

Six months after the coronavirus-triggered market decline, equities are back to pre-pandemic levels. And so are the NY Jets – with a 0-5 record. In early September, broad-market indexes like the S&P 500 and the Russell 3000 reached new all-time highs. These results are despite high unemployment, weak economic fundamentals, and the lack of a vaccine. The strong performance of technology and health care stocks, which have significant weights in the popular indexes, has been the biggest contributor to the markets’ rise. Many businesses, however, are still struggling with the consequences of the pandemic.

Unexpected and unusual events, like the pandemic, tend to disrupt the status quo across industries and borders. Some changes are temporary, some are permanent. Historically, the ability of humans to adapt in dire circumstances has often caused us to be creative and innovative and has resulted in remarkable progress and achievements in short periods of time. In moments like these, investors are compelled to take a fresh look at the world, existing investments, and new investment opportunities, and this year has not been an exception. Our research team has been quite busy.

The pandemic-driven rise in the demand for services, solutions, and equipment that enable working from home/remotely and living in a lockdown has propelled many technology-advantaged and enabled businesses across a variety of industries.

Not surprisingly, many Health Care companies have also seen a jump in business, as the current and projected demand for health/medical products and services increased. On average, for the first nine months of 2020 the Health Care stocks in the Russell 3000 Index returned 28.5%, significantly more than both the index’s average of -0.7% and the average in any other sector. As the table on the right shows, the performance in the Health Care sub-industries varied substantially – distributors and technology stocks did best, while facilities and pharmaceuticals did significantly worse.

Despite the remarkable returns in such a short period, we believe that the Health Care sector is far from its peak. For some businesses, the positive effects will only be temporary. In our view, however, the recently reinvigorated investor interest in health care is going to spur innovation and accelerate the ongoing long-term trends in the industry, benefitting consumers, providers, and investors for decades.

Traditionally, Health Care has been viewed as a defensive sector by investors. However, this view may be changing, as innovation and technological advancements have taken an integral place in the sector and have brought many exciting growth opportunities to market over the past decade. Growth has also been driven by long-term themes, such as population ageing, chronic disease prevalence, the need and desire for higher efficiency in research, therapy, and overall spending. The sector has also become more economically sensitive, as consumers have been paying more expenses out of pocket.



LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

Health Care Stocks Had the Highest Average Returns YTD

Stock Returns in Russell 3000 Index

12/31/2019 – 9/30/2020

GICS Sector / Sub-Industry	12/31/19 – 9/30/20	
	Median Stock Return	Average Stock Return
Russell 3000 Index	-15.03%	-0.68%
Health Care	-1.64%	28.49%
<i>Health Care Distributors</i>	21.51%	70.01%
<i>Health Care Technology</i>	13.38%	54.92%
<i>Biotechnology</i>	-1.47%	40.18%
<i>Life Sciences Tools & Services</i>	25.02%	32.40%
<i>Health Care Equipment</i>	-4.53%	29.03%
<i>Health Care Supplies</i>	4.95%	22.57%
<i>Health Care Services</i>	-2.55%	14.79%
<i>Managed Health Care</i>	-3.16%	0.92%
<i>Pharmaceuticals</i>	-14.92%	-5.49%
<i>Health Care Facilities</i>	-11.03%	-5.52%
Consumer Discretionary	-6.68%	16.89%
Information Technology	0.13%	15.04%
Consumer Staples	-2.82%	2.20%
Industrials	-11.66%	-5.00%
Communication Services	-19.17%	-8.42%
Materials	-10.84%	-10.78%
Utilities	-15.07%	-11.58%
Real Estate	-26.31%	-21.72%
Financials	-33.45%	-26.90%
Energy	-52.64%	-47.56%

Source: FactSet, Baron Capital.

Note: Includes only stocks that were index constituents as of 9/30/2020 and had historical returns for the entire period.

The performance data quoted represents past performance. Past performance is no guarantee of future results. The index performance is not fund performance; one cannot invest directly into an index.

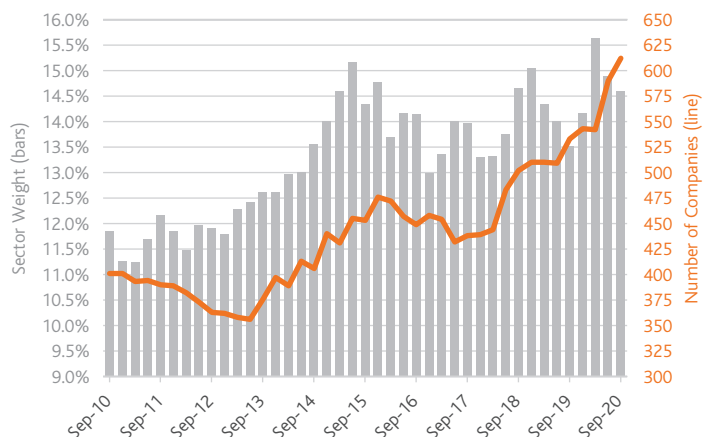
Letter from Linda

As the chart below shows, over the past 10 years the number of public health care companies in the Russell 3000 Index has increased significantly, to over 600. The influx of private capital in the sector and the strong performance of the stocks have made Health Care the second largest sector in the index, with a weight of 14.6% as of 9/30/2020.

Health Care Has Grown Its Index Presence

Russell 3000 Index – Health Care Sector Weight & Number of Companies

as of 9/30/2020



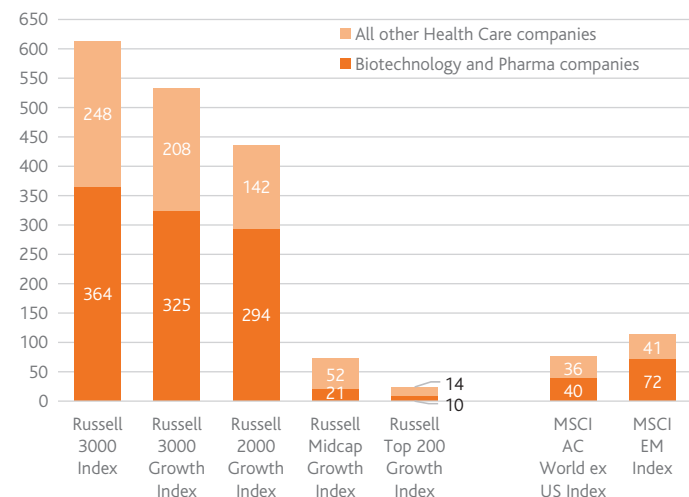
Source: FactSet, Baron Capital.

A closer look at the sector reveals that the vast majority of the Health Care constituents of the Russell 3000 Index are also constituents of the Russell growth indexes, and of the small-cap Russell 2000 Growth Index in particular. As the chart below shows, there are significantly fewer health care companies in the mid- and large-cap indexes and outside of the U.S.

Most Health Care Stocks Are in Small Cap Growth

Number of Health Care Companies by Index

as of 9/30/2020



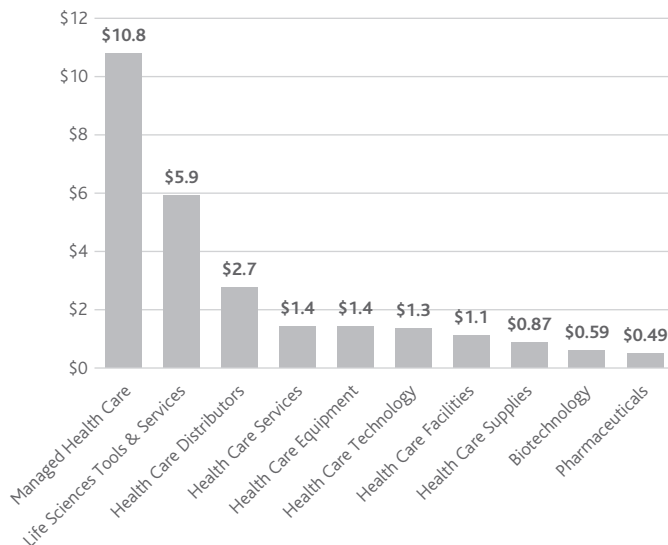
Source: FactSet, Baron Capital.

Additionally, the majority of the companies are currently concentrated in two of the 10 Health Care sub-industries: biotechnology and pharmaceuticals. However, biotech and pharma companies also tend to be the smallest by market capitalization, a typical characteristic for young, high-growth, and often risky businesses.

Biotech and Pharma Tend to Have Lower Capitalization

Russell 3000 Index – Median Market Capitalization by Health Care Sub-Industry

as of 9/30/2020



Source: FactSet, Baron Capital.

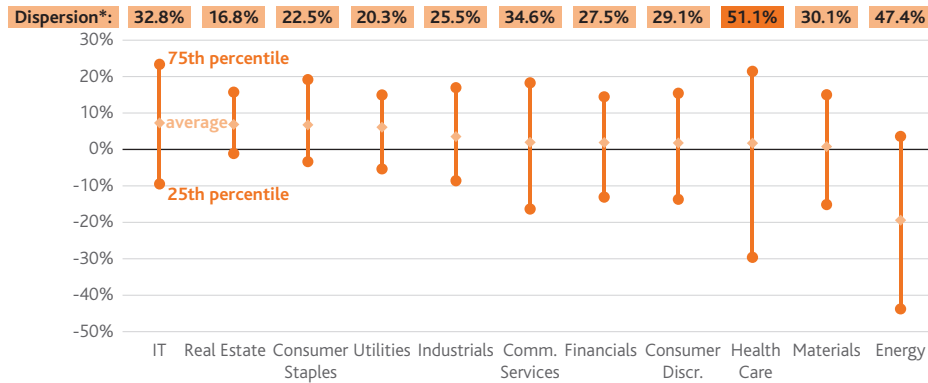
The relatively smaller median market capitalization of pharmaceuticals may be surprising to some, as pharma is typically associated with big pharma names like Johnson & Johnson, Merck & Co., Inc., Pfizer Inc., Bristol-Myers Squibb Co., and Eli Lilly and Co. While these five established businesses, whose combined market capitalization is over a trillion dollars, are the core of the industry, as of September 30 there were another 79 pharmaceutical companies in the Russell 3000 Index with a combined market capitalization of \$208 billion. Over half of these 79 names had market capitalizations below \$500 million.

Despite the high presence of biotech and pharma companies, the Health Care sector offers a broad spectrum of investment opportunities. The wide variety of businesses has translated into a wide variety of outcomes, as performance data shows. The chart on the next page illustrates the range of returns (a.k.a. dispersion) of the stocks in each sector of the Russell 3000 Growth Index over the past 10 years, as well as the average stock return by sector. For example, in IT, the stock(s) that ranked in the 75th percentile by performance returned around 24% annualized, while the stock(s) that ranked in the 25th percentile returned around -10% annualized. The average return in IT was approximately 7.5%. This information tells us at least two things: (i) judging by the average returns, IT was a good area to invest in, and (ii) the performance of the companies in the sector varied significantly. The Real Estate sector also had strong average returns, but there was significantly less variation in the performance of the companies in the sector, judging by the closer proximity of the returns of the 25th and 75th percentiles. Our analysis is based on the 25th and 75th percentiles to mitigate the effects of outliers. This data suggests that stock selection is particularly important in sectors with high dispersion.

Health Care Stocks Have Generated the Widest Spread of Returns

Dispersion of Returns in Russell 3000 Growth Index by GICS Sector

9/30/2010 – 9/30/2020, annualized



Source: FactSet, Baron Capital.

* Dispersion is measured as the difference between the returns at the 25th and 75th percentiles. The performance data quoted represents past performance. Past performance is no guarantee of future results. The index performance is not fund performance; one cannot invest directly into an index.

Dispersion can be a valuable metric for investors, particularly active managers, as it indicates areas of opportunity. If the returns of the stocks in a sector or an industry are homogeneous, it would be hard even for a skilled stock picker to deliver exceptional results. Her time and effort would be better spent investing in an area with widely varying stock returns, since there is a better opportunity to showcase skill and outperform the benchmark.

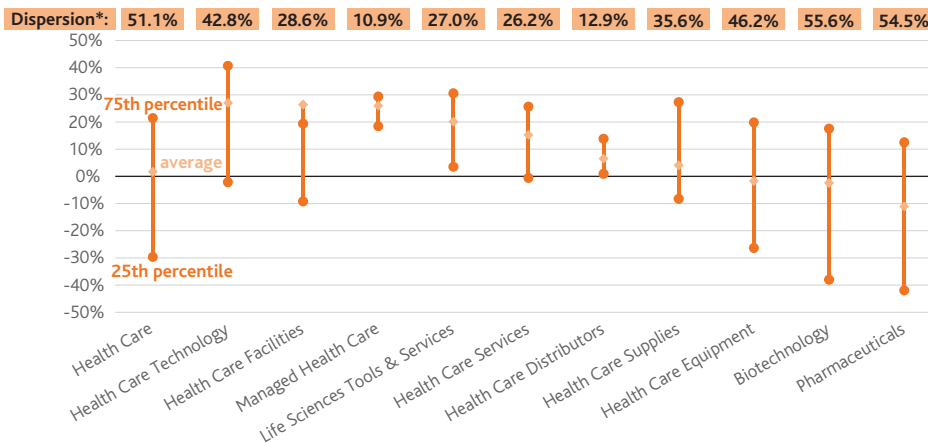
As the chart above shows, the Health Care sector offered the biggest dispersion over the past decade, presenting some of the best and some of the worst returns in the market. The average return of Health Care stocks was slightly positive but not great. A skilled active manager, however, could have produced great results by investing in the sector, as it offered significant upside, judging by the performance of the 75th percentile.

High dispersion and low average returns are not typical characteristics of each sub-industry within Health Care. As the chart below shows, performance and range of opportunities have varied substantially. Pharmaceuticals and biotechnology were the areas of highest dispersion but also lowest average returns. The significant downside in these two areas largely reflects the higher investment risks there. Health care technology, health care supplies, and health care equipment also offered meaningful dispersion but with better upside and downside. Managed health care and health care distributors had the lowest dispersion.

Health Care Stocks Have Generated the Widest Spread of Returns

Dispersion of Returns in Russell 3000 Growth Index by Health Care Sub-Industry

9/30/2010 – 9/30/2020, annualized



Source: FactSet, Baron Capital.

* Dispersion is measured as the difference between the returns at the 25th and 75th percentiles. The performance data quoted represents past performance. Past performance is no guarantee of future results. The index performance is not fund performance; one cannot invest directly into an index.

Letter from Linda

Baron's Approach to Investing in Health Care

Health Care has been a significant source for investment ideas at Baron throughout the history of our Firm. Just as with other sectors, we are focused on innovation, sustainable, long-term growth opportunities, competitive advantages, and strong management teams.

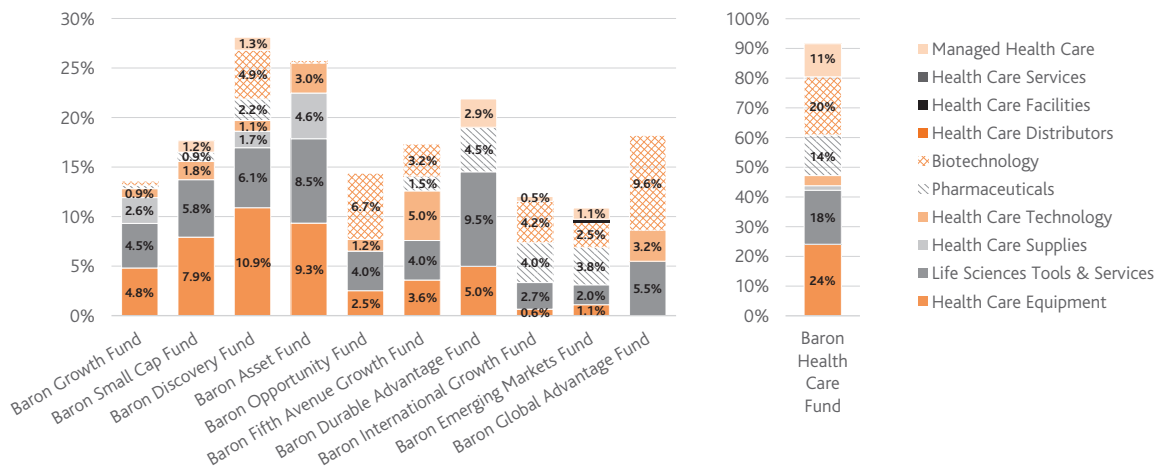
At Baron, we have built a strong team of five investment professionals with an expert understanding of the technology, medical science, and regulatory landscapes involved. Three of them have been at Baron for over 15 years. One holds a Ph.D. in Molecular Biology.

Our diversified mutual Funds and our specialty Baron Health Care Fund have significant exposures to the sector across multiple segments, as the charts show.

Baron Has Significant Exposure to Health Care

Baron Funds – Weights in Health Care and Health Care Sub-Industries

as of 9/30/2020



Source: FactSet, Baron Capital.

As of September 30, Baron Capital had invested \$5.8 billion in health care companies across all portfolios we manage. This represents 15% of our assets under management. Our top 10 largest mutual Fund investments in the sector have a combined value of nearly \$3 billion, as shown in the table below. Our cost for these investments was \$1.1 billion, and over time they have generated \$3.7 billion in realized and unrealized gains for our shareholders. For more information about these companies, please see the appendix to this letter for business descriptions and our investment premises.

Baron's Top Health Care Holdings Have Generated Significant Returns

Baron Funds – 10 Largest Health Care Positions (Combined, Currently Held)

as of 9/30/2020

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	Total Return Comparison (%)			
						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
IDEXX Laboratories, Inc.	\$ 233	\$ 1,573	\$ 1,106	3.3%	15.6	2631.4%	23.5%	2180.3%	12.0%
Mettler-Toledo International Inc.	\$ 158	\$ 709	\$ 352	1.1%	11.8	1238.7%	24.5%	616.5%	6.3%
Bio-Techne Corp.	\$ 119	\$ 231	\$ 310	0.9%	11.7	422.1%	15.2%	-184.5%	-3.0%
West Pharmaceutical Services, Inc.	\$ 72	\$ 304	\$ 309	0.9%	7.3	758.1%	34.3%	540.9%	17.1%
Veeva Systems, Inc.	\$ 68	\$ 148	\$ 205	0.6%	3.3	332.7%	55.6%	248.7%	35.4%
DexCom, Inc.	\$ 120	\$ 223	\$ 163	0.5%	7.8	2906.8%	54.5%	2643.5%	36.6%
Zai Lab Ltd.	\$ 62	\$ 114	\$ 145	0.4%	2.6	243.4%	60.0%	184.2%	40.6%
Illumina, Inc.	\$ 181	\$ 205	\$ 143	0.4%	8.9	927.5%	30.0%	602.8%	12.3%
ICON Plc	\$ 44	\$ 140	\$ 115	0.3%	7.7	563.0%	27.7%	311.5%	10.1%
Guardant Health, Inc.	\$ 75	\$ 62	\$ 112	0.3%	2.0	247.1%	86.9%	204.9%	67.5%
Total:	\$1,130	\$3,709	\$2,960	8.9%	7.9*	1207.1%*	41.2%*	734.9%*	23.5%*

Source: FactSet, Baron Capital.

* Average of the top 10.

The performance data quoted represents past performance. Past performance is no guarantee of future results. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

These 10 stocks are not only our largest investments in the sector, they are also some of our longest-held investments. Most of these companies are producers and suppliers of life science tools and health care equipment and technology. Moreover, all 10 investments have delivered significant absolute returns over time, and nine of 10 have outperformed the Russell 3000 Growth Index since we first purchased them. Each stock has grown at a rate that at least doubles its value over five years.

We believe our time-tested approach and investing principles will continue to lead to strong results, as in the past. Health Care investments have contributed significantly to our absolute and relative returns, mainly through strong stock selection. The tables below show several significant outcomes:

- (i) The Baron diversified mutual Funds have generated strong positive absolute returns over various long and shorter periods.
- (ii) The Baron diversified mutual Funds have generated positive excess returns over various periods.
- (iii) Stock selection has been a positive contributor and a driver of excess returns.
- (iv) Stock selection in the Health Care sector has been a positive contributor and a driver of the Baron Funds' overall stock selection.

Baron's Scorecard

Diversified Baron Mutual Funds – Absolute and Relative Performance

as of 9/30/2020 (Institutional Shares)

	Fund Performance (annualized)					Fund Excess Return vs. Primary Benchmark (annualized)				
	YTD [†]	1 Year	3 Years	5 Years	10 Years or Since Inception*	YTD [†]	1 Year	3 Years	5 Years	10 Years or Since Inception*
Baron Growth Fund	9.87%	19.38%	16.54%	15.58%	14.51%	5.99%	3.67%	8.36%	4.16%	2.17%
Baron Small Cap Fund	19.64%	30.96%	16.40%	16.99%	14.11%	15.76%	15.25%	8.22%	5.57%	1.77%
Baron Discovery Fund	32.33%	45.77%	20.42%	23.18%	17.92%	28.45%	30.06%	12.24%	11.76%	8.70%
Baron Asset Fund	15.72%	23.53%	18.13%	17.66%	15.50%	1.80%	0.30%	1.90%	2.13%	0.95%
Baron Opportunity Fund	53.87%	75.82%	35.52%	27.69%	18.12%	30.87%	39.70%	14.79%	8.18%	1.21%
Baron Fifth Avenue Growth Fund	39.44%	49.93%	26.25%	23.52%	18.25%	15.11%	12.40%	4.58%	3.42%	1.00%
Baron Durable Advantage Fund	11.80%	23.34%			14.84%	6.23%	8.19%			4.00%
Baron Emerging Markets Fund	7.25%	17.48%	3.33%	9.48%	5.29%	8.41%	6.94%	0.91%	0.51%	3.46%
Baron Int'l Growth Fund	10.35%	20.37%	8.05%	11.36%	8.24%	15.79%	17.37%	6.89%	5.13%	4.24%
Baron Global Advantage Fund	52.95%	71.70%	33.05%	29.35%	19.49%	51.58%	61.26%	25.93%	19.05%	10.66%

Diversified Baron Mutual Funds – Funds Stock Selection Effects

as of 9/30/2020

	Fund Stock Selection Effect vs. Primary Benchmark (annualized)					Stock Selection Effect in Health Care Sector (annualized)				
	YTD [†]	1 Year	3 Years	5 Years	10 Years or Since Inception*	YTD [†]	1 Year	3 Years	5 Years	10 Years or Since Inception*
Baron Growth Fund	9.48%	9.74%	8.78%	4.25%	2.10%	2.85%	0.86%	1.37%	0.79%	0.15%
Baron Small Cap Fund	15.92%	16.17%	7.16%	4.83%	2.06%	3.80%	2.31%	2.30%	1.98%	0.57%
Baron Discovery Fund	27.46%	28.23%	10.16%	10.69%	8.02%	3.26%	1.37%	0.76%	1.97%	1.30%
Baron Asset Fund	2.51%	0.42%	2.20%	2.01%	0.99%	1.99%	-0.36%	1.39%	1.55%	0.38%
Baron Opportunity Fund	29.02%	34.41%	11.43%	5.36%	0.58%	5.62%	6.82%	3.57%	0.67%	0.27%
Baron Fifth Avenue Growth Fund	13.76%	9.54%	3.63%	3.02%	1.04%	4.37%	0.69%	1.70%	0.10%	0.53%
Baron Durable Advantage Fund	9.08%	9.62%			3.86%	2.97%	2.84%			1.11%
Baron Emerging Markets Fund	4.64%	3.08%	19.69%	1.50%	2.03%	0.18%	0.27%	0.60%	0.01%	0.40%
Baron Int'l Growth Fund	10.89%	10.38%	4.62%	4.10%	3.50%	3.39%	4.31%	1.37%	1.66%	0.94%
Baron Global Advantage Fund	39.97%	43.17%	0.43%	14.43%	7.29%	10.52%	10.50%	5.69%	2.08%	1.16%

Source: FactSet PA, Baron Capital.

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

† Not annualized

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 – Russell Midcap Growth Index; Baron Opportunity Fund – Russell 3000 Growth Index; Baron Fifth Avenue Growth Fund – Russell 1000 Growth Index; Baron Durable Advantage 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. Notes cont'd on next page.

Letter from Linda

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 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.

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 9/30/2019: 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 International Growth Fund, 1.04%, but the net annual expense ratio was 0.95% (net of the Adviser's fee waivers), 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).

Our research team studies health care companies around the globe, yet we find most of our investments in the sector in the U.S. The U.S. spends the highest fraction of GDP on health care than any other country. A significant portion of this spending goes to research and development which, combined with the favorable entrepreneurial environment, makes the U.S. one of the most attractive places for health care innovation, growth, and investing.

What we have witnessed in the Health Care sector is that much of the innovation and growth has been coming from areas such as technology, medical devices, genomics, and, increasingly, biotechnology. Health care equipment and life sciences tools & services, two areas with significant weights in the Baron Funds, shown earlier, have experienced growth in recent years due to higher investments. These areas have also seen significant organic, demand-driven growth. For example, the secular increase in pet ownership and pet care has led to higher pet spending and significant rise in business for companies like IDEXX Laboratories, Inc., the leading provider of equipment and diagnostics to the veterinary industry.

Because of the expansion in the biotechnology industry, life sciences and tools companies, which supply biotech, have seen a material increase in their business. Such companies are particularly appealing to us because they participate in the growth of biotech but have a higher certainty around revenues and cash flows. While all of our diversified Funds have exposure to equipment and life science tools companies, only some have significant exposure to biotech because of portfolio composition and risk balance.

Many Baron Funds are underweight biotech compared to their benchmarks, particularly in small cap space, as they do not meet our investment criteria. Notwithstanding the growth of the biotech industry in recent years, fundamentally we believe that biotech is still in its early stages of evolution. Many biotech companies are in pre-commercial, pre-revenue stage, and some do not even have human trials data available. As the FDA has fast-tracked drugs coming to market compared to 10-20 years ago and investor appetite for biotech has increased, accessing the public market has become easier for biotech companies. We see hundreds of them public today, representing a big portion of some indexes. As innovation and advances in science and medical technology have made research and development faster and more efficient, and as our research team has gained more conviction, we have increased our exposure to biotech.

Investing in Health Care Outside of the U.S.

Outside of the U.S., there are significantly fewer companies in the Health Care sector. As of September 30, Health Care represented 13.1% of the MSCI AC World ex US Index and, of the 76 companies in the sector, 40 were in biotech and pharma, only four in life sciences tools & services, and just

one in health care technology. The sector weight in the MSCI EM Index was just 4.3% and, out of 113 Health Care companies, 72 were in biotech and pharma, seven in life sciences tools & services, and three in health care technology.

Our three mutual Funds with international/global focus have significant exposures to the sector across several segments, and all three are overweight Health Care relative to their primary benchmarks. We believe that our international health care exposure may increase in the future, as there are positive local trends, and we see more U.S. companies establishing operations abroad due to expanding business opportunities. The health care industry is growing rapidly in emerging markets like China, India, and Brazil because the environment has become more attractive for entrepreneurs and disruptors. The growing middle class has also been a driver of demand for quality health care. China, in particular, has started building a previously non-existent health care safety net for its population, ramping up spending and opening a variety of new opportunities.

COVID-19

The pandemic has not changed Baron's investing approach to health care, although COVID is certainly having an impact on the investment climate in every sector and a direct impact on health care. In the short term, there are beneficiaries and losers from the shock. Our attention remains on the long term. Generally, we believe that this pandemic will result in more investment in scientific research and pandemic preparedness. We also expect to see an acceleration of trends in areas like telemedicine and remote monitoring, where Baron had established investments well prior to the pandemic.

Even before the pandemic, we expected that we would be seeing advancements in cures and treatments, including gene therapies, over the next decade, and we think the pandemic will only accelerate these trends. In our view, the sector has become less sensitive to political outcomes, including the upcoming election.

While our hope is that a reliable COVID vaccine and treatment become available soon, our preference is not to invest in companies based purely on a thesis about vaccines. It is hard to guess who will create a vaccine first and who will reap the economic benefit. Our preference is to invest in the businesses that are tool providers to vaccine developers. Many of our existing investments are in companies that are already benefitting from supplying tools and products that go into vaccine manufacturing. For example, one of our recent investments, CryoPort, Inc., is involved in logistics and storage services for biotech products, including vaccines, that require temperature-controlled environments.

Baron Health Care Fund

Our conviction and successful track record in health care were some of the key reasons behind Baron's decision to launch Baron Health Care Fund in 2018. The product has been managed by Neal Kaufmann with the help of Josh Riegelhaupt as assistant portfolio manager, both of whom have extensive investment research experience in health care.

Baron Health Care Fund typically has around 40 – 50 holdings, far fewer than its primary benchmark, the Russell 3000 Health Care Index (~600 holdings) and the average fund in Morningstar's health care category (~300 holdings). Its top 10 holdings represent over 40% of the portfolio, reflecting the high conviction of the managers. Yet, the Fund is well diversified within Health Care, with exposures primarily to equipment and life sciences tools companies, pharmaceuticals, biotechnology, and managed health care. While the average fund in Morningstar's health care category has nearly 50% invested in biotech, Baron Health Care Fund typically has around 20% in this area, leaving more room for opportunities in other segments and diversifying the higher risk that is characteristic for biotech companies.

The Fund has been constructed and managed using Baron's core investment philosophy and principles, focusing on secular growth, competitive advantage, and great management teams. The high growth tilt separates the Fund from its competitors, which tend to invest in larger-cap, lower growth companies.

Since its inception on April 30, 2018, the Fund has generated a cumulative return of 63.00%, significantly above the benchmark's 38.80% and the S&P 500 Index's 33.23%. The strong performance has ranked the Fund in the 3rd percentile in its Morningstar category. The performance is similarly impressive for the first nine months of 2020. The Fund returned 26.16%, outperforming its benchmark by 17.75% which ranked it in the 6th percentile in its category.

*Morningstar ranked Baron Health Care Fund – Institutional Shares in the 6th, 9th, and 3rd percentiles for the YTD, 1-year, and since inception (4/30/2018) periods. **The Morningstar Health Category** consisted of 158, 155, and 139 share classes, respectively.¹*

Baron Health Care Fund Has Generated Top Performance

Baron Health Care Fund – Performance and Rankings

as of 9/30/2020 (Institutional Shares)

Fund Performance (annualized)			Fund Excess Return vs. Primary Benchmark (annualized)			Stock Selection Effect in Health Care Sector (annualized)		
YTD	1 Year	Since Inception	YTD	1 Year	Since Inception	YTD	1 Year	Since Inception
26.16%	48.86%	22.41%	17.75%	24.26%	7.88%	19.65%	25.18%	9.31%

Source: Morningstar Direct, Baron Capital.

Notes: YTD performance is not annualized. Excess Return and Stock Selection Effect are calculated versus the Fund's primary benchmark, the Russell 3000 Health Care Index. The Fund's inception date is 4/30/2018. As of 9/30/20, Morningstar classified the Fund in the Morningstar Health category. For an explanation of Stock Selection Effect, please see the footnote on page 5 and additional details on the last page.

Annual expense Ratio for Inst. shares as of 12/31/2019: 2.39%, but the net annual expense ratio was 0.85% (net of the Adviser's fee waivers).

¹ Morningstar calculates the Morningstar Health Category Average 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.

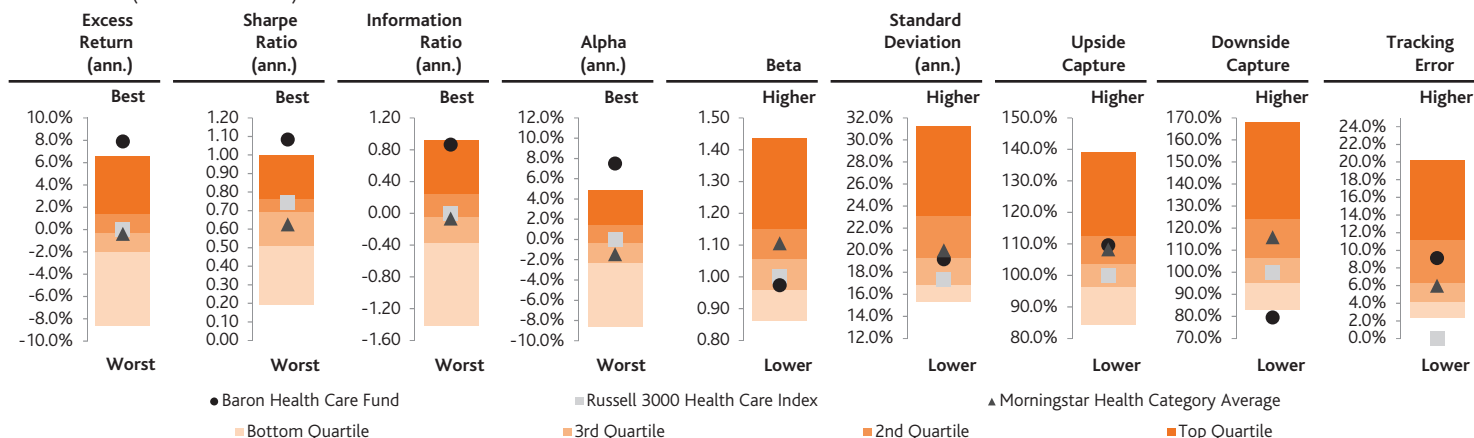
Letter from Linda

Moreover, Baron Health Care Fund's top performance has been accompanied by strong risk-adjusted returns. As the chart below shows, since its inception the Fund has generated an outstanding return-to-risk payoff (Sharpe Ratio and Information Ratio), high alpha with low beta, and an impressive upside and downside capture ratios.

Baron Health Care Fund Has an Attractive Risk-Return Balance

Baron Health Care Fund – Performance-Based Statistics Since Inception

as of 9/30/2020 (Institutional Shares)



Source: Morningstar Direct, Baron Capital.

The performance data quoted represents past performance. Past performance is no guarantee of future results. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk. The index performance is not fund performance; one cannot invest directly into an index

Our view is that the Health Care sector will continue to expand, as we see growing demand for products and services, higher spending, and accelerating innovation and disruption. This will give rise to new investment opportunities and broaden the outcomes, but it will also make health care a more complex space to navigate. We believe that investors should not miss out and, with the help of a skilled active manager, they can take advantage of the long-term upside potential in the sector.

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.

Global Advantage Fund's 3 month, 3- and 5-year, Fifth Avenue Growth Fund's 3 month, Discovery Fund's 3 month, 3- and 5-year, International Growth Fund's 3- and 10-year, and Opportunity Fund's 3 month, 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: All investments are subject to risk and may lose value. In addition to general market conditions, the value of the **Baron Health Care Fund** will be affected by investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

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

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. **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 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® 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. **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 Top 200 Index** is a market capitalization weighted index of the largest 200 companies in the Russell 3000. The Russell Top 200 Index is a benchmark index for U.S.-based large-cap stocks; the average member has a market cap above \$100 billion. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group.

The **MSCI 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 ACWI Index** measures the equity market performance of large and midcap securities across developed and emerging markets, including the United States. **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 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 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. **Beta** measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **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.

The stock selection effect appearing in the table on pages 5 and 7 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 September 30, 2020 for securities mentioned are as follows: – **IDEXX Laboratories, Inc.** – Baron Asset Fund (6.7%), Baron Growth Fund (4.8%), Baron Small Cap Fund (2.1%), Baron Partners Fund (5.7%*), Baron Health Care Fund (1.4%); **Mettler-Toledo International, Inc.** – Baron Asset Fund (3.8%), Baron Growth Fund (1.3%), Baron Small Cap Fund (1.3%), Baron Durable Advantage Fund (1.3%), Baron Health Care Fund (1.8%); **Bio-Techne Corporation** – Baron Asset Fund (1.9%), Baron Growth Fund (2.9%), Baron Health Care Fund (1.1%); **West Pharmaceutical Services, Inc.** – Baron Asset Fund (3.2%), Baron Growth Fund (2.0%), Baron Health Care Fund (1.5%); **Veeva Systems Inc.** – Baron Asset Fund (2.5%), Baron Opportunity Fund (0.5%), Baron Fifth Avenue Growth Fund (5.0%), Baron Global Advantage Fund (2.4%), Baron Health Care Fund (1.0%); **DexCom, Inc.** – Baron Asset Fund (1.4%), Baron Small Cap Fund (2.0%), Baron Health Care Fund (1.5%); **Zai Lab Ltd.** – Baron International Growth Fund (1.7%), Baron Emerging Markets Fund (2.1%), Baron Global Advantage Fund (1.3%), Baron Health Care Fund (1.5%); **illumina, Inc.** – Baron Asset Fund (1.8%), Baron Opportunity Fund (0.6%), Baron Fifth Avenue Growth Fund (2.5%), Baron Global Advantage Fund (1.6%), Baron Health Care Fund (2.3%); **ICON Plc** – Baron Small Cap Fund (2.6%), Baron Health Care Fund (0.9%); **Guardant Health, Inc.** – Baron Asset Fund (0.7%), Baron Small Cap Fund (0.6%), Baron Opportunity Fund (0.7%), Baron Global Advantage Fund (2.1%), Baron Health Care Fund (1.7%).

* % of Long Positions.

Portfolio holdings may change over time.

Letter from Linda

Appendix – Baron Funds – 10 Largest Health Care Positions (Combined, Currently Held)

Descriptions and Investment Premises

Company Name	Market Capitalization (billions)	Company Description	Baron's Investment Premise	GICS Sub-industry
IDEXX Laboratories, Inc.	\$33.44	IDEXX Laboratories, Inc. (IDXX) is the leading provider of diagnostics to the veterinary industry.	IDEXX has continued to benefit from secular growth spending on pets, due to a growing human-animal bond, favorable demographics, increased use of diagnostics, and enhanced focus on preventative care. We think IDEXX has the best menu of diagnostics, which it has continuously improved by spending six times more on R&D annually than all its competitors combined. The company's products are sold via a razor/razorblade model, which creates high retention rates and incremental margins. IDEXX generates strong cash flow, which it has returned to shareholders via repurchases.	Health Care Equipment
Mettler-Toledo International, Inc.	\$23.15	Mettler-Toledo International, Inc. (MTD) is the world's largest provider of weighing instruments for use in laboratory, industrial, and food retailing applications.	Mettler has a track record of consistent growth. The company has strong brand recognition, customer diversification, pricing power, and margin expansion opportunities. We think the business has attractive financial characteristics, including high returns on capital, minimal capital requirements, and strong free cash flow generation. The company uses all of its free cash flow to repurchase its stock. We believe the management team is an excellent steward of capital and skilled at developing sales and marketing initiatives to enhance growth.	Life Sciences Tools & Services
Bio-Techne Corporation	\$ 9.55	Bio-Techne Corporation (TECH) is a leading developer and manufacturer of life sciences tools, such as high-quality purified proteins and protein analysis tools, which are sold to biomedical researchers and clinical research laboratories.	We believe Bio-Techne's core biotech reagents business is an attractive business which will generate consistent mid-single digit growth, high margins, and strong free cash flow. Management has added several new growth drivers for the company through acquisitions, including an automated Western blotting platform, a prostate cancer biomarker test to reduce unnecessary prostate biopsies, and a portfolio of gene and cell therapy manufacturing tools. The company's organic growth has been accelerating, and we think the runway for growth is long.	Life Sciences Tools & Services
West Pharmaceutical Services, Inc.	\$20.30	West Pharmaceutical Services, Inc. (WST) manufactures components and systems for the packaging and delivery of injectable drugs.	West's competitive advantages include regulatory barriers, long-term customer relationships, global manufacturing and service, and substantial capital investment. We believe West will benefit from a shift in its business toward high-value packaging components, driven by growth of complex biologic injectable drugs and proprietary delivery system products, which carry higher gross margins. We think earnings will more than double over the next five years, driven by this product sales mix shift and margin expansion.	Health Care Supplies
Veeva Systems Inc. CL – A	\$42.41	Veeva Systems Inc. (VEEV) is a cloud software provider focused on the life sciences market, with products including multi-channel customer relationship management (CRM) and enterprise content management (Vault) offerings. Veeva is also expanding beyond life sciences with its QualityOne product.	Veeva addresses a total available market of over \$10 billion through its current product line. The company employs a "land and expand" strategy in which it expands Veeva CRM services across divisions and cross-sells new products. As a vertical SaaS company, Veeva maintains high margins by selling into a concentrated target customer base, enabling it to spend less on sales and marketing and more narrowly target its R&D investment. We expect Veeva to leverage its platform to develop products in and beyond its core pharma market over the coming years.	Health Care Technology
DexCom, Inc.	\$39.47	DexCom, Inc. (DXCM) sells a continuous glucose monitoring device for patients with diabetes to help them monitor their blood glucose levels.	Continuous glucose monitoring (CGM) is rapidly replacing finger sticks in the U.S. and abroad. DexCom offers the most accurate CGM sensor with the best features and functionality in the marketplace. We believe DexCom can continue to generate attractive growth driven by continued penetration into the insulin intensive market and expansion into new markets including the much larger non-insulin intensive market, the gestational diabetes market, and the hospital market, among other new markets.	Health Care Equipment

Company Name	Market Capitalization (billions)	Company Description	Baron's Investment Premise	GICS Sub-industry
Zai Lab Limited -Adr	\$ 7.15	Zai Lab Limited (ZLAB) is a Chinese biotechnology company in-licensing drugs from developed countries to introduce to the Chinese health care market, which is still massively underdeveloped compared to developed countries.	Zai Lab is a leader in the early days of reforming the Chinese health care system. Given broad Chinese health care reforms via the NRDL (Chinese reimbursement list), CFDA (Chinese FDA), and ICH (International Council of Harmonization), and a newly opened financing avenue, we believe China is primed for extensive growth in the health care space. We believe Zai Lab, led by veteran CEO Samantha Du, is in a prime position to in-license U.S. drugs and sell them into the Chinese market.	Biotechnology
Illumina, Inc.	\$45.24	Illumina, Inc. (ILMN) is the recognized leader in next-generation DNA sequencing platforms.	Illumina has a dominant position in DNA sequencing technology, which is increasingly being used for patient care in the diagnosis and treatment of cancer and other areas. We believe the company has a large addressable market and is in the early stages of its growth. Illumina's R&D spend as a percentage of sales is significantly higher than that of its peers, which allows the company to continue to innovate. The company has an attractive razor/razorblade business model with strong recurring revenue and profit margins that we believe have room to expand.	Life Sciences Tools & Services
ICON Plc	\$10.06	ICON plc (ICLR) is a leading global Contract Research Organization (CRO) providing outsourced drug development services to its pharmaceutical and biotech clients. ICON has expertise in multiple therapeutic areas.	As drug trials become increasingly complex and biopharma companies consolidate their vendor lists among top-tier providers and seek to establish stickier strategic relationships, we believe large global CROs like ICON will be the primary beneficiaries. The outsourcing trend is accelerating, driven by biopharma's need for a lower, more variable cost structure in the face of patent expirations and the inherent lack of biotech infrastructure.	Life Sciences Tools & Services
Guardant Health, Inc.	\$11.11	Guardant Health, Inc. (GH) offers a liquid biopsy diagnostic test for advanced stage cancer and is developing liquid biopsy diagnostic tests for recurrence detection in cancer survivors and early detection of cancer in higher risk individuals.	We believe Guardant's liquid biopsy tests are superior to tissue biopsy because they are less invasive, do not require physical access to the tumor, are more representative of the tumor's molecular profile, enable repeat sampling, have faster turnaround times, and support real-time monitoring. Competitive advantages include unique technology incorporating proprietary biochemistries and machine learning, demonstrated clinical utility, regulatory barriers, payer coverage, and commercial adoption. We believe the market opportunity for Guardant is >\$35 billion in the U.S.	Health Care Services