mkts; Baron Global Advantage Fund – Morningstar US Fund World Stock; Baron Real Estate Fund – Morningstar US Fund Real Estate.

Letter from Linda

We have watched money pour into passive products and zero-yielding money market funds and, as an active manager, we see lost opportunities for investors. As more active managers added value in recent months, we hope that more passive investors will reconsider their choice and reassess the merits of active management. We believe that actively building a portfolio stock by stock, evaluating the long-term growth opportunities, and patiently holding those stocks is the best way to achieve strong results over time.

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. 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.

Baron Partners Fund performance reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

Global Advantage Fund's 3 and 5-year, **Emerging Markets Fund's** 1-year, **Discovery Fund's** 1, 3 and 5-year, **International Growth Fund's** 3 and 10-year, and **Opportunity Fund's** 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: All investments are subject to risk and may lose value.

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.

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S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. Chicago Board Options Exchange (CBOE) Volatility Index shows the market's expectation of 30-day volatility. It is widely used to measure market risk, often referred to as the "investor fear gauge." It is constructed using the implied volatilities of a wide range of S&P 500 index options. **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 Emerging Markets Index** is an unmanaged float-adjusted market capitalization index designed to measure equity market performance of large and mid cap securities in the emerging markets. **MSCI 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 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. The **Nasdaq Composite Index** is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange. **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. **Russell 2500® Growth Index** measures the performance of small to medium-sized U.S. companies that are classified as growth. **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. **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 Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. 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 indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Active Share** a term used to describe the share of a portfolio's holdings that differ from that portfolio's benchmark index. It is calculated by comparing the weight of each holding in the Fund to that holding's weight in the benchmark. Positions with either a positive or negative weighting versus the benchmark have Active Share. An Active Share of 100% implies zero overlap with the benchmark. Active Share was introduced in 2006 in a study by Yale academics, M. Cremers and A. Petajisto, as a measure of active portfolio management.

The **stock selection effect** appearing in the table on page 6 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).

Portfolio holdings as a percentage of net assets as of June 30, 2020 for securities mentioned are as follows: **FactSet Research Systems, Inc.** – Baron Asset Fund (2.6%), Baron Growth Fund (6.0%), Baron Partners Fund (5.7%*), Baron Focused Growth Fund (7.5%); **Gartner, Inc.** – Baron Asset Fund (4.0%), Baron Growth Fund (3.1%), Baron Small Cap Fund (3.1%), Baron Opportunity Fund (1.4%), Baron Partners Fund (2.1%*); **Tesla, Inc.** – Baron Opportunity Fund (5.6%), Baron Partners Fund (29.4%*), Baron Focused Growth Fund (29.7%); **CoStar Group, Inc.** – Baron Asset Fund (3.2%), Baron Growth Fund (7.7%), Baron Opportunity Fund (1.5%), Baron Partners Fund (13.2%*), Baron Focused Growth Fund (13.5%), Baron Real Estate Fund (2.8%), Baron FinTech Fund (1.7%); **IDEXX Laboratories, Inc.** – Baron Asset Fund (6.4%), Baron Growth Fund (4.8%), Baron Small Cap Fund (2.1%), Baron Partners Fund (6.7%*), Baron Health Care Fund (1.5%); **MSCI, Inc.** – Baron Asset Fund (0.2%), Baron Growth Fund (8.7%), Baron Partners Fund (1.0%*), Baron Durable Advantage Fund (2.4%), Baron FinTech Fund (4.0%); **ANSYS, Inc.** – Baron Asset Fund (3.6%), Baron Growth Fund (6.4%), Baron Opportunity Fund (0.6%); **Bio-Techne Corporation** – Baron Asset Fund (2.3%), Baron Growth Fund (3.3%), Baron Health Care Fund (1.5%); **Mettler-Toledo International, Inc.** – Baron Asset Fund (3.6%), Baron Growth Fund (1.2%), Baron Small Cap Fund (1.4%), Baron Durable Advantage Fund (1.3%), Baron Health Care Fund (1.9%); **Choice Hotels International, Inc.** – Baron Asset Fund (0.9%), Baron Growth Fund (3.5%), Baron Focused Growth Fund (3.7%); **Vail Resorts, Inc.** – Baron Asset Fund (2.4%), Baron Growth Fund (5.5%), Baron Partners Fund (4.2%*), Baron Focused Growth Fund (7.5%); **Arch Capital Group Ltd.** – Baron Asset Fund (1.4%), Baron Growth Fund (4.0%), Baron Partners Fund (4.7%*), Baron Focused Growth Fund (2.6%), Baron International Growth Fund (1.4%); **Alibaba Group Holding Limited** – Baron Opportunity Fund (2.0%), Baron Fifth Avenue Growth Fund (4.7%), Baron International Growth Fund (1.5%), Baron Emerging Markets Fund (5.8%), Baron Global Advantage Fund (6.3%), Baron FinTech Fund (3.0%); **Wix.com Ltd.** – Baron Asset Fund (2.7%), Baron Growth Fund (1.1%), Baron Small Cap Fund (2.7%), Baron Opportunity Fund (2.1%), Baron Fifth Avenue Growth Fund (2.9%), Baron International Growth Fund (1.8%), Baron Global Advantage Fund (3.2%); **Guidewire Software, Inc.** – Baron Asset Fund (3.3%), Baron Growth Fund (1.7%), Baron Small Cap Fund (3.4%), Baron Opportunity Fund (2.1%), Baron Partners Fund (2.5%*), Baron Focused Growth Fund (3.5%), Baron FinTech Fund (1.7%).

* % of Long Positions.

Portfolio holdings may change over time.