Baron Asset Fund
Baron Growth Fund
Baron Small Cap Fund
Baron Opportunity Fund
Baron Partners Fund
Baron Fifth Avenue Growth Fund
Baron Focused Growth Fund
Baron International Growth Fund
Baron Real Estate Fund
Baron Emerging Markets Fund
Baron Energy and Resources Fund
Baron Global Advantage Fund
Baron Discovery Fund

March 31, 2017

# Baron Funds®

## Quarterly Report

**"Would you like to know the easiest way to make a billion dollars? Take a penny. Bury it in the ground for a thousand years. Then dig." J.P. Morgan. Chairman and Founder. J.P. Morgan & Company. 1880. "*The Last Days of Night.*" Graham Moore. 2016.**

My days are filled by meetings and conversations with executives of businesses in which Baron Funds invests and with our firm's analysts, managers and executives. I also spend hours reading...principally annual reports, shareholder letters, newspapers, business magazines and our analysts' BRAINS research notes. While some might regard my daily reading material as dry, luckily, I consider it incredibly interesting. I equate my "work" to piecing together a jig saw puzzle...assembling disparate fragments of information to create a mosaic of the world and the people and businesses shaping it. Regardless, my wife, Judy, feels my reading list has become too narrow...and, maybe, thinks after 41 years together I am becoming a little boring. After Judy read Graham Moore's "*The Last Days of Night,*" a historical fiction novel, she, attempting to broaden my interests, insisted I read it, too. "Ronnie, you will love it. It's about the invention of the light bulb and alternating electric current in 1880. The principal characters are Thomas Edison, George Westinghouse, Paul Cravath, J.P. Morgan and...*Nikola Tesla!*" She was right. After I began to read it on her Kindle, I couldn't stop. I finished the novel in two nights.

"*The Last Days of Night*" electric light bulb story was riveting. While many quotes in the book were memorable, I was particularly taken by J. P. Morgan's "Bury a Penny" remark. It seemed especially relevant to Baron Funds' investment process and our thoughts about markets, economies and inflation. I concluded Chairman Morgan was describing the insidious impact of inflation on fiat paper currencies like the dollar, euro and renminbi...and its positive impact on tangible assets, businesses and economic growth. In a thousand years, according to J.P.

RONALD BARON
CEO AND CHIEF INVESTMENT OFFICER

Morgan, the wealthiest man in the world in 1880, it would take a billion paper dollars to purchase what a penny would buy in 1880! While the value of a physical copper penny will likely be a lot higher in 3017 than in 2017, the purchasing power of a penny, if it were used as a currency, would then be microscopic. For the copper in a penny to become worth one billion dollars in one thousand years means copper would need to double in price *27 times*. That represents annual appreciation of 2.57%. Looked at another way, J.P. Morgan believed the purchasing power of your dollars would fall in half every 27 years. The purchasing power of dollars over the past 50 years has actually fallen faster, about 50% every *17* years! America's dollars, like all currencies, are a medium of exchange. They are not a store of value. A tangible asset, like copper in a penny, farmland, well located real estate and growing businesses will increase in value with inflation; an intangible asset like paper currency will inevitably fall in value over the long term.

A few examples? President Thomas Jefferson paid $15 million to France in 1803 for the "Louisiana Purchase." That acquisition doubled the size of America. $15 million in 1803 is equivalent to $250 billion in "present day dollars!" The Louisiana Purchase is now worth trillions. Undefeated world heavyweight champion Rocky Marciano earned $1.7 million during his entire boxing career in the 1950s. Muhammad Ali, the greatest boxer ever, earned $61 million during his career in the 1970s. Floyd Mayweather earned $220 million when he fought and beat Manny Pacquiao two years ago. In one night, Pacquiao earned $150 million for *losing* that fight! In 1966, Sandy Koufax, the greatest pitcher of all time, and his fellow Los Angeles Dodger pitcher Don Drysdale, held out for salaries of $125,000 for Koufax and $110,000 for Drysdale! In 2016, L.A. Dodger pitcher Clayton Kershaw signed a seven year contract for $215 million! Tuition, bridge and tunnel tolls, housing, food and prices for virtually everything but technology tell the same story.

**"When we own outstanding businesses with outstanding managements, my favorite holding period is forever." Warren Buffett. Chairman. Berkshire Hathaway. 1988.**

We met Larry Fink, Chairman, CEO and Founder of BlackRock, the $5.1 trillion investment management firm, when his company became publicly owned on September 30, 1999. When our first meeting ended, we found Larry such an impressive individual and outstanding executive, and BlackRock's business' opportunities so compelling, I told him we planned to never sell shares in BlackRock we were then purchasing. In 1999, BlackRock's assets under management were $165 billion; its market capitalization $1.9 billion. In 2006, seven years later, BlackRock acquired Merrill Lynch Investment Management adding its $544 billion AUM! BlackRock's AUM then soared to $1 trillion and its share price increased ten-fold from our original purchase. I then called Larry. "Larry, when we first met, I told you we expected to never sell BlackRock's shares. But your market capitalization is now $20 billion and Baron Growth Fund, a small cap growth fund, owns BlackRock shares. We need to sell BlackRock. Because it and other Baron investments have grown so much, Morningstar has threatened to reclassify Baron Growth Fund as a mid cap fund. This is although we have never bought a single mid cap stock!" Larry told me he understood. Baron Growth Fund sold its BlackRock shares eleven years ago, a "ten bagger," as my friend Peter Lynch would say. It was a mistake to sell. Blackstone's ETF business, its "Aladdin" risk management system and its spectacular executives have since quintupled BlackRock's AUM to $5.1 trillion. BlackRock's share price has more than tripled again and its market capitalization is now $62 billion. The economy and stock market during the last eleven years have each increased only about 65%.

When I was leaving a recent meeting at J.P. Morgan Chase, of all places, I shared an elevator with Larry. He was in the middle of a conversation with two associates about passive investing and ETFs. When he noticed I was also in the elevator, he turned to me and remarked to his friends, "Ron doesn't need to worry about all this. He just outperforms." I took that remark as an incredible compliment, and, even though I thought Larry was teasing me, I thanked him.

When I returned to my office, I asked our risk managers to provide me with information about the absolute and relative performance of Baron Mutual Funds compared to the passive indexes and the peers against which our Funds compete. I was told: (i) **98.66%** of our mutual fund assets have outperformed their benchmark indexes since their inceptions; (ii) **97.36%** of our mutual fund assets have outperformed their peers and rank in the *top 15%* of their categories vs those peers; and, (iii) **78.32%** of Baron mutual funds have outperformed their peers and rank in the *top 10%* of their respective categories. We think this is testimony to the talent and hard work of our women and men on behalf of Baron Funds' shareholders as well as to our Firm's process oriented long-term investments. See Table I below.

Table I. Performance of Baron Funds Since Inception (Institutional Shares) Through March 31, 2017. We strive to beat the passive benchmarks.

| Fund | Morningstar Category | Primary Benchmark | Since Inception Morningstar Ranking | Annualized Return Since Fund Inception | Annualized Benchmark Return Since Fund Inception | Annualized Morningstar Category Return Since Fund Inception | Inception Date |
|---|---|---|---|---|---|---|---|
| Baron Asset Fund | US Fund Mid-Cap Growth | Russell Midcap Growth Index | Top 10% | 11.31% | 9.83% | 9.33% | 6/12/1987 |
| Baron Growth Fund | Baron-Adjusted Morningstar Small Growth | Russell 2000 Growth Index | Top 1% | 12.91% | 7.71% | 10.03% | 12/31/1994 |
| | US Fund Mid-Cap Growth | | Top 6% | | | 9.61% | |
| Baron Small Cap Fund | US Fund Small Growth | Russell 2000 Growth Index | Top 12% | 9.68% | 5.63% | 7.33% | 9/30/1997 |
| Baron Opportunity Fund | US Fund Mid-Cap Growth | Russell 3000 Growth Index | Top 44% | 5.17% | 3.21% | 4.79% | 2/29/2000 |
| Baron Partners Fund | US Fund Mid-Cap Growth | Russell Midcap Growth Index | Top 1% | 12.62%(1) | 9.39% | 9.02% | 1/31/1992 |
| Baron Fifth Avenue Growth Fund | US Fund Large Growth | Russell 1000 Growth Index | Top 61% | 7.63% | 8.80% | 8.03% | 4/30/2004 |
| Baron Focused Growth Fund | US Fund Mid-Cap Growth | Russell 2500 Growth Index | Top 12% | 10.64%(1) | 7.52% | 8.28% | 5/31/1996 |
| Baron International Growth Fund | US Fund Foreign Large Growth | MSCI ACWI ex USA IMI Growth Index | Top 5% | 11.32% | 8.73% | 8.75% | 12/31/2008 |
| Baron Real Estate Fund | US Fund Real Estate | MSCI USA IMI Extended Real Estate Index | Top 4% | 15.02% | 13.55% | 12.12% | 12/31/2009 |
| Baron Emerging Markets Fund | US Fund Diversified Emerging Mkts | MSCI EM IMI Growth Index | Top 1% | 4.01% | 0.45% | (0.79)% | 12/31/2010 |
| Baron Energy and Resources Fund | US Fund Equity Energy | S&P North American Natural Resources Sector Index | Top 43% | (1.83)% | 0.37% | (1.64)% | 12/30/2011 |
| Baron Global Advantage Fund | US Fund World Stock | MSCI ACWI Growth Index | Top 14% | 10.46% | 9.15% | 8.53% | 4/30/2012 |
| Baron Discovery Fund | US Fund Small Growth | Russell 2000 Growth Index | Top 1% | 13.20% | 8.28% | 7.00% | 9/30/2013 |

(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.

| Fund | 1-year returns | 5-years returns | 10-years returns | Annual expense ratio |
|---|---|---|---|---|
| Baron Asset Fund | 19.15% | 12.69% | 7.48% | 1.04%(2) |
| Baron Growth Fund | 17.01% | 11.83% | 7.40% | 1.05%(2) |
| Baron Small Cap Fund | 23.07% | 10.78% | 7.25% | 1.06%(2) |
| Baron Opportunity Fund | 19.09% | 8.10% | 7.46% | 1.13%(2) |
| Baron Partners Fund | 20.15% | 13.84% | 7.25% | 1.52%(3)(4) |
| Baron Fifth Avenue Growth Fund | 19.00% | 11.87% | 6.92% | 0.85%(2)(5) |
| Baron Focused Growth Fund | 10.52% | 8.07% | 6.38% | 1.13%/1.10%(3)(6) |
| Baron International Growth Fund | 13.55% | 6.65% | N/A | 1.36%/1.25%(3)(7) |
| Baron Real Estate Fund | 10.87% | 13.25% | N/A | 1.07%(3) |
| Baron Emerging Markets Fund | 16.64% | 5.94% | N/A | 1.13%(3) |
| Baron Energy and Resources Fund | 32.99% | (1.99)% | N/A | 1.46%/1.10%(3)(8) |
| Baron Global Advantage Fund | 21.94% | N/A | N/A | 3.55%/1.25%(3)(9) |
| Baron Discovery Fund | 41.98% | N/A | N/A | 1.49%/1.10%(2)(10) |

(2) As of 9/30/2016.
(3) As of 12/31/2016.
(4) Comprised of operating expenses of 1.09% and interest expenses of 0.43%
(5) Restated to reflect current management fees.
(6) Annual expense ratio was 1.13%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(7) Annual expense ratio was 1.36%, but the net annual expense ratio was 1.25% (net of the Adviser's fee waivers).
(8) Annual expense ratio was 1.46%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(9) Annual expense ratio was 3.55%, but the net annual expense ratio was 1.25% (net of the Adviser's fee waivers).
(10) Annual expense ratio was 1.49%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).

*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 has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) 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.*

Baron Funds' investment strategy is simple. We purchase stocks of well-managed, competitively advantaged growth companies that we believe are increasing in value with dollars that we believe are falling in value. America's economy, as measured by its GDP, has increased from $520 billion in 1960 to an estimated $19.5 trillion in 2017, approximately 6.7% annual growth in nominal terms. The Dow Jones Industrial Average has increased from 600 to 20,500 over the same time period, approximately 6.3% appreciation per year on average. *We have outperformed the economy and U.S. stock market over the long term because instead of investing in businesses that mirror the 6-7% annual growth of our economy, we try to invest in businesses that grow 15% per year*. Of course, we cannot assure you that the economy, the stock market or our investments will perform in the future as they have in the past.

Since 1992 when our firm had $100 million under management, we have earned more than $20 billion in realized and unrealized profits for our mutual funds and institutional clients. More than 90% of that amount has been for our mutual funds. Approximately $10 billion of those profits were in only 15 companies! As a long-term investor in businesses with investment holding periods generally measured in five to ten years...or much longer periods...Baron has earned several hundred basis points more than passive market benchmarks annually for our Funds and other clients with significantly less volatility, or beta, than the market.

We think our investment in Panera Bread, like that in BlackRock, is illustrative. Panera announced recently that it would be acquired by private equity firm JAB Holding Company. Baron purchased the bulk of its Panera shares nearly 15 years ago. We have since earned $245 million in profits. The stock has appreciated nearly ten-fold since our initial purchase. Regardless, our Panera profits didn't even rank in the top 15 of our most profitable investments since 1992! Our investment process and our ability to hire, train and retain our 36 exceptional analysts and managers as well as the 110 other outstanding individuals who work at Baron Capital is the reason we have been able to identify those fast growing businesses. Baron Capital was 35 years old on March 15, 2017. We thank our fellow employees, many of whom have worked for us for decades, and our newbies, for their outstanding work that has produced those returns.

**"Intellectual property has the shelf life of a banana." Bill Gates. Chairman. Microsoft. "The Road Ahead." 1995.**

In mid-February my wife and I had a date to meet friends for an 8:00 pm dinner at The Polo Club in New York City. New York City that evening was blanketed by a snowstorm. Judy said she would get us an Uber to take us the short distance to the restaurant. A few seconds later she told me we could get an Uber "but it was surge priced for $168!" "We can't walk 15 blocks in a snowstorm," I answered. "No way am I going to pay $168," was her response. "I'll try Curb, the taxi app." A few seconds later, she told me "a taxi is a block away and will be at our home in one minute. It will cost $8 plus a $2 tip!" By the time we got out of the elevator in our lobby, a taxi was pulling up in front of our building. Since I felt badly for the taxi driver who had to be away from his family that evening and drive us in miserable, dangerous weather, I felt we owed him some gratitude and gave him an additional $20 tip...which was still a great deal for us compared to Uber.

A few weeks later, on a rainy morning, I took another of those yellow limousines and asked the driver, "How's business?" "Terrible," he answered. "There are 13,000 yellow cabs in the city and 91,000 Ubers. I went bankrupt two years ago and lost my taxi medallion. That was not such a bad thing, though. The medallion price was then $1 million. You can't sell them for almost any price now. I heard about a recent sale for $150,000." This person's story touched me and, of course, another $20 tip was forthcoming and met with a big, "Thank you." Change and disruption of the present order is happening at an accelerating pace…which we do not expect to slow…and which we expect to help many of the rapidly growing businesses in which we have invested.

**"We all inhabit this small planet. We all breathe the same air. We all cherish our children's future. And we are all mortal." President John F. Kennedy. 1963.**

Numerous regulations that negatively impact businesses' profits and their ability to create jobs could probably be eliminated with little or no harm to the environment, the communities in which those businesses operate and their employees. However, the majority of our fellow citizens apparently believe government agency regulations that require businesses to avoid polluting air and water; to provide health care for their employees; to make their workplaces safe; and to pay employees fairly are not among them. Although compliance with health, safety and environmental regulations is costly, we believe businesses in which we invest comply with such regulations. We also believe these businesses will remain compliant with present regulations during the next several years…whether or not such regulations and laws are overturned.

There are several reasons why: (1) Individuals who intentionally damage our environment may ultimately be fined or subject to civil and criminal liability under current law or in the absence of specific laws under more general "catch-all" provisions. For example, banks that provided mortgages to home purchasers who could not afford over-priced homes were ultimately fined tens of billions despite the fact that this conduct was not "illegal." (2) Businesses that despoil the environment and are potentially subject to legal liability will likely be valued for less in public markets. This is due to uncertainty regarding potential legal risk. In that light it is hard to imagine a business spending hundreds of millions or more to reopen polluting mines and factories that had been closed. Do you remember the consequences of the Exxon Valdez tanker spill in Alaska and the BP rig explosion in the Gulf? (3) Businesses not regarded as good citizens are likely to earn less since their traditional customers may be less likely to buy their products. Volkswagen is one such example. (4) There will be another administration within eight years which could reinstate regulations regarded as environmentally friendly if present environmental protections are eliminated. It would not make sense for businesses to invest potentially hundreds of millions in facilities that may become stranded assets if environmental laws that are eliminated are reinstated or new ones enacted.

Matt Weiss, one of our firm's analysts, took a recent family vacation in Costa Rica. "Costa Rica is the third greenest country in the world," he reported. "That country's goal is 100% power generation from renewables. They have a law to protect Mother Earth, 'Ley de Madres Tierra.' It provides for the stewardship of Earth and equates protection of our planet to human rights." Citizens of that country regard this as a moral imperative. "You wouldn't believe the flora and fauna in that country," Matt raved.

China is at the forefront of nations that realize the importance of restraining human activities harmful to the environment. This is despite their political leaders' conviction that it is hypocritical for the United States to force developing countries to be wary of the environmental impact of their industrial activities. They reason that the U.S. and other developed countries, when *they* were "emerging markets," despoiled the environment for centuries to enable them to grow rapidly. Regardless, China reportedly believes it is now in their best interests to become environmentally responsible, whether or not they are not required to do so by treaty. If they fail, Chinese people, whose health is already being negatively affected by air and water pollution, will be increasingly unhappy with their government…and, other nations will be less willing to buy Chinese merchandise.

Air pollution in China's biggest cities has become so significant that many of its citizens walk around wearing surgical masks and rarely see the sky. To celebrate the 70th anniversary of the end of World War II, Beijing scheduled a massive "Blue Sky Parade" in 2015. Unfortunately, for weeks before the scheduled parade, the air and sky in Beijing were virtually white. You can see what I'm talking about on the Internet. The Chinese government for two weeks then seeded clouds to produce precipitation and ordered factories around the city temporarily closed. For two weeks it rained, as desired, and on the day of the parade, the seeding stopped, the sun shined and the sky was blue! The day after the parade, the factories reopened and the white sky and air returned.

While few believe that pollution is not changing the Earth's environment and creating global warming, some do. When my brother and I were small children, our parents regularly brought us to Brooklyn from our home in Asbury Park, New Jersey to visit our grandparents. My grandmother several times took me to The Hayden Planetarium at The Museum of Natural History in New York City. I thought that place was wondrous. The Hayden Planetarium at the Rose Center for Earth and Space in New York City has been reimagined and I believe is even more wondrous for small children than it was to me more than sixty years ago. We think this is in part due to its Director, Neil deGrasse Tyson, who uses this magnificent space as a teaching platform. I recently read and found hopeful a remark by him. "The good thing about science is that it's true whether or not you believe in it."

Respectfully,

Ronald Baron
CEO and Chief Investment Officer
April 20, 2017

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*The discussion of market trends and companies are not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change any time based on market and other conditions, and we have no obligation to update them.*

*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.*

Portfolio holdings as a percentage of net assets as of March 31, 2017 for securities mentioned are as follows: **Panera Bread Co.** – Baron Growth Fund (2.0%), Baron Partners Fund (0.4%*).

* % of Long Positions

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

If a 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 a Fund's level of participation in IPOs and secondary offerings will be the same in the future.

The **Morningstar US Fund Mid-Cap Growth Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth category. 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. As of March 31, 2017, the category consisted of 635, 500 and 368 funds for the 1-, 5-, and 10-year periods. Morningstar ranked **Baron Asset Fund** Institutional Share Class in the 19th, 15th, 42nd and 10th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (6/12/1987) periods (consisted of 22 funds) (share classes). Morningstar ranked **Baron Growth Fund** Institutional Share Class in the 34th, 24th, 44th and 6th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (12/31/1994) periods (consisted of 66 funds (share classes)). Morningstar ranked **Baron Opportunity Fund** Institutional Share Class in the 19th, 88th, 44th and 45th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (2/29/2000) periods (consisted of 166 funds (share classes)). Morningstar ranked **Baron Partners Fund** Institutional Share Class in the 13th, 4th, 51st and 1st percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (1/31/1992) periods (consisted of 31 funds (share classes)). Morningstar ranked **Baron Focused Growth Fund** Institutional Share Class in the 91st, 88th, 73rd and 12th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (5/31/1996) periods (consisted of 86 funds (share classes)).

The **Morningstar US Fund Small Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Small Growth category. 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. As of March 31, 2017, the category consisted of 670, 527 and 386 funds for the 1-, 5- and 10-year time periods. Morningstar ranked **Baron Small Cap Fund** Institutional Share Class in the 41st, 50th, 57th and 12th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (9/30/1997) periods (consisted of 121 funds). Morningstar ranked **Baron Discovery Fund** Institutional Share Class in the 1st and 1st percentiles, respectively, in the category for the 1-year and since inception (9/30/2013) periods (consisted of 576 funds).

Morningstar moved **Baron Growth Fund** from the Small Growth Category effective May 31, 2011 to the Mid-Cap Growth Category. The Fund's investment mandate has been and continues to be investing in small cap growth stocks for the long run. While the ranking information contained herein may be based on performance measurements from Morningstar, Baron created a new Morningstar Small Growth Category to include Baron Growth Fund Retail and Institutional shares. We intend to continue to provide comparative performance data for the Small Growth Category because we strongly disagree with Morningstar's reclassification of the Fund. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment.

As of March 31, 2017, the Baron-Adjusted Morningstar Small Growth Category consisted of 675, 532, 390 and 57 funds (share classes) for the 1-, 5-, 10-year and Since Inception periods. The number of funds in the Category may vary depending on the date that Baron made the calculation. The Baron-Adjusted Morningstar Small Growth Category Average is not weighted and represents the straight average of annualized returns of each of the funds in the Category. **Baron Growth Fund Institutional** Share Class ranked in the 92nd, 30th, 52nd and 1st percentiles, respectively.

The **Morningstar US Fund Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Large Growth category. 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. As of March 31, 2017, the category consisted of 1,454, 1,154 and 800 funds for the 1-, 5- and 10-year time periods. Morningstar ranked **Baron Fifth Avenue Growth Fund** Institutional Share Class in the 12th, 46th, 72nd and 61st percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (2/29/2000) periods (consisted of 657 funds (share classes)).

The **Morningstar US Fund Foreign Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Foreign Large Growth category. 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. As of March 31, 2017, the category consisted of 400 and 276 funds for the 1- and 5- year periods. Morningstar ranked **Baron International Growth Fund** Institutional Share Class in the 11th, 22nd, and 5th percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2008) periods (consisted of 240 funds (share classes)).

The **Morningstar US Fund Real Estate Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Real Estate category. 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. As of March 31, 2017, the category consisted of 262 and 205 funds for the 1- and 5- year periods. Morningstar ranked **Baron Real Estate Fund** Institutional Share Class in the 4th, 1st, and 4th percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2009) periods (consisted of 164 funds (share classes)).

The **Morningstar US Fund Diversified Emerging Markets Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Diversified Emerging Markets category. 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. As of March 31, 2017, the category consisted of 811 and 429 funds for the 1- and 5-year periods. Morningstar ranked **Baron Emerging Markets Fund** Institutional Share Class in the 50th, 3rd and 1st percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2010) periods (consisted of 332 funds (share classes)).

The **Morningstar US Fund Equity Energy Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Equity Energy category. 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. As of March 31, 2017, the category consisted of 118 and 85 funds for the 1- and 5-year periods. Morningstar ranked **Baron Energy and Resources Fund** Institutional Share Class in the 4th, 39th and 43rd percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/30/2011) periods (consisted of 83 funds (share classes)).

The **Morningstar US Fund World Stock Average** is not weighted and represents the straight average of annualized returns of each of the funds in the World Stock category. 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. As of March 31, 2017, the category consisted of 1,023 funds for the 1- year period. Morningstar ranked **Baron Global Advantage Fund** Institutional Share Class in the 3rd and 14th percentiles, respectively, in the category for the 1-year and since inception (4/30/2012) periods (consisted of 678 funds (share classes)).



Index performance is not fund performance; one cannot invest directly into an index.

Definitions (provided by BAMCO, Inc.): **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell 2000® Growth Index** is an unmanaged index that measures the performance of small-sized U.S. companies that are classified as growth. The **Russell 2500™ Growth Index** measures the performance of small to medium-sized companies that are classified as growth. **Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The **Russell Midcap® Growth Index** is an unmanaged index of those Russell Midcap medium-sized companies that are classified as growth companies. The **MSCI USA IMI Extended Real Estate Index** is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. The **MSCI EM (Emerging Markets) IMI Growth Index Net USD** is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities in the emerging markets. The MSCI EM IMI Growth Index Net screens for growth-style securities. The index returns reflect the reinvestment of dividends and other earnings, which positively impact performance results. **MSCI ACWI ex USA IMI Growth Index Net USD** is an unmanaged, free float-adjusted market capitalization weighted index. It measures the performance of large, mid, and small-cap growth securities across developed and developing markets, excluding the U.S. **MSCI ACWI Growth Index** is unmanaged free float-adjusted market capitalization weighted index designed to measure the performance of large- and mid-cap securities classified as growth in the developed and emerging markets. **S&P North American Natural Resources Sector Index** is a modified capitalization-weighted equity index of U.S.-traded natural resources-related stocks, including mining, energy, paper and forest products, and plantation owning companies.

**About Risk:** The value of investments in equity securities is subject to unpredictable declines in the value of individual securities and periods of below average performance in individual securities and the equity market as a whole. Growth stocks are generally more sensitive to market movements than other types of stocks primarily because their stock prices are based heavily on future expectations. If our assessment of the prospects for a company's growth is wrong, or if our judgment of how other investors will value the company's growth is wrong, then the price of the company's stock may fall or not appreciate as we expect.

**Beta:** Measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition.