Baron Funds®

March 31, 2021

Quarterly Report

"This is just the beginning..." Dr. Ozlem Tureci and Dr. Ugur Sahin. Co-Founders and Chief Scientists, BioNTech SE. Inventors, Pfizer / BioNTech mRNA COVID-19 vaccine. Horizon Magazine. EU. April 2021.

Russia's launch of Sputnik in 1957 arguably set the stage for the enormous digital technology advances and innovation of the past 60 years: broadband and cellular communications; the Internet; the first moon landing in 1969 (only 66 years after Wilbur and Orville Wright's historic sub one minute flight at Kitty Hawk); and the birth of space exploration. We believe COVID-19 could have a similarly disruptive impact on health care innovation in coming decades.

During the COVID-19 pandemic, three million individuals have so far died. As difficult as it is to comprehend the enormity of this tragedy, those deaths represent only 0.04% of Earth's 7.5 billion population. In prior epochs, a COVID-19-like tragedy would have been worse. To give you a sense of medical advances in the past 100 years, during the 1918 Spanish flu pandemic, also caused by a virus with avian origin, experts estimate that more than 50 million died. That represented 3.3% of the Earth's then estimated 1.5 billion population. Further, during the Bubonic Plague in 1350, an estimated one-third of Earth's 475 million inhabitants were stricken and more than 50 million, more than 10% of Earth's population, died! Yikes!!!

We regard COVID-19 and the use of messenger RNA vaccines, so-called mRNA, as a "Sputnik moment," the "silver lining" inside the COVID-19 cloud. mRNA is a platform technology with potential applications for the treatment of serious infectious and genetic diseases in addition to COVID-19...and, of cancer, too! mRNA technology has been studied for more than 30 years. However, mRNA's rapid development last year would not have happened without our government's financial assistance. Prior to COVID, pharmaceutical economics served as barriers to realizing the potential of mRNA. Since there were already low-cost vaccines to treat the types of diseases that would represent a "proof of concept" for mRNA, pharmaceutical business economics are such that the large investments required to produce an mRNA vaccine (new technology) for diseases already serviced by older technology were not otherwise practical.

RONALD BARON
CEO AND PORTFOLIO MANAGER

Dr. Ozlem Tureci and her husband Dr. Ugur Sahin are scientists and Turkish immigrant founders of German mRNA vaccine manufacturer **BioNTech SE**. This husband-and-wife scientific team, newly minted billionaires, were recently chosen "Persons of the Year" by FT in Europe. For many years, the two doctors had been studying mRNA. Their primary interest had been its use as a vaccine to activate the human immune system. This was to enable individuals to produce antibodies and T-cells to protect them against cancer. The scientists also realized mRNA applicability to other diseases, including prophylactic vaccines for infectious diseases. mRNA vaccines are synthetic and produced by chemistry. They are unlike vaccines produced by biological processes that use live attenuated viruses incubated in chicken eggs or cultured via insect proteins. By shortening the vaccine supply chain and making it less variable, it also became more difficult to screw up the manufacturing process.... and easier and cheaper to scale to mass quantities. COVID was the catalyzing event that propelled governments to provide the economics enabling BioNTech and **Moderna, Inc.** to improve the innovative mRNA platform.

In a recent interview, Ugur Sahin noted that mRNA COVID vaccines had the "fastest development time ever in medical history." They took only a few *months*, not years. The vaccines were also extraordinarily effective "inducing immune responses and preventing symptomatic disease." The BioNTech mRNA vaccine provided immunity to more than 95% of those who received shots in their arms. Finally, the production of these vaccines was uniquely scalable. When I study new businesses with which I am unfamiliar, especially when science is important, I need experts to explain the processes and products simply enough for me to understand. In the case of mRNA, the simplified explanation follows: synthetic mRNA is injected into arms to teach the body to produce antibodies on its own using mRNA as its "coach." The human body is the "athlete" that listens to the coach so its cells can produce antibodies to fight the virus. Further, since mRNA is produced using a non-infectious agent, it is less likely the individual receiving mRNA vaccine will have an adverse reaction.

Rahm Emanuel, the former Mayor of Chicago and Chief of Staff for President Obama, was fond of saying, "You never want to let a serious crisis go to waste." What he meant by this is, "Don't miss an opportunity to do things you could not do otherwise." BioNTech/Pfizer and Moderna have certainly taken this advice to heart and hopefully have produced a vaccine that will soon consign COVID to history books. We think BioNTech and Moderna are currently being valued on the basis of earnings and sales they are likely to produce from COVID vaccines. Those vaccines will likely not be as important in the future. We believe in the next 10 years both BioNTech and Moderna have the opportunity to produce innovative therapies using the mRNA platform that could have an important impact on global health care.

"The lead fish in a school of fish turns to the fish behind him." "Hey, boys, how's the water?" "What water?" was the reply. David Rubenstein. Chairman of The Carlyle Group Inc. May 3, 2012.

When private equity investment management firm **The Carlyle Group Inc.** was

BARON FUNDS 1987

about to become a publicly owned business in 2012, David Rubenstein, its Chairman, visited Baron during the course of Carlyle's IPO "roadshow." Roadshows before initial public offerings enable investors to meet with executives of businesses that are about "to go public." This is so the executives can describe their businesses' prospects and growth opportunities to investors like us. This is a critical step to help us study those businesses to determine whether they are fairly valued and offer Baron shareholders opportunity.

During that meeting, David told us his "fish story" to illustrate, we thought, why the environment that surrounds investors is not as clear and important as the fundamentals of the businesses in which we invest. David then explained that he believed bankers and investors were mispricing Carlyle's prospects and undervaluing it as a publicly held company. This was, he opined, principally because investors gave little credit to Carlyle's ability to continue to consistently generate "carried interest" profits. The undervaluation, however, was also because of the environment. Recent public offerings of private equity firms had not done as well as expected. "I promise you, you won't lose money if you purchase Carlyle shares at its initial public offering price of $22 per share," he told us. David was right. In addition to Carlyle's share price approximately doubling over the past nine years, we received dividends of about 3% annually during the period!

During my investment career, our method of valuing securities and our process for investing has evolved…and, we think, improved. Our investment interest has always been centered on growth companies. But, from premising our investments on book value…to making my first investments at 10 times price/earnings ratios when I was 14 years old… ("…amazing….you get to purchase a part ownership in a business at 10 times earnings and someone else manages that business for you," I thought, when my friend's dad explained it to me when I was young. "How cool!")…to multiples of cash flow…to multiples of EBITDA that my friend Mario Gabelli invented…to purchasing at multiples of free cash flow that my partner Cliff Greenberg favors…to multiples of capital-light, platform subscription revenues…to investing in my favorite people over the long term… so numerous over the past 50 years they would be impossible to list! The biggest lesson? Bet on people…talent…integrity…leadership skills…heart…smart…hardworking…live by their word…people… And, of course, invest in businesses that are competitively advantaged.

"Businesses are often overvalued in the short term and undervalued over the long term." Daniel Ek. Founder and Chairman. Spotify. 2021.

That is because, as **Microsoft Corporation**'s Founder, Bill Gates, believes, "Most people overestimate what they can accomplish in one year and underestimate what they can accomplish in ten years." In the short-term, instant gratification-focused world in which we live, investors generally rely upon analysts' earnings estimates for the next quarter…which are often missed. This is since analysts' estimates are often based on optimistic assumptions that underweight costs to achieve long-term growth. Further, analysts usually accord less importance to long-term business goals…which companies often exceed! That is why share prices of rapidly growing companies may appear expensive in the short term but are wildly undervalued over the longer term.

We think good advice regarding everything you purchase…whether it is financial assets like mutual funds…stocks…real estate… businesses…or an electric car…or a refrigerator….is, *do your homework*. My friend Peter Lynch believes that individuals devote more time to determining the best refrigerator to buy than they do to learning about their most important investments, financial assets! Not to be preachy, but making appropriate financial investments is what will determine your and your family's lifestyle.

We believe it *just takes time* for terrific assets to appreciate in value. The best art…the most attractively located real estate…and the fastest-growing, competitively advantaged, well-managed businesses will increase in value more rapidly than investments with commodity-like characteristics. That is even though cyclical businesses may at times be inordinately cheap and more attractive assets may seem expensive. The reason fast-growing, attractive businesses are expensive in the short term may be because those businesses are not yet mature…or because their profits are depressed by costs they incur to grow bigger and faster. "The power of compounding is the strongest force in the universe," is a quote often attributed to Albert Einstein in 1955. What he meant was that if something grows consistently for a long time, it will ultimately become exponentially larger than it is today. *"Time is on my side…yes it is…" Surprisingly, Mick Jagger had the same idea as Einstein in 1964. On the other hand, considering Mick Jagger, maybe that is not surprising*.

We were recently interviewed by the head of a large endowment for a prestigious college. We are competing to be one of several investment managers for that endowment. Unlike many endowments, this endowment had achieved double-digit returns for the past several years. It quickly became apparent from their questions, why they have outperformed their peers. "We can see your returns are superior," they began. "We would like you to explain why others can't easily copy what you do. Why can't they invest in people and businesses for the long term, just like you? What is *your* competitive advantage?"

We answered that most investors try to allocate assets based on their assessment of the *macro* environment. Further, they generally believe businesses are more appropriately valued based on current results not on what a business could become in 5 or 10 years or longer. In addition, they don't have a track record to demonstrate they have successfully bought and owned growth businesses for years, not months. They also cannot point to "investing for the long term in people" who have become inordinately successful. Finally, most investors are generally unwilling to take the risk of making an investment in a business whose share price may be relatively unchanged or volatile for several years while those businesses' sales are growing rapidly but their earnings are not.

Baron is different. We rely upon our own research, not recommendations of others, to assess the likelihood businesses in which we choose to invest will be successful. We believe this process allows us to make better decisions. Further, Baron is a family business with an unusually strong balance sheet that we expect to help our business last for many generations. Accordingly, we believe we are able to make long-term decisions that few others can. And, as the largest investors in Baron mutual funds, our interests are aligned with Baron Funds' shareholders.

One example? We invested $339 million in Tesla at an average price of $43 per share split adjusted from 2014 through 2016. Tesla's share price was volatile and little changed as were its earnings or lack thereof for the next five years. This was while its sales grew about ten-fold. During 2020, Tesla's share price increased 743%…and we believe it will at least triple again in the next 10 years! We have made several billion dollars in realized and unrealized profits on our Tesla investment in the past year. We have lots of examples of our successful "time arbitrage" investment strategy working well…although none quite so spectacularly as Tesla. We have hopes that our investments in privately owned **Space Exploration Technologies Corp.** ("SpaceX") can do as well during the "Roaring Twenties" that now seem upon us.

"When you left Herzfeld & Stern in 1982 to found Baron Capital, I saw what you had done there and I decided if I ever had a chance to invest with you, I would." Robert Kaplon. December 2020.

While Judy and I were hiding out from COVID-19 in Florida during Christmas and New Year's, our son Michael and his wife Genna were staying at our family's summer home in East Hampton. Michael then called to tell me we had just received a present of four bottles of Dom Perignon champagne. Although I don't drink alcohol, even I knew that was a very expensive and very special present. "Who sent it?" "Robert Kaplon," Michael answered. "Boy, that's odd. Robert is a friend with whom I worked more than 40 years ago. I don't understand why he would send me such an extravagant present. I need to call him."

In 1975, five years after I began my career as a securities analyst, I was recruited to become an institutional research analyst at Herzfeld & Stern. That was where I met Robert who worked there as a stockbroker for individual investors and their families. Herzfeld, which has since been acquired, was a small, highly regarded, 100-year old brokerage firm. My new job there was to sell ideas I had researched to institutions, principally hedge funds and mutual funds…and to be right. Those clients paid Herzfeld brokerage commissions for my ideas. My compensation depended upon those commissions. I worked at Herzfeld until 1982 when I left to start Baron Capital.

When I called Bob to thank him for his unexpected, incredibly generous gift, I asked him why he had given me such a present. He told me his oldest son had just graduated from medical school and "you paid for that. So, this is to thank you." "What do you mean?" "Well, when you started Baron Partners Fund in 1992, I did something I tell my retail clients they should never do. I borrowed $200,000 to invest in that fund and, after I had doubled or tripled my money, I took $100,000 from Baron Partners Fund and invested it in one of your private funds. The second investment is now worth $1.7 million! The money I left in Baron Partners Fund with reinvested dividends has become more than 40,000 shares of Baron Partners Fund. That investment is now worth more than $7 million! You have made my family financially secure. The champagne was to say, 'Thank you.' I can never thank you enough."

P.S. When the individual with whom I worked and I were being recruited to work at Herzfeld in May 1975, we wanted to keep it a secret. We were being courted aggressively. We were regularly picked up at our apartments early in the mornings; brought downtown to meet with Paul Cohen, Herzfeld's Chairman and principal owner; and driven back to our office and existing jobs in midtown before the markets opened. After weeks of negotiations, we agreed to the terms and were told Paul wanted to meet us again. We were again picked up by his driver and brought to his office to shake hands. "Congratulations, boys. You are going to love working here," he said in a warm, grandfatherly manner. When we left his office to go back to work, the chauffeur-driven car wasn't waiting for us. The lesson? Wall Street is a tough neighborhood.

"If you've got it, flaunt it!" Broadway Joe Namath. Quarterback Super Bowl Champion New York Jets. 1969.

Few fund managers have been able to outperform their benchmark indices. That is the reason John Bogle, Founder of Vanguard, the passive index mutual fund business, advised, "Don't look for the needle in the haystack. Just buy the haystack!" The obvious analogy was for investors not to look for the rare mutual funds that beat the market, just invest in the passive mutual funds that ARE the market.

Baron Funds is among the few mutual fund groups that have outperformed "the markets" over the long term. As of March 31, 2021, 16 of 17 Baron Funds representing 98.3% of their assets under management (AUM), have outperformed their respective passive benchmarks since their inceptions. Further, 14 of those funds, representing 98.2% of AUM, rank in the top 22% of their respective Morningstar categories; and, 11 of those funds representing 71.8% of our AUM rank in the top 8%.

In 1992, Baron Capital had $100 million of assets under management. As of the writing of this letter, it had $51.7 billion! During the period, we have made our clients more than $49 billion in realized and unrealized gains.

As of March 31, Baron Partners Fund's performance made it number 2 out of 2,299 mutual funds since its conversion to a mutual fund in 2003.* Since conversion, it earned 19.50% annualized return vs. 13.18% for the Russell Midcap Growth Index. From its inception as a partnership in 1992, it has earned 16.52% vs. 10.85% for its benchmark.

As of March 31, Baron Growth Fund's performance made it number 13 out of 573 mutual funds since its inception in 1994.** Baron Focused Growth Fund's performance made it number 86 out of 3,557 mutual funds since its conversion from a partnership in 2008.***

Baron Global Advantage Fund is in the top 1% of its category since its inception. So is Baron Real Estate Fund. So is Baron WealthBuilder Fund. Baron Opportunity Fund, Baron Discovery Fund, and Baron Real Estate Income Fund are in the top 4% of their respective categories since inception. (All based on Retail Shares.)

Baron WealthBuilder Fund's inception date was December 29, 2017. **Baron WealthBuilder Fund was conceived to enable investors to obtain exposures to and the performance of many Baron mutual funds by investing in just one fund.** Based on its since inception performance, Baron WealthBuilder Fund (Institutional Shares) was the number 1 fund out of the 151 funds in the Morningstar Allocation–85%+ Equity Category.

Since Baron WealthBuilder Fund's inception in December 2017, its annualized rate of return has been 25.78% (Institutional Shares) per year. That compares to 15.12% per year for the S&P 500 Index and 10.76% for the MSCI ACWI Index! Baron WealthBuilder Fund charges no management fee and operating expenses are capped at 5 bps annually. Of course, the underlying Baron Funds in which Baron WealthBuilder invests charge their institutional management fees and operating expenses. But that's it.

Baron WealthBuilder Fund is a diversified fund that invests in a portfolio of Baron mutual funds all but one of which have outperformed their benchmark indexes since their inceptions. Baron WealthBuilder Fund is designed to be attractive to long-term shareholders saving for their retirements and/or their children's college tuition, weddings, or first homes. We are hopeful that foundations, endowments, sovereign wealth funds, and corporate pension plans with long-term investment horizons similar to other Baron mutual funds will also find Baron WealthBuilder Fund attractive. Especially those institutional entities that need to meet unfunded liabilities, which, due to actuarial assumptions, require 7% annual returns that few have achieved.

I am excited about the prospects for the Baron WealthBuilder Fund and expect it to become one of the largest Baron mutual funds in the next 10 years…perhaps even the largest.

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

Respectfully,

Ronald Baron
CEO and Portfolio Manager
April 20, 2021

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* **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 3/31/2021.** There are **2,229** share classes in these nine Morningstar Categories for the period from 4/30/2003 to 3/31/2021.

** **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 3/31/2021.** Baron Growth Fund's Retail Share class was launched on 12/31/1994. There are **573** share classes in these nine Morningstar Categories for the period from 12/31/1994 to 3/31/2021.

*** **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 3/31/2021.** There are **3,557** share classes in these nine Morningstar Categories for the period from 6/30/2008 to 3/31/2021.

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

The **Morningstar Mid-Cap Growth Category** consisted of 595, 500, and 379 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Partners Fund – Retail Share Class* in the 1st, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 221 share classes. Morningstar ranked *Baron Growth Fund – Retail Share Class* in the 57th, 35th, 40th, and 8th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 54 share classes. Morningstar ranked *Baron Focused Growth Fund – Retail Share Class* in the 4th, 3rd, 4th, and 5th percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 318 share classes.

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.

Baron Funds (Institutional Shares) and Benchmark Performance 3/31/2021

Fund	Primary Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns 1-Year	3-Year	5-Year	10-Year	Annual Expense Ratio	Net Assets
SMALL CAP										
Baron Growth Fund	Russell 2000 Growth Index	14.06%	9.15%	12/31/1994	72.85%	21.47%	19.91%	14.13%	1.04%[3]	$8.64 billion
Baron Small Cap Fund	Russell 2000 Growth Index	11.48%	7.57%	9/30/1997	88.40%	20.71%	21.19%	13.68%	1.05%[3]	$5.12 billion
Baron Discovery Fund†	Russell 2000 Growth Index	21.38%	13.12%	9/30/2013	123.05%	32.16%	31.52%	N/A	1.08%[3]	$1.64 billion
SMALL/MID CAP										
Baron Focused Growth Fund[1]	Russell 2500 Growth Index	14.52%	9.43%	5/31/1996	167.83%	44.10%	31.27%	18.02%	1.07%[4]	$671.01 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	12.34%	10.93%[2]	6/12/1987	58.28%	20.31%	20.05%	14.74%	1.05%[3]	$5.75 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	11.59%	11.87%	4/30/2004	63.99%	23.44%	24.09%	17.52%	0.78%/0.75%[3][6]	$735.03 million
Baron Durable Advantage Fund	S&P 500 Index	16.04%	15.12%	12/29/2017	47.45%	16.98%	N/A	N/A	2.40%/0.70%[3][7]	$21.26 million
ALL CAP										
Baron Partners Fund[1]	Russell Midcap Growth Index	16.36%	10.73%	1/31/1992	213.03%	50.75%	38.03%	23.14%	1.30%[4][5]	$6.71 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	10.64%	6.55%	2/29/2000	104.55%	38.62%	33.50%	18.37%	1.08%[3]	$1.55 billion
INTERNATIONAL										
Baron Emerging Markets Fund	MSCI EM Index	6.93%	3.77%	12/31/2010	72.06%	7.42%	12.65%	7.25%	1.09%[4]	$7.85 billion
Baron Global Advantage Fund†	MSCI ACWI Index	20.19%	10.55%	4/30/2012	90.71%	32.19%	30.97%	N/A	0.92%/0.90%[4][8]	$2.57 billion
Baron International Growth Fund	MSCI ACWI ex USA Index	12.65%	8.21%	12/31/2008	70.57%	11.81%	15.05%	9.04%	1.01%/0.95%[4][9]	$626.30 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	17.39%	12.63%	12/31/2009	99.99%	24.02%	19.54%	15.94%	1.08%[4]	$1.46 billion
Baron Real Estate Income Fund	MSCI US REIT Index	15.53%	4.67%	12/29/2017	56.17%	19.36%	N/A	N/A	3.45%/0.80%[4][10]	$45.23 million
Baron Health Care Fund	Russell 3000 Health Care Index	25.06%	16.49%	4/30/2018	63.93%	N/A	N/A	N/A	1.45%/0.85%[4][11]	$127.24 million
Baron FinTech Fund	S&P 500 Index	34.84%	20.09%	12/31/2019	66.06%	N/A	N/A	N/A	2.43%/0.95%[12]	$44.12 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	25.78%	15.12%	12/29/2017	102.31%	27.20%	N/A	N/A	1.22%/1.11%[4][13]	$345.60 million

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.
(2) For the period June 30, 1987 to March 31, 2021.
(3) As of 9/30/2020.
(4) As of 12/31/2020.
(5) Comprised of operating expenses of 1.05% and interest expenses of 0.25%.
(6) Annual expense ratio was 0.78%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).
(7) Annual expense ratio was 2.40%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(8) Annual expense ratio was 0.92%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers).
(9) Annual expense ratio was 1.01%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(10) Annual expense ratio was 3.45%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
(11) Annual expense ratio was 1.45%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
(12) Annual expense ratio was 2.43%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(13) Annual expense ratio was 1.22%, but the net annual expense ratio was 1.11% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

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.

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

Asset Fund's 1Q 2021, **Discovery Fund's** 1Q 2021, 3- and 5-year, **Emerging Market Fund's** 1Q 2021, **FinTech Fund's** 1Q 2021, **Global Advantage Fund's** 1Q 2021, 3- and 5-year, **HealthCare Fund's** 1Q 2021, and **Opportunity Fund's** 1Q 2021, 3-, 5- and 10-year historical performance were impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Funds' level of participation in IPOs and secondary offerings will be the same in the future.

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

Portfolio holdings as a percentage of net assets as of March 31, 2021 for securities mentioned are as follows: **Microsoft Corporation** – Baron Opportunity Fund (8.8%), Baron Durable Advantage Fund (8.4%); **Tesla, Inc.** –Baron Opportunity Fund (2.9%), Baron Partners Fund (40.2%*), Baron Focused Growth Fund (32.0%); **The Carlyle Inc.** –Baron Growth Fund (0.8%); **Space Exploration Technolgies Corp.** – Baron Asset Fund (0.7%), Baron Opportunity Fund (0.7%), Baron Partners Fund (4.9%*), Baron Fifth Avenue Growth Fund (0.1%), Baron Focused Growth Fund (4.0%), Baron Global Advantage Fund (0.2%); **BioNTech SE** – Baron Focused Growth Fund (1.6%), Baron Health Care Fund (0.8%); **Moderna, Inc.** – Baron Partners Fund (0.1%*), Baron Health Care Fund (0.9%).

* % of Long Positions.

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

Ranking information provided is calculated for the Retail Share Class and is as of 3/31/2021. The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct. **Morningstar calculates its category average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.** The **Morningstar Mid-Cap Growth Category** consisted of 595, 500, and 379 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 89th, 33rd, 27th and 22nd percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 20 share classes. Morningstar ranked *Baron Growth Fund* in the 57th, 35th, 40th, and 8th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/1994, and the category consisted of 54 share classes. Morningstar ranked *Baron Partners Fund* in the 1st, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 221 share classes. Morningstar ranked *Baron Focused Growth Fund* in the 4th, 3rd, 4th, and 5th percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 318 share classes. The **Morningstar Small Growth Category** consisted of 619, 503, and 379 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 57th, 42nd, 52nd, and 16th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 9/30/1997, and the category consisted of 92 share classes. Morningstar ranked *Baron Discovery Fund* in the 9th, 5th, and 4th percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 438 share classes. The **Morningstar Real Estate Category** consisted of 248, 201, and 145 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 3rd, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 12/31/2009, and the category consisted of 130 share classes. Morningstar ranked *Baron Real Estate Income Fund* in the 9th and 3rd percentiles for the 1-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 224 share classes. The **Morningstar Large Growth Category** consisted of 1,282, 1,065, 788, and 283 share classes for the 1-, 5-, 10-year, and since inception (2/29/2000) periods. Morningstar ranked *Baron Opportunity Fund* in the 3rd, 2nd, 7th, and 3rd percentiles, respectively. The **Morningstar Foreign Large Growth Category** consisted of 447, 313, 226, and 201 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 11th, 15th, 22nd, and 12th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 800, 596, 292, and 283 share classes for the 1-, 5-year, 10-year and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 19th, 35th, 3rd, and 5th percentiles, respectively. The **Morningstar World Large Stock Category** consisted of 866, 645, and 442 share classes for the 1-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked *Baron Global Advantage Fund* in the 6th, 1st, and 1st percentiles, respectively. The **Morningstar Health Category** consisted of 158 and 139 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron Health Care Fund* in the 21st and 5th percentiles, respectively. The **Morningstar Allocation—85%+ Equity Category** consisted of 160 and 151 share classes for the 1-year and since inception (12/29/2017) periods. Morningstar ranked *Baron WealthBuilder Fund* in the 2nd and 2nd percentiles, respectively.

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