Letter from Ron

June 30, 2020

Baron Funds®

Quarterly Report

"You say you want a revolution. Well you know...we all want to change the world... Don't you know...it's gonna be... all right...all right...all right." The Beatles. "Revolution." 1968.

In Spring 1968, President Lyndon B. Johnson's voter approval ratings fell precipitously. This was amid massive, student-led, anti-Vietnam War demonstrations. Students then demanded of our government, "Out Now!!!" The President's fall from grace was despite his consequential accomplishments, which included landmark Civil Rights, Voting Rights, Immigration Reform, Medicare, VISTA, and War on Poverty legislation. When, on March 31, 1968, the President acceded to protesters' demands, he first told his family he had "done the best he could," and then announced in a televised speech that he had chosen to neither "seek nor would he accept" his party's nomination for a second full Presidential term.

The student anti-war protests memorialized by the Beatles' song "Revolution" achieved their goal and set the stage for our nation's withdrawal from Vietnam!

But, soon after the President's announcement, the world changed again. So much so that it became necessary for this President, born in the South but who, regardless, had done so much for civil rights, to call upon the National Guard to quell Blacks' protests across the nation. Those demonstrations followed the assassination of Martin Luther King, Jr. on the afternoon of April 4, 1968. They were sort of like the "Say his name," George Floyd, change the world street protests today.

Senator Robert F. Kennedy, a personal hero of mine, was campaigning in Indianapolis that April day to become the 1968 Democratic nominee for President. At dusk, the Senator gave an impromptu and emotional speech from the bed of a pickup truck in front of a Black church. Most who heard the Senator were unaware that Dr. King had just been murdered. That was only two months before Senator Kennedy was also killed... and five years after the Senator's brother, President John F. Kennedy, was assassinated in Dallas.

RONALD BARON
CEO

"I have some very sad news for you'" the Senator began, "and sad news for all of our fellow citizens who love peace...and that is that Martin Luther King was shot and killed tonight in Memphis." Kennedy's announcement was met with wails of disbelief, disappointment, and lost hope for the congregants and their children.

"Martin Luther King," Kennedy continued, "dedicated his life to love and to justice between fellow human beings. He died in the cause of that effort. In this difficult day, in this difficult time for the United States, it's perhaps well to ask what kind of a nation we are. For those of you who are Black...considering the evidence that there were White people who were responsible...you can be filled with bitterness, and with hatred, and a desire for revenge.

"We can move in that direction as a country, in greater polarization...Black people amongst Blacks and White people amongst Whites, filled with hatred toward one another. Or we can make an effort, as Martin Luther King did, to comprehend and replace that violence, that stain of bloodshed that has spread across our land, with an effort to understand, with compassion and love.

"For those of you who are Black and are tempted to be filled with hatred and mistrust of the injustice of such an act, against all White people, I would only say that I can also feel in my heart the same kind of feeling. I had a member of my family killed, but he was also killed by a White man.

"But we have to make an effort in the United States to go beyond these rather difficult times. What we need in the United States is not hatred; what we need in the United States is not violence and lawlessness, but is love, and compassion toward one another and a feeling of justice toward those who still suffer within our country, whether they be White or Black.

"So I ask you to return home, to say a prayer for the family of Martin Luther King but more importantly to say a prayer for our country, which all of us love.

'We can do well in this country. We've had difficult times in the past. We will have difficult times in the future. It is not the end of violence. It is not the end of lawlessness; and it's not the end of disorder. But the vast majority of White people and the vast majority of Black people in this country want to live together, to improve the quality of our lives, and want justice for all human beings that abide in our land.

"Let's dedicate ourselves to what the Greeks wrote so many years ago: to tame the savageness of man and make gentle the life of this world. Let us dedicate ourselves to that."

Despite his audience's inestimable loss, Kennedy's speech was met with applause! Indianapolis was the only one of 100 large cities in the United States that did not experience riots and violence that evening.

We believe today's mass protests seeking equal justice for Blacks have set the stage for reform. We think that is a good thing both because it is the right thing to do, which is what my parents taught me as a child...and because no one in this country should fear horrific treatment when encountering law enforcement officials. Baron also believes that providing opportunity regardless of a person's religious beliefs and family is good for our business. In fact, I love the incredible stories of so many who work at our Firm....about a third of whom are immigrants.

Letter from Ron

Our Firm is dependent upon hiring, training, and retaining extraordinarily gifted and talented individuals. It doesn't make sense to exclude anyone with obvious intellect and desire because the color of their skin, their sex, or their religion is different than mine. So, like Paul McCartney's song "Blackbird" and John Lennon's "Revolution" in the 1960s, young people really do have the power to "change the world"...whether it is to stop fighting a war they oppose...or to provide opportunity and justice for all regardless of race, religion, or sex.

"Virus Plus Unrest Equals NYC Real Estate Plunge." "Discounted Returns are Low and Risks are High." Published opinions of highly regarded successful investors. June 2020.

It seems that after stock prices have fallen or our country has experienced turmoil, "talking heads" will explain why it is not a good time to invest. Of course, this means that whenever it has been a terrific time to invest, most successful investors explain why you shouldn't. That has been the case for my entire career. I presume that is because it sounds smarter to be skeptical than optimistic. However, there has not been a single instance during my career when it hasn't been a good time to invest and remain invested for the long term. Further, I have never known of anyone with the consistent ability to predict markets based on their ability to predict unpredictable events. That means ANYONE.

Robert Kennedy was prescient on that April night in Indianapolis in 1968 the evening after Martin Luther King was assassinated...both about how "we can do well in this country"...and that "we will have difficult times in the future as we have in the past"... America's GDP in 1968 was $850 billion. Despite wars, 9/11, business and political disruptions, financial panics, protests, civil unrest, and pandemics, 52 years later America's GDP is $21.5 trillion. 25 times greater than it was in 1968. The Dow Jones Industrial Average was 1,000 in 1968. It is now 26,000! 26 times greater than in 1968. Since Baron believes U.S. economic growth will be faster in the next 50 years than during the past 50, we believe turbulent times in our country, as they always have, offer investment opportunity. Low interest rates for the foreseeable future; aggressive fiscal and monetary policies by our government, also for the foreseeable future; available financing for new ventures; and exponential growth of science and technology are among the most important building blocks for that growth.

In 1945, after World War II ended, America was heavily indebted and concerns were widespread that our soldiers returning from Europe would be unable to find jobs. Interest rates were then, like now, extraordinarily low, which reflected those concerns...and provided entrepreneurs with inexpensive capital. This enabled them to take risks and build large businesses that ultimately employed millions. From 1943, the year I was born and 2 years before World War II ended, stock prices during the next 12 years quadrupled! And, a generational strong market was just getting started.

The Interstate Highway System built by President Dwight D. Eisenhower in the 1950s made possible growth businesses in the 1960s just like the internet is enabling fast growing businesses now. Included among the fast growing businesses of the '60s were roadside restaurant chains like McDonald's and Burger King; roadside hotel chains like Holiday Inn, Choice Hotels, and Howard Johnson; theme parks like Disney World; and business meeting facilities.

The introduction of affordable jet travel in the 1960s was further impetus to travel and resort growth businesses like **Vail Resorts, Inc.**; business meeting hotels like **Hyatt Hotels Corp.**; and convention cities like Las Vegas and Orlando, all of which have since flourished.

Larry Tisch and his brother Robert acquired a small kosher hotel in Lakewood, New Jersey in 1946...where I once worked as a waiter during a college spring break. I must have really needed the tips I earned at that hotel. That was since I chose to sleep on an uncomfortable cot in a basement for a week instead of on a Florida beach with my fraternity brothers! But, I digress. In 1951, the Tischs used their Lakewood hotel as collateral to "reach the big time" by purchasing the Traymore Hotel in Atlantic City. And, just five years later, when Larry realized, like Peter, Paul and Mary who were "leaving on a jet plane," that affordable jet transport would enable vacationing tourists to bypass Atlantic City for destination resorts, they purchased property on the ocean in Bal Harbor, Florida. That was where they built the Americana Hotel, an even more important step to their becoming *really* rich.

Jay Pritzker also recognized early that highways and airlines would change everything. Jay, one of the first businesspeople whom I met early in my career, and whom I still regard as an important influence, was perhaps the first to build hotels focused on business meetings at airports. The Hyatt Regency Hotels, with their iconic and recognizable outdoor architectural glass elevator atriums were so cool they were almost logo advertisements for his properties. Jay and his brothers also became super wealthy. A recent Forbes list of the 400 wealthiest individuals in America included 17 Pritzkers, all due to the fortunes that Jay and his brothers Robert and Donald built.

Just like highways and airlines changed everything 60 years ago, the internet is changing everything today. We believe the COVID-19 pandemic has accelerated that change by years. Companies like **The Charles Schwab Corp.**, **Activision Blizzard, Inc.**, **Tesla, Inc.**, **Amazon.com, Inc.**, **Zillow Group, Inc.**, **CoStar Group, Inc.**, **Shopify Inc.**, **Twilio Inc.**, and **Spotify Technology S.A.** are among the many businesses in which we have invested that have been enabled by the internet and the "Cloud." Virtually all businesses in which we have invested have important internet and technology strategies that will accelerate their growth trajectories.

My friend Mike Milken likes to say "investing is all about the future." We agree and believe investing is about imagining what a business can *become*, not just what it is. It is also about having an ability to evaluate individuals' character, businesses' competitive advantages, and having enough foundational knowledge to ask the right questions to assess whether your judgment is correct.

One more thing. South Korea's President Moon Jae-in has introduced "Untact," what is widely referred to as a "New Deal" for his nation. "Untact" means that humans will have less need for contact with co-workers, business associates, and customers. The idea is to utilize machine learning, artificial intelligence, and robotics extensively whenever possible. This in order to make individuals more efficient, not to take their jobs. With greater human productivity, corporate profits can be higher and, as a result, employees' wages and taxes paid could be increased without higher corporate and individual tax rates. South Korea now has 774 robots for every 10,000 employees...and that number is steadily increasing. Germany has 338 and the United States 217. This is probably what Elon Musk meant a few years ago when he spoke about investing in "the machine that makes the machine."

"Yanks Bench 2 in Copa Brawl." ***New York Daily News*****. New York's Picture Newspaper. Friday. May 17, 1957. 5 Cents.**

The *New York Times* published an article on June 19, 2020, 63 years after a highly publicized brawl at New York City's Copacabana night club, describing what happened that night. *The Times* reprinted the *New York Daily News* page-one headline, which, remarkably, in 1957 was newsworthy enough to deserve a page one above the fold position. The *Daily News* recounted an argument at the Copa between New York Yankee stars Hank Bauer, Mickey Mantle, and Billy Martin with a nearby table of "bowlers from Queens," one of New York's outer boroughs. The argument led to a fist fight that provided the Yankees with an excuse to trade Billy Martin. The Yankees' management at the time regarded Martin as a troublemaker and bad influence on Mantle, their most important star.

I actually remembered reading that article in 1957. That was because I was then a 14 year old, rabid Brooklyn Dodgers' fan who loved the idea that three ballplayers from the hated Yankees were in trouble.

The *Times* article featured the *Daily News*' pictures of the Copa, its showgirls, notable guests, and performers in the 1950s. The article also featured pictures of the three ball players and an off-duty bouncer who claimed responsibility for the incident. What stood out most was the price of the newspaper. 5 cents!!!! I held it up to show Genna, my son Michael's wife.

"Genna. This is all you need to know about investing," I told her. "The New York Daily News in 1957 cost $0.05! Today it is $1.50!!!! 30 times what it cost then. That means your savings would have lost about 97% of their value over the past 63 years. Investments in stocks or mutual funds are the best hedge against the devaluation of your money."

To show that the dramatic price increase in single edition newspapers over the long term was not an anomaly, I gave Genna another example. In 1966, I was a patent examiner in the United States Patent Office by day and a law student on scholarship in the evenings. My salary as a patent examiner was $7,729....per year. The starting salary for a patent examiner today is about eight times higher! This means the value of your money in terms of paying a patent examiner's salary has fallen *88%* during the last 54 years! Genna got it.

Alan Blinder is a Professor of economics at Princeton and a former Vice Chairman of the Federal Reserve. In a recent Wall Street Journal op-ed titled "Heed the Wisdom of Scarlett O'Hara," he noted that the heroine of "Gone with the Wind" insisted, "I won't think about that now. I'll think about that tomorrow."

Blinder pointed out that after World War II, U.S. public debt topped 100% of GDP. Over the next 28 years, U.S. debt was reduced to 22% of GDP! Blinder made the case that to reduce debt relative to our country's GDP only requires that deficits be small enough after the Coronavirus pandemic passes that debt grows slower than GDP. With interest rates as low as they are, and likely to remain so for an extended period, Blinder concludes that there will be plenty of time to worry about the public debt and money supply "tomorrow." That is another way of saying that, with stimulative monetary and fiscal policies, the value of our currency will continue to fall versus things that can be purchased with it like newspapers and patent examiners' salaries. That also means you should soon expect the rate of inflation to exceed interest rates.

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

The reason that passive investments and ETFs have become so popular, in our opinion, is that they are low cost, perform similarly to market indexes, and few active managers have been able to outperform those indexes. Returns of passive funds, *by definition*, are slightly less than market returns. That is since, although passive funds have low fees, passive indexes have no fees and no transaction costs.

Further, although ETFs' unique structures offer asset allocators convenient trading opportunities and certain tax advantages, ETF asset allocators, in general, have not done as well as market indexes. This is because it is just as unlikely that anyone can consistently predict which asset classes will outperform as it is that they can predict whether markets will advance or decline.

While few investment managers have been able to perform better than the benchmark indexes against which they are measured, that has not been the case for Baron Funds. Most of Baron mutual funds have significantly outperformed their benchmark indexes since inception…both over the long term and over the short term.

Year-to-date through June 30, 2020, all 17 Baron mutual funds have outperformed their primary benchmark indexes, most by significant margins. Since their respective inceptions, 16 of our 17 Baron mutual funds, representing **98.5%** of Baron Funds' AUM, have **outperformed** their benchmark indexes; 12 funds, representing **97.3%** of Baron Funds' AUM, are in the **top 17%** of their respective Morningstar categories; and, 9 Baron mutual funds, representing **65.1%** of Baron Funds' AUM, are in the **top 7%** of their respective Morningstar categories.

A few examples? As of June 30, 2020, **Baron Partners Fund** is the **9th** top performing U.S. equity mutual fund out of **2,325** since its conversion to a mutual fund in 2003.* As of December 31, 2019, **Baron Growth Fund** was the **4th** top performing U.S. equity mutual fund out of **601** for the 25-year period.** **Baron WealthBuilder Fund**, a 30-month old Baron mutual fund of Baron mutual funds, increased in value **10.42%** year-to-date as of June 30; **36.49%** for calendar year 2019; and **14.77%** annualized since its inception on December 29, 2017. Since Baron WealthBuilder Fund's inception, the **S&P 500 Index** has increased **8.23%** per year, annualized and the **MSCI ACWI Index** has gained **2.94%** per year, annualized.

Baron WealthBuilder Fund will remain invested in Baron's equity mutual funds with minimal exposure to fixed income or cash. It does not utilize a glide path, taking funds out of equities and investing more in fixed income securities and cash over time.

Baron WealthBuilder Fund is intended for long-term investors saving for their retirements, or their children's college, wedding, or first home. It is amazing how many people stop me on the street to say, "Thank you, Ron. You have paid for my son's college." "Thank you, Ron. You have paid for my daughter's wedding." "Thank you, Ron. You have paid for my retirement." We hope Baron WealthBuilder Fund will make it easier for even more individuals, pension plans, endowments, and foundations to invest with us and get the same experience.

How have we managed to outperform? We think it's all about process…and the spectacular group of portfolio managers, analysts, marketers, legal, accounting, IT, trading, assistants, and, OF COURSE, senior executives we have managed to assemble since three of us founded Baron Capital in 1982…when the Dow Jones Industrial Average was less than 1,000… short-term interest rates were more than 15%…and our economy was in a very difficult state. Of course, even the name Baron *Capital* was a joke. We had no capital! OK. Our process.

When I came to New York in 1969 seeking a job as a securities analyst, a good friend worked for Dan McMullen. Dan was the named principal of McMullen and Hard, an investment management business for high net worth families and individuals. I suppose he thought I was an interesting project since he spoke with me often. One lesson he taught me was impossible to forget. "Earnings are what are written at the bottom of a page," he told me. What he meant was that I should not rely on earnings reported by publicly owned businesses every three months. That's because he believed that smart accountants have great flexibility and, when it comes to earnings, they can "make them up." "Ron, you need to focus on revenues and unit growth, not earnings. Companies can't make up sales." One of my biggest successes as a young analyst in the 1970s was recommending Tropicana. After studying that business, I developed what I believed was greater expertise than others. My clients made lots of money investing in that unique unit and revenue growth business. While I got credit for the Tropicana investment idea from my clients, it was Dan's idea. So, thank you, Dan… wherever you are.

We think the reason we outperform is all about process. First, following Dan's advice.. we focus on businesses' long-term unit and sales growth opportunities…not on their earnings in the short term. Then, we study businesses' competitive advantages and their management's talent, character, and their business governance.

While we invest all the time, we often invest much more when businesses are investing in themselves, penalizing their earnings in the short term. That is how we purchase at attractive prices in a short-term earnings driven environment. We buy when others are unwilling to invest because earnings in the near term are less than we expect over the long term. Significantly less, in general.

When we purchase shares in a business, we are speculating how much capital it will likely need to invest; how much those investments could earn; and, what those businesses will be worth when they are operational. At present, with so many businesses closed or partially reopened, we already know how much it cost to build those businesses; how much they earned when they were operating unrestricted; and, how those businesses were then valued. Now, we are only waiting for those businesses to reopen. Many are being priced in stock markets at 30% to 40% discounts to their cost to build. As they rebound to pre-pandemic levels over the next two years, we expect to (but cannot guarantee that we will) make 40% to 50% returns on those investments. Such businesses, including travel and leisure, real estate, and financial services represent perhaps 20% of several of our portfolios. Although we invest principally in fast growing businesses, many of which have actually benefited from digitization strategies in place pre-COVID, we expect investments in businesses that have been negatively impacted will rebound… and likely add to our performance over the next two years.

We continue to believe that recent Federal Reserve monetary programs and Treasury and Congressional fiscal programs are devaluing our dollar. We also continue to expect such programs to provide positive impacts on our economy and stock market. As a result, we think it is likely the returns in the 10 years through 2030 will be similar to the returns we earned in the 10 years from 2009-2019. Mid-to high-teens annualized. Of course, there can be no assurance that will be the case. Although we are not experts, from what we read we assume it likely the introduction of vaccines, anti-virals, antibodies…*something* to end this pandemic…will take place within the next year. That will certainly help…as will be the case if our fellow citizens and government officials begin to act responsibly. Wear your masks!!! Please!!!

We will continue to try 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.
July 4, 2020.

* **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 6/30/2020.** There are **2,325** share classes in these nine Morningstar Categories for the period from 4/30/2003 to 6/30/2020.

** **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 12/31/2019.** Baron Growth Fund's Retail Share class was launched on 12/31/1994. There were **601** share classes in these nine Morningstar Categories for the period from 12/31/1994 to 12/31/2019.

Baron Growth Fund – Retail Share Class is among the best performing funds since its inception; the Fund has the **eleventh***** best performance among all U.S. equity funds.

*** **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 6/30/2020.** There are **591** share classes in these nine Morningstar Categories for the period from 12/31/1994 to 6/30/2020.

Note, the peer groups 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 these analyses 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.

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 6/30/2020

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	13.14%	7.83%	12/31/1994	6.85%	13.78%	11.17%	14.24%	1.04%(3)	$6.80 billion
Baron Small Cap Fund	Russell 2000 Growth Index	10.28%	6.06%	9/30/1997	8.61%	12.77%	10.78%	13.71%	1.05%(3)	$3.96 billion
Baron Discovery Fund†	Russell 2000 Growth Index	15.65%	8.46%	9/30/2013	16.74%	15.70%	13.86%	N/A	1.10%(3)	$725.13 million
SMALL/MID CAP										
Baron Focused Growth Fund(1)	Russell 2500 Growth Index	11.97%	8.18%	5/31/1996	34.64%	18.96%	13.24%	14.05%	1.11%/1.10%(4)(6)	$326.72 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	11.91%	10.32%(2)	6/12/1987	11.25%	16.26%	13.79%	15.67%	1.05%(3)	$4.79 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	10.96%	10.79%	4/30/2004	32.44%	24.20%	18.19%	18.12%	0.80%/0.75%(3)(7)	$426.66 million
Baron Durable Advantage Fund	S&P 500 Index	12.54%	8.23%	12/29/2017	16.84%	N/A	N/A	N/A	4.91%/0.70%(3)(8)	$12.00 million
ALL CAP										
Baron Partners Fund(1)	Russell Midcap Growth Index	13.82%	10.02%	1/31/1992	37.23%	20.19%	16.47%	18.35%	1.96%(4)(5)	$3.30 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	8.99%	5.49%	2/29/2000	42.31%	29.72%	20.41%	17.85%	1.09%(3)	$829.37 million
INTERNATIONAL										
Baron Emerging Markets Fund†	MSCI EM Index	4.09%	0.90%	12/31/2010	0.56%	2.46%	3.61%	N/A	1.09%(4)	$4.83 billion
Baron Global Advantage Fund†	MSCI ACWI Index	18.34%	8.07%	4/30/2012	45.91%	31.02%	21.21%	N/A	1.00%/0.90%(4)(9)	$1.23 billion
Baron International Growth Fund†	MSCI ACWI ex USA Index	10.75%	6.41%	12/31/2008	8.78%	7.72%	7.08%	8.93%	1.04%/0.95%(4)(10)	$328.21 million
SPECIALTY										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	13.96%	10.40%	12/31/2009	21.17%	10.01%	7.51%	14.88%	1.08%(4)	$625.84 million
Baron Real Estate Income Fund	MSCI US REIT Index	7.48%	(2.07)%	12/29/2017	11.57%	N/A	N/A	N/A	5.63%/0.80%(4)(11)	$5.14 million
Baron Health Care Fund	Russell 3000 Health Care Index	19.08%	13.02%	4/30/2018	25.32%	N/A	N/A	N/A	2.39%/0.85%(4)(12)	$25.18 million
Baron FinTech Fund	S&P 500 Index	15.50%*	(3.08)%*	12/31/2019	N/A	N/A	N/A	N/A	1.62%/0.95%(13)	$10.75 million
FUND OF FUNDS										
Baron WealthBuilder Fund	S&P 500 Index	14.77%	8.23%	12/29/2017	19.83%	N/A	N/A	N/A	1.33%/1.23%(4)(14)	$145.61 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 June 30, 2020.
(3) As of 9/30/2019.
(4) As of 12/31/2019.
(5) Comprised of operating expenses of 1.06% and interest expenses of 0.90%.
(6) Annual expense ratio was 1.11%, but the net annual expense ratio was 1.10% (net of Adviser's fee waivers).
(7) Annual expense ratio was 0.80%, but the net annual expense ratio was 0.75% (net of Adviser's fee waivers).
(8) Annual expense ratio was 4.91%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(9) Annual expense ratio was 1.00%, but the net annual expense ratio was 0.90% (net of Adviser's fee waivers).
(10) Annual expense ratio was 1.04%, but the net annual expense ratio was 0.95% (net of Adviser's fee waivers).
(11) Annual expense ratio was 5.63%, but the net annual expense ratio was 0.80% (net of Adviser's fee waivers).
(12) Annual expense ratio was 2.39%, but the net annual expense ratio was 0.85% (net of Adviser's fee waivers).
(13) Expense ratios are estimated for the current fiscal year.
(14) Annual expense ratio was 1.33%, but the net annual expense ratio was 1.23% (includes acquired fund fees and expenses, net of the Adviser's fee waivers).
* Not annualized.
† 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, 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.

Ranking information provided is calculated using the Retail Share Class and is as of 6/30/2020.

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 averages 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.

The **Morningstar Mid-Cap Growth Category** consisted of 602, 500, and 381 share classes for the 1-, 5-, and 10-year periods.

Morningstar ranked **Baron Asset Fund** in the 46th, 15th, 18th, and 17th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 6/12/1987 and the category consisted of 19 share classes for the since inception period.

Morningstar ranked **Baron Growth Fund** in the 60th, 37th, 46th, and 7th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 12/31/1994 and the category consisted of 56 share classes for the since inception period.

Morningstar ranked **Baron Partners Fund** in the 1st, 4th, 3rd, and 2nd percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since conversion periods. The Fund was converted into a mutual Fund 4/30/2003 and the category consisted of 231 share classes for the since conversion period.

The **Morningstar Small Growth Category** consisted of 625, 508, and 377 share classes for the 1-, 5-, and 10-year time periods.

Morningstar ranked **Baron Small Cap Fund** in the 34th, 24th, 47th, and 13th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 9/30/1997 and the category consisted of 99 share classes for the since inception period.

Morningstar ranked **Baron Discovery Fund** in the 12th, 13th, and 3rd percentiles, respectively, in the category for the 1-year, 5-year, and since inception periods. The Fund was incepted 9/30/2013 and the category consisted of 455 share classes for the since inception period.

The **Morningstar Real Estate Category** consisted of 253, 199, and 140 share classes for the 1-year, 5-year, and 10-year time periods.

Morningstar ranked **Baron Real Estate Fund** in the 2nd, 6th, 1st, and 1st percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 12/31/2009 and the category consisted of 132 share classes for the since inception period.

Morningstar ranked **Baron Real Estate Income Fund** in the 3rd and 4th percentiles, respectively, in the category for the 1-year and since inception periods. The Fund was incepted 12/29/2017 and the category consisted of 234 share classes for the since inception period.

The **Morningstar Large Growth Category** consisted of 1,343, 1,084, 809, and 304 share classes for the 1-year, 5-year, 10-year, and since inception (2/29/2000) periods. Morningstar ranked **Baron Opportunity Fund** in the 3rd, 3rd, 15th, and 5th percentiles, respectively, in the category.

The **Morningstar Foreign Large Growth Category** consisted of 477, 344, 246, and 229 share classes for the 1-year, 5-year, 10-year, and since inception (12/31/2008) periods. Morningstar ranked **Baron International Growth Fund** in the 25th, 27th, 23rd, and 12th percentiles, respectively, in the category.

The **Morningstar Diversified Emerging Markets Category** consisted of 815, 595, and 280 share classes for the 1-year, 5-year, and since inception (12/31/2010) periods. Morningstar ranked **Baron Emerging Markets Fund** in the 27th, 33rd, and 4th percentiles, respectively, in the category.

The **Morningstar World Large Stock Category** consisted of 866, 626, and 436 share classes for the 1-year, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund** in the 1st, 1st, and 1st percentiles, respectively, in the category.

The **Morningstar Health Category** consisted of 148 and 140 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked **Baron Health Care Fund** in the 18th and 5th percentiles, respectively, in the category.

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

The indexes are unmanaged. Index performance is not fund performance; one cannot invest directly into an index.

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