Letter from Ron

Baron Funds®

June 30, 2021

Quarterly Report

"Texans would be without electricity for longer than three days to keep the federal government out of their business." Former Texas Governor and Former United States Energy Secretary Rick Perry. February 18, 2021.

President Trump's former Energy Secretary Rick Perry made that remark during the severe February 2021 winter storm that crippled Texas' electric power grid. Due to that catastrophic electric utility failure, large segments of Texas' populace were without heat, power, and fresh water for several days.

The proximate cause of that outage was Texas utilities' *under investment* in "weatherizing" their grids. "Weatherizing" investments were necessary to protect those grids during infrequent instances of extreme weather. ERCOT, the Electric Reliability Council of Texas, at the time, unlike regulators in other regions at similar or higher latitudes, did not allow utilities to include "weatherizing" investments in their rate bases. Texas utilities, as a result, were not able to recover the cost of such investments; earn a return on those investments; and charge their customers for the higher operating costs of those capital investments. Therefore, few Texas utilities made "weatherizing" investments.

It is estimated monthly customer electric utility bills would have been at least 5% higher had that state's utilities "weatherized" their systems. The cost of Texas utilities' failure to invest was estimated to be several billion dollars last winter…in addition to dozens of lost lives!

Members of ERCOT viewed their primary role as providing the cheapest energy to markets. This was obviously accomplished at the expense of building a more durable and resilient utility infrastructure. Several ERCOT members have since lost their jobs.

Board Squabbles at Condominium Delayed Repairs. The New York Times. July 4, 2021.

Just like Texas utilities' choices not to invest in "weatherizing" power grids resulted in catastrophic failure last winter, the tragic and nearly unimaginable collapse of the beachside Champlain Towers condo in Surfside, Florida on June 24th, was also the result of a failure to invest for several years…in this instance, to maintain that building. Champlain Towers homeowners' inability to commit to making timely property investments was likely due to sticker shock from increasingly costly repair projections. Shockingly, an engineering report by outside consultants in *2018* indicated deterioration of that seaside building required an immediate investment of at least $9 million by its middle class and retiree residents. This was to repair the building's crumbling concrete and rebar foundation that had been damaged by water incursion from the sea and hurricanes over 40 years! In *2021,* when the estimated costs of the postponed repairs for the 136-unit building had risen to at least $15 million, its homeowners association continued to debate and delay investing. Had those repairs not been neglected, the calamity that resulted in at least $100 million in property losses and, even worse, the loss of more than 120 lives…might have been averted.

"…every little thing gonna be all right…" Bob Marley, 1977.
Ron, David and Michael are excited about returning to our office with their colleagues this fall. Baron Capital is a family business that has been putting clients and employees first since March 12, 1982.

In the mid-1970s, **Hyatt Hotels Corp.**'s CEO Jay Pritzker scoffed at the idea that the most important metric to use in valuing hotels was EBITDA (earnings before interest, taxes, depreciation, and amortization). "Depreciation is a cost even if you don't spend it every year," Jay told me. "Things wear out and you must provide capital to replace and maintain those assets if you expect them to increase in value." That is the case for hotels, condos, utilities, homes, and other real assets. "It is not realistic to think that you won't need to spend your depreciation reserve. Since depreciation is a cost, it should not have a multiple attached to it and be added to the value of a property. If you don't spend depreciation in a given year, it is just deferred maintenance. It is not eliminated maintenance," Jay continued.

Baron has significantly outperformed markets and most competitor funds over the long term. We believe one important reason is that Baron chooses to invest in businesses that make continual and substantial investments in their businesses to make them durable. This is rather than trying to maximize their businesses' earnings in a current period. In fact, we believe we often have an opportunity to make long-term investments in competitively advantaged growth businesses at attractive prices since their share prices are lower than we think appropriate…*because* they are making such investments that penalize their earnings in the short term!

One more thing. About 15 years ago my family and I were building a beach house on Long Island. When our home was under construction, I became worried that its costs seemed much higher than we had anticipated. When I expressed my concerns to the builders, they told me, "*You* are the problem. Whenever we ask you to choose between two options, you choose what is more expensive. We can save you money by spending less *inside* your walls and on the building envelope infrastructure that no one will ever see." I responded in accord with the lesson Jay had taught me all those years ago. "That is exactly where we do *not* want to save money. That is where we want to *spend more*. A site near the ocean may be a beautiful place to live, but it is an unusually hostile environment to buildings. Please make sure that we invest sufficiently to make our home last…and that you tell us every year what we need to do *before* repairs and maintenance are necessary."

Letter from Ron

"Why does it need to be like that?" Elon Musk. CEO. Tesla. CEO SpaceX. 2021.

Elon Musk is the CEO of two leading "disruptive" technology businesses in which Baron Funds has significant long-term investments. The first is electric vehicle, extended range battery, alternative energy and software business **Tesla, Inc.** The second is the privately owned rocket ship, launch, and satellite broadband provider **Space Exploration Technologies Corp.** ("SpaceX"). We purchased our shares in Tesla from 2014 through 2016 and have since earned realized and unrealized profits of about 14 times the cost of our investment. We have been investing in SpaceX since 2017 and have since about doubled our money. We expect Tesla and SpaceX to each become substantially larger, more profitable, and much more valuable during the next 10 years. We often say, "we invest in people." Since talent, motivation, integrity, leadership, and heart are difficult for algorithms and most investors to assess, I thought you might find it interesting for me to describe how we think Elon Musk is different than most executives…and part of why we believe that is a good thing…

In addition to being a terrific SNL standup comic host, we think Elon is one of the most accomplished and consequential engineers on our planet. In fact, he just might be, as Tina Turner sang, "Simply the Best." Elon is also likely the most important reason that, according to a recent survey published in *Science Times,* Tesla and SpaceX were ranked as "the most attractive firms for leading engineering students (to seek employment) in the U.S." That survey reports "the electric car company topped the list and the private space company ranked second." We regard this appeal to the most talented young engineers as an enormous competitive advantage for both Tesla and SpaceX in their races against time and competitors.

We think Elon's desire to solve really hard problems for the betterment of humanity is one of the things that makes working with him and the thousands of brilliant people he has chosen to surround himself with so appealing as well as Tesla's goal of keeping Planet Earth habitable, SpaceX's goal of making the human species multiplanetary…just in case, and Neuralink's goal of improving humankind knowledge and lives.

Elon is all about solving problems that are so difficult most don't even try or give up soon after they start. Like building autonomous driving systems for Tesla's cars and trucks that rely upon software based on visual cues, machine learning, and artificial intelligence rather than lidar and radar hardware. Tesla's autonomous driving system is less expensive than hardware intensive services. It will therefore be available for virtually all cars regardless of price as a cloud software subscription. Tesla's autonomous driving solutions will ultimately provide similar functionality to hardware focused services and dramatically reduce the 40,000 auto casualties per year in our country.

Tesla is also the leading developer of inexpensive car batteries that last more than 500 miles on a single charge. Eliminating expensive cobalt is an important factor in cost reduction. Even more important is the use of a novel and extremely complicated dry process in the manufacturing of battery cathodes. Others tried but were unable to solve hundreds of issues and, for the most part, stopped trying. One issue: how in a dry process do you precisely apply a thin film of cathode powder a few microns thick (the thickness of a human hair) in millions of cells with exactly the same result? At Tesla's recent "Battery Day," its executives described how they expected to soon produce battery packs at 56% lower cost with 50% more power (density) in a prototype factory 70% smaller!

Tesla, led by Elon, is investing its cash flow to make cars safer, better, faster, and cheaper. This is to broaden its market appeal. Unlike most manufacturers, Tesla often significantly penalizes short-term profits by replacing equipment and processes that are not as efficient as possible before Tesla has earned a return on these investments. This is to create a competitive advantage by constantly lowering costs enabling Tesla to ultimately sell products at lower prices.

What's so special about SpaceX? Figuring out how to make space rockets reusable is the short answer. Since the 1960s, our government had been charged hundreds of millions of dollars for every rocket launched only to watch that rocket burn up in the atmosphere after being used only once! "Insane!" "Impossible!" was the reaction of the cost/plus aerospace industry to Elon's efforts to create a reusable rocket! China's government complimented Elon in a *Wall Street Journal* editorial after a SpaceX rocket's successful landing, chiding its own government's engineers. "You have been beaten to accomplish this incredible feat not by a nation state but by an individual! Congratulations, Elon Musk. China, we are 10 years behind."

In 2021, SpaceX will provide 80% of the launches from Planet Earth to space. China will provide 12%! SpaceX' competitive advantage? Reusability! Elon calls it "RRR." Rapidly reusable rockets. In a recent industry forum, Elon spoke about problematic tasks SpaceX was resolving. Like reducing the cost of its SpaceX user interface. Like creating intersatellite communications with no noticeable increase in latency between thousands of SpaceX satellites and Earth. This is despite those satellites orbiting at 17,000 miles per hour 300 miles above Earth! Getting landing rights for satellite broadband in countries worldwide! And, of course, producing enough rockets fast enough to get humankind to Mars.

Elon was asked by a skeptical interviewer at that satellite conference about the complexity of user interface installations. "How can you expect consumers to install a SpaceX user interface, its antenna dish receiver without a 'truck roll' or a professional installer?" Elon's answer: "The dish comes in a box that looks like a pizza box. The instructions are simple. 'Open the box, point the UI to the open sky and plug it in'…or, you can plug it in first and then point it to the open sky. It doesn't matter what you do first. That's it."

"Elon time." Elon regularly requests his fellow employees to meet what many feel are unrealistic deadlines. "When does this need to happen?" "Tomorrow." In general, what he requests for tomorrow happens in a few days…a little longer than he initially asked for…but his goals are rarely not achieved. Elon clearly believes that if his engineers were asked to complete tasks in a more realistic timeline, their complicated missions would take much longer and probably cost much more. Instead, his fellow employees try to respond to Elon's sense of urgency. His engineers have come to believe that given Elon's engineering expertise, if he asks for tasks to be completed in a short period of time, there must be a way. "What do we need to do to make this happen?" is the common refrain that follows Elon's requests…which are then somehow completed. One more thing. Whatever model his teams first build, it is continually iterated and improved upon. Materially every year.

"Question Everything" was the theme of the 2015 Annual Baron Investment Conference. When our portfolio managers and analysts study businesses and meet with the senior executives of those businesses before we invest, my instruction to them is: "Please ask questions you would need answered if the welfare of your family was completely dependent upon the success of the business in which you are recommending we invest. If that were the case, what would you need to know about that business in order to make such a recommendation? You need to ask questions about long-term competitive advantages and the talent and ethics of its executives and have them answered. These are more important than questions about how much a business is going to earn next quarter or next year or how many units were sold in a period, or whether a transactional investment that can enhance near-term investment returns is likely." Jay believed that most people are reluctant to ask a question that they think might make them appear dumb. Another important lesson imparted by Jay was that "There are no dumb questions. The only dumb question is the one you don't ask."

I am proud and flattered that my friend Will Danoff, Fidelity ContraFund's exceptional portfolio manager, recently told me that, "I am the biggest portfolio manager, but you are the best at choosing individuals in whom to invest."

"How do we know when 'irrational exuberance' has unduly escalated asset values to levels which then become subject to unexpected and prolonged contractions?" Federal Reserve Chairman Alan Greenspan. December 5, 1996. Dow Jones Industrial Average: 6,437. Dow Jones Industrial Average June 30, 2021: 34,500!

Fed Chairman Alan Greenspan's remarks in 1996 clearly suggested he considered stock prices were then too high. This was relative to his forecast of businesses' prospects and the Fed's outlook for our economy. Regardless, after the Chairman's remarks, the Dow Jones Industrial Average ("Dow") *increased* 78% to more than 11,497 over the next three years. It didn't take much more than that to convince me that if the Chairman of the Federal Reserve with all the data and tools at his disposal couldn't predict what the "market" would do, it was unlikely others could either. Which made us focus on investing in well managed, competitively advantaged, growth businesses…not the "stock market."

Although markets made little progress in the 1970s, many businesses in which I recommended our clients invest during that period grew significantly…and their stocks prices increased substantially. Among them…Golden Nugget…Tropicana…Walt Disney…Manor Care… McDonalds…Federal Express…Nike…Mattel… and…Hyatt. Finally, the last piece of the puzzle. Investing for the "long term." Since we invested in virtually all those businesses when they were small-cap companies…and no longer own most now that they are much larger…we learned that it was a mistake to "tactically trade" rather than "invest for the long term" in terrific businesses and their entrepreneurial executives.

When I began my Wall Street career in 1970, the Dow had just fallen to 800…and a large percentage of individuals holding investment research positions that I coveted had recently become unemployed. That means they were fired. As a result, getting a job as an analyst in the summer of 1969 was not exactly "a piece of cake." When we founded Baron Capital in 1982, the Dow was still 800!!! This was because in 1982, short-term interest rates, an important factor in determining stock prices and the health of our economy, were around *15%*. That extraordinarily high level made investments in stocks seem unattractive. Rates had been increased by Federal Reserve Chairman Paul Volker to combat inflation. While the Fed's efforts to curtail inflation were ultimately successful, Volker's economic "medicine" caused an important recession.

I believed 1982 was a great time to start Baron Capital because I thought stock prices were only temporarily depressed and our economy would soon grow again. I was right.

The stock market increased 43 times from March 12, 1982 to June 30, 2021 when the Dow reached 34,500. That represents around 10% compounded rate of return for the past 40 years. Further, from 1970 through June 30, 2021, the markets' compound rate of return was around 7.5% per year! This means that even if you invested all your money just before a decade when stocks underperformed, you would have made 43 times your money over that period.

So…despite Civil Rights and Women's marches on Washington…political assassinations… impeachments…wars…9/11…the 2008-09 Financial Crisis…"bear markets"…the 1987 crash…recessions…inflation…crazy high and then crazy low interest rates…and the January 6th Capitol Hill riot bordering on an insurrection…you name it, U.S. GDP increased about 28X since 1966, and the stock market grew a little faster! In our opinion this occurred because more business models in our capitalist society have changed to "capital light" models (e.g., more recurring revenues and faster technology-driven growth). Those characteristics are more valuable.

In our judgment, the most attractive investments you can make on behalf of your family in order to participate in our country's economic growth are common stocks. This is how to offset the decline in the purchasing power of the dollar, which historically has lost about half its value every 17 to 20 years. You can look it up on Google if you don't believe me. Try the costs of tuition…housing…labor… cars…food…vacations…anything you choose… 15 years ago…25 years ago…50 years ago. Low-cost passive index mutual funds are a reasonable way to achieve market return. That is a good idea since few active mutual fund managers have been able to outperform their benchmark indices.

Baron Capital is among the few mutual fund groups that have outperformed the markets over the long term. As of June 30, 2021, 16 of 17 Baron Funds, representing 98.2% of assets under management (AUM), have outperformed their respective passive benchmarks since their inceptions. Further, 14 of those funds, representing 98.0% of AUM, rank in the top 17% of their respective Morningstar categories; 11 of those funds, representing 71.8% of AUM, rank in the top 8%; and 9 of those funds, representing 34.2% of AUM, rank in the top 5%. Since 1992, when our Firm had a $100 million of assets under management, we have earned approximately $49 billion in realized and unrealized profits for our clients. As of 6/30/2021, our Firm's assets under management were $53.5 billion.

Letter from Ron

As of June 30, 2021, **Baron Partners Fund**'s performance made it number 3 out of 2,205 mutual funds since its conversion to a mutual fund in 2003.[1] **Baron Growth Fund**'s performance made it number 13 out of 568 mutual funds since its inception in 1994.[2] **Baron Small Cap Fund**'s performance made it number 49 out of 951 mutual funds since its inception in 1997.[3] **Baron Focused Growth Fund**'s performance made it number 121 out of 3,497 mutual funds since its conversion from a partnership in 2008.[4]

Baron Global Advantage Fund is in the top 1% of its category since its inception. So is **Baron Real Estate Fund**. **Baron WealthBuilder Fund**, **Baron Discovery Fund**, **Baron Opportunity Fund**, and **Baron Real Estate Income Fund** are in the top 3% 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 2 fund out of the 149 funds in the Morningstar Allocation – 85%+ Equity Category.

Since Baron WealthBuilder Fund's inception in December 2017, its annualized rate of return has been 26.49% (Institutional Shares) per year. That compares to 16.67% per year for the S&P 500 Index and 12.22% 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 management fees and their institutional share class 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, their children's college tuition, weddings, or first homes. We are hopeful after reading this Letter from Ron that foundations, endowments, sovereign wealth funds, and corporate pension plans with long-term investment horizons 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. Please note that there is no guarantee that this return will be met.

I am excited about the prospects for 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
June 30, 2021

P.S.

Baron Capital was founded on March 12, 1982…

So, we are celebrating our business' 40^{th} Anniversary in 2022…and, we haven't held our annual conference either this year or last due to Covid…and, this is the Roaring Twenties…

So, if I were you, I wouldn't miss our 29^{th} Annual Baron Investment Conference on November 4, 2022 at the Metropolitan Opera House in Lincoln Center, New York City. …just sayin'…

1 **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 6/30/2021.** There are **2,205** share classes in these nine Morningstar Categories for the period from 4/30/2003 to 6/30/2021.

2 **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 6/30/2021.** Baron Growth Fund's Retail Share class was launched on 12/31/1994. There are **568** share classes in these nine Morningstar Categories for the period from 12/31/1994 to 6/30/2021.

3 **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 6/30/2021.** There are **951** share classes in these nine Morningstar Categories for the period from 9/30/1997 to 6/30/2021.

4 **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 6/30/2021.** There are **3,497** share classes in these nine Morningstar Categories for the period from 6/30/2008 to 6/30/2021.

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 Small Growth Category** consisted of 612, 505, and 379 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked Baron Small Cap Fund in the 74^{th}, 42^{nd}, 50^{th}, and 17^{th} 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.

The **Morningstar Mid-Cap Growth Category** consisted of 579, 489, and 379 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Growth Fund in the 47^{th}, 35^{th}, 40^{th}, and 8^{th} 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 in the 3^{rd}, 2^{nd}, 3^{rd}, and 5^{th} 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 316 share classes.

The **Morningstar Large Growth Category** consisted of 1,239, 1,024, and 761 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked Baron Partners Fund in the 1^{st}, 2^{nd}, 1^{st}, and 1^{st} 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 422 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 6/30/2021

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	14.24%	9.22%	12/31/1994	46.19%	21.39%	20.92%	14.92%	1.04%[3]	$9.00 billion
Baron Small Cap Fund	Russell 2000 Growth Index	11.65%	7.66%	9/30/1997	47.60%	20.66%	21.50%	14.20%	1.05%[3]	$5.41 billion
Baron Discovery Fund†	Russell 2000 Growth Index	21.55%	13.23%	9/30/2013	70.06%	27.97%	30.53%	N/A	1.08%[3]	$2.00 billion
SMALL/MID CAP										
Baron Focused Growth Fund[1]	Russell 2500 Growth Index	14.48%	9.59%	5/31/1996	95.00%	39.58%	31.55%	18.44%	1.07%[4]	$689.65 million
MID CAP										
Baron Asset Fund	Russell Midcap Growth Index	12.56%	11.19%[2]	6/12/1987	36.04%	21.91%	21.70%	15.73%	1.05%[3]	$6.24 billion
LARGE CAP										
Baron Fifth Avenue Growth Fund	Russell 1000 Growth Index	12.25%	12.42%	4/30/2004	35.34%	25.94%	27.32%	18.67%	0.78%/0.75%[3][6]	$840.14 million
Baron Durable Advantage Fund	S&P 500 Index	18.93%	16.67%	12/29/2017	36.55%	21.14%	N/A	N/A	2.40%/0.70%[3][7]	$28.85 million
ALL CAP										
Baron Partners Fund[1]	Russell Midcap Growth Index	16.39%	11.03%	1/31/1992	119.55%	47.64%	38.45%	23.88%	1.30%[4][5]	$6.89 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	11.01%	7.01%	2/29/2000	61.18%	38.62%	35.19%	19.39%	1.08%[3]	$1.62 billion
INTERNATIONAL										
Baron Emerging Markets Fund	MSCI EM Index	7.24%	4.16%	12/31/2010	42.40%	12.76%	12.66%	7.70%	1.09%[4]	$8.68 billion
Baron Global Advantage Fund†	MSCI ACWI Index	21.07%	11.10%	4/30/2012	45.78%	34.78%	33.68%	N/A	0.92%/0.90%[4][8]	$2.90 billion
Baron International Growth Fund	MSCI ACWI ex USA Index	13.11%	8.50%	12/31/2008	44.18%	15.73%	16.50%	9.79%	1.01%/0.95%[4][9]	$722.10 million
SECTOR										
Baron Real Estate Fund	MSCI USA IMI Extended Real Estate Index	17.44%	13.00%	12/31/2009	61.07%	25.42%	20.49%	16.63%	1.08%[4]	$1.78 billion
Baron Real Estate Income Fund	MSCI US REIT Index	17.01%	7.69%	12/29/2017	44.69%	20.18%	N/A	N/A	3.45%/0.80%[4][10]	$73.57 million
Baron Health Care Fund	Russell 3000 Health Care Index	27.14%	17.98%	4/30/2018	46.51%	26.81%	N/A	N/A	1.45%/0.85%[4][11]	$172.68 million
Baron FinTech Fund	S&P 500 Index	42.27%	23.03%	12/31/2019	46.93%	N/A	N/A	N/A	2.43%/0.95%[12]	$61.87 million
EQUITY ALLOCATION										
Baron WealthBuilder Fund	S&P 500 Index	26.49%	16.67%	12/29/2017	61.32%	28.45%	N/A	N/A	1.22%/1.11%[4][13]	$430.96 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, 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. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs 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.

Discovery Fund's 2Q 2021, YTD, 1-, 3- and 5-year, **Global Advantage Fund's** YTD, 1-, 3- and 5-year, **Opportunity Fund's** 3-, 5- and 10-year, and **Real Estate Fund's** 2Q 2021 historical performance were impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Funds' level of participation in IPOs 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 June 30, 2021 for securities mentioned are as follows: **Hyatt Hotels Corp.** – Baron Asset Fund (0.7%), Baron Partners Fund (3.0%*), Baron Focused Growth Fund (3.8%); **Tesla, Inc.** – Baron Opportunity Fund (2.8%), Baron Partners Fund (38.1%*), Baron Focused Growth Fund (31.6%); **Space Exploration Technologies Corp.** – Baron Asset Fund (0.6%), Baron Opportunity Fund (0.7%), Baron Partners Fund (4.3%*), Baron Fifth Avenue Growth Fund (0.2%), Baron Focused Growth Fund (3.7%), Baron Global Advantage Fund (0.3%).

* % 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 6/30/2021. 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 Large Growth Category** consisted of 1,239, 1,024, and 761 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Opportunity Fund* in the 2nd, 3rd, 9th, and 3rd percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 2/29/2000, and the category consisted of 269 share classes. Morningstar ranked *Baron Partners Fund* in the 1st, 2nd, 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 422 share classes. The **Morningstar Mid-Cap Growth Category** consisted of 579, 489, and 379 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked *Baron Asset Fund* in the 93rd, 28th, 20th and 17th percentiles for the 1-, 5-, 10-year, and since inception periods, respectively. The Fund launched 6/12/1987, and the category consisted of 19 share classes. Morningstar ranked *Baron Growth Fund* in the 47th, 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* in the 3rd, 2nd, 3rd, 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 316 share classes. The **Morningstar Small Growth Category** consisted of 612, 505, and 379 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Small Cap Fund* in the 74th, 42nd, 50th, and 17th 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 14th, 6th, and 2nd percentiles for the 1-, 5-year, and since inception periods, respectively. The Fund launched 9/30/2013, and the category consisted of 432 share classes. The **Morningstar Real Estate Category** consisted of 246, 199, and 143 share classes for the 1-, 5-, and 10-year time periods. Morningstar ranked *Baron Real Estate Fund* in the 2nd, 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 128 share classes. Morningstar ranked *Baron Real Estate Income Fund* in the 11th and 3rd percentiles for the 1-year and since inception periods, respectively. The Fund launched 12/29/2017, and the category consisted of 221 share classes. The **Morningstar Foreign Large Growth Category** consisted of 445, 323, 225, and 202 share classes for the 1-, 5-, 10-year, and since inception (12/31/2008) periods. Morningstar ranked *Baron International Growth Fund* in the 10th, 16th, 19th, and 11th percentiles, respectively. The **Morningstar Diversified Emerging Markets Category** consisted of 789, 602, 306, and 280 share classes for the 1-, 5-, 10-year, and since inception (12/31/2010) periods. Morningstar ranked *Baron Emerging Markets Fund* in the 47th, 45th, 5th, and 7th percentiles, respectively. The **Morningstar World Large-Stock Growth Category** consisted of 352, 263, and 175 share classes for the 1-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked *Baron Global Advantage Fund* in the 16th, 2nd, and 1st percentiles, respectively. The **Morningstar Health Category** consisted of 163 and 138 share classes for the 1-year and since inception (4/30/2018) periods. Morningstar ranked *Baron Health Care Fund* in the 10th and 5th percentiles, respectively. The **Morningstar Allocation – 85%+ Equity Category** consisted of 159 and 149 share classes for the 1-year and since inception (12/29/2017) periods. Morningstar ranked *Baron WealthBuilder Fund* Retail Shares in the 4th and 2nd percentiles, respectively. Morningstar ranked *Baron WealthBuilder Fund* Institutional Shares in the 3rd and 1st percentiles, respectively.

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