This letter is an edited version of the speech I gave at the Baron Conference on November 10, 2017.

The theme of our conference this year was Disruption. To disrupt means to prevent something, especially a system, process, plan, or event, from continuing as usual or as expected.

Sometimes disruptions affect the paths we choose to achieve our goals. Disruptions, like technological advancements, can make achieving our goals easier. Disruptions, like a flood at JFK airport at the height of the holiday season, can make reaching our goals more difficult.

Disruption in the business world occurs when someone provides a better product or service. Successful companies realize this and continually focus on their clients' needs, trying to make it easier for the customer to accomplish their goal. On the other hand, the businesses that lose sight of that run the risk of being disrupted. The grocery store that provided you poor service, or the hotel that did not make your stay comfortable, or the taxi that you couldn't get – they have invited someone else, like Amazon, Airbnb, and Uber to step in and take their place.

The same is true in the investment management industry. The goal of investors is to achieve a target wealth: retire comfortably, buy a house, pay for college, or simply preserve wealth for the next generation or their favorite charity. **As long as financial service providers continue to come up with seemingly better ways for investors to achieve their financial goals, there will be room for disruption.**

Achieving financial goals is not easy. As with mountain climbing, most investors face a long, steep, and rocky path towards the top. The asset management industry provides them with paths, gear, and guides to facilitate their financial trek from the base to the summit.

Seventy years ago, the opportunity and choices for investors were significantly more limited than today. Few Americans had access to investing, and the ones who did usually owned stocks or bonds. Real time price quotations were available only to stock brokers, and everyone had to use one to place a trade. Mutual funds were a novel concept, and investment advice was more or less limited to providing stock tips.

Between then and now *a few* things have changed. Disruptions coming from technological advancements, regulatory and demographic changes, globalization, economic and market disturbances, and changes in the world's political landscape have made investing significantly more accessible and the range of choices for investors has expanded enormously. All of these changes have presented investors with new paths for getting to the summit.

Changes in regulation have been a meaningful source of disruption. A few examples include:

- The shift from fixed to varying commissions in May 1975 resulted in a dramatic decrease in trading costs for investors. An entire new industry of discount brokers was created, pioneered by Charles Schwab.

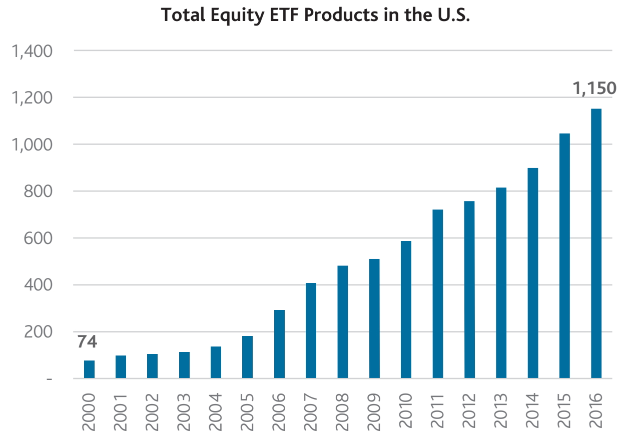
LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

- When Reg FD mandated the disclosure of material information to all investors at the same time, large institutional investors lost an information advantage and the playing field was leveled.
- More recently, the industry has been impacted by the proposed (now delayed) DOL fiduciary rule which requires that advisors act in the best interest of their retirement account clients. While this may benefit investors from a cost perspective, it may limit the number of products that financial advisory firms maintain on their platforms.

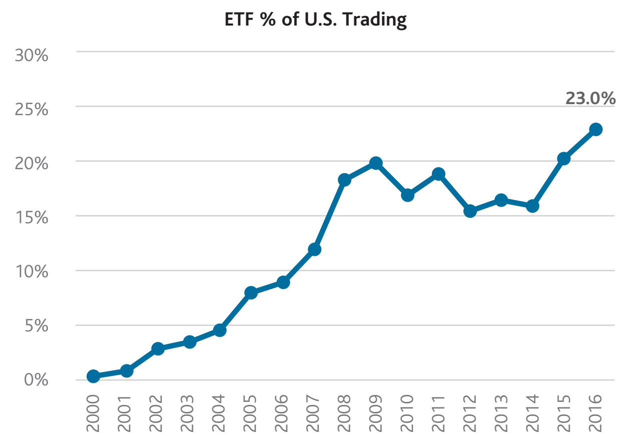
Perhaps the most significant disruptions in the investment management world have come from technological progress. Advancements in data storage, processing, and communication speeds have created significant cost efficiencies; enabled the creation of new products; and facilitated execution and distribution. Mobile technologies have also enabled instant access to financial news, stock prices, and trading… and football scores. Trading has moved from the floors of stock exchanges to computers and server rooms; algorithms have become market participants and made high frequency trading possible; and artificial intelligence and robo-advisors are taking market share from traditional advisors.

One of the biggest technology-enabled disruptions to the industry has been passive vehicles. In less than a decade, passive products have attracted significant flows, mostly due to the unsatisfactory performance of active managers and lower fees. The manufacturers of passive products have seized the opportunity, created hundreds of new products, and heavily marketed them. Many actively managed mutual funds and hedge funds have shut down or consolidated, as a result.

According to many industry strategists, the expansion of equity ETFs is disrupting the stock market, making it less efficient. ETFs now account for 23% of U.S. trading volume, up from about 0% in 2000.



Source: Morningstar Direct



Source: Credit Suisse Trading Strategy

In our opinion, the magnitude of the shift to passive is creating disconnects between company stock prices and their fundamentals, making active managers' jobs more difficult while creating opportunities for skilled stock pickers focused on the long-term.

While the results of these disruptions have been mostly positive for investors, in our view it has also become much more difficult for them to choose the right path towards their goals and to stay focused.

We believe the biggest disruption for investors in reaching their goals has been their own behavior. Investors tend to act irrationally in making investment decisions. Like trying to get rich quick, which is a fool's dream. Or thinking they will get better returns by paying less for investment services. Or getting investment advice from Twitter or Facebook. It's like thinking that cheap gear and ineffective technology will get you to the summit. We highly recommend you use skilled guides.

In our opinion, technology, coupled with passive products, has exacerbated this bad behavior, increasing the temptation to trade, chase performance, or time markets. ETFs are especially susceptible to this behavior because they can be traded all day long. Unfortunately, for most investors, more frequent trading may translate into lower returns.

And let's not forget about NOT saving for retirement. Nearly half of American households have no retirement account savings at all. The majority of the other half has under-saved. The table below shows 2016 median income and retirement savings data from a recent survey by The Federal Reserve Board.

Median 2016 Incomes and Retirement Account Balances by Age Group

Age of Family Head	Before Tax Median Family 2016 Income	Median Family Retirement Account Value
Less than 35	$40,500	$12,300
35 – 44	$65,800	$37,000
45 – 54	$69,500	$82,600
55 – 64	$61,000	$120,000
65 – 74	$50,100	$126,000
75+	$40,000	$120,000

Sources: 2016 Survey of Consumer Finances and Federal Reserve Bulletin from 9/2017.

According to the survey, for the 55 – 64 age group, families have saved just shy of two annual incomes in their retirement accounts. We don't need complicated calculations to figure out that, for someone in this age group who is planning to retire soon, this amount of savings is far from adequate to provide a comfortable retirement. In fact, it is estimated[1] that, depending where they fall in the age group, people earning the median income and planning to retire at 65 should have saved somewhere between $240,000 and $430,000 in order to maintain an equivalent lifestyle in retirement. The gap between current savings and expected retirement costs for the other age groups is similarly significant and worrisome.

The table on the next page provides estimated retirement savings checkpoints by age and income. For example, a 45-year-old person with household income of $100,000 should have saved $330,000 by now, assuming she/he contributes 10% of income until retirement.

[1] Estimates by J.P.Morgan Asset Management, *2017 Guide To Retirement*

Retirement Savings Checkpoints

Current Age	$50,000	$75,000	$100,000	$150,000	$200,000	$250,000	$300,000
	Current Household Income						
25			$20,000	$105,000	$200,000	$325,000	$420,000
30		$37,500	$80,000	$195,000	$360,000	$525,000	$660,000
35	$15,000	$90,000	$150,000	$315,000	$520,000	$750,000	$960,000
40	$40,000	$142,500	$230,000	$465,000	$740,000	$1,025,000	$1,290,000
45	$75,000	$210,000	$330,000	$630,000	$980,000	$1,350,000	$1,710,000
50	$120,000	$292,500	$450,000	$840,000	$1,280,000	$1,750,000	$2,190,000
55	$170,000	$390,000	$590,000	$1,080,000	$1,640,000	$2,250,000	$2,790,000
60	$225,000	$510,000	$750,000	$1,365,000	$2,080,000	$2,800,000	$3,510,000
65	$305,000	$660,000	$980,000	$1,755,000	$2,660,000	$3,575,000	$4,440,000

Sources: J.P.Morgan Asset Management's 2017 Guide To Retirement, BAMCO, Inc.

Some additional assumptions behind these estimates include: pre-retirement investment return of 6% per year, inflation rate of 2.25% per year, retirement age of primary earner of 65 years, and 30 years spent in retirement.

One of the key assumptions in these calculations is that a significant portion of the post-retirement income is going to come from social security benefits. However, the latest projection from the Social Security Administration indicated that by 2034, the social security program's reserves will be fully depleted. After this point, the incoming receipts will be sufficient to provide only about 77% or less of future benefits. This means that retirees will likely have to rely even more on their own savings.

Furthermore, since the maximum social security benefit is limited, families with higher incomes will need to rely more heavily on their savings during retirement to maintain their lifestyle. However, according to data from The Federal Reserve Board's survey shown below and the retirement savings checkpoints shown above, it seems that even American families in the highest net worth bracket may not have adequate savings. For example, a 65-year old with current annual income of $300,000 should have $4.4 million in retirement savings. However, according to the Consumer Finance survey, the median retirement savings balance in the highest net worth percentile bracket is only $630,000, showing an alarming level of in undersaving.

Median Retirement Savings by Net Worth Bracket

Percentile of net worth	Median Value of Family Retirement Account Holdings
<25	$4,300
25 – 49.9	$15,000
50 – 74.9	$52,000
75 – 89.9	$198,000
90 – 100	$630,000

Source: 2016 Survey of Consumer Finances.

For people of any age who have not saved enough for retirement, there are possible solutions. They may choose to retire later, save more of current income, get a higher paying job, marry rich, or win the lottery. However, for most people these choices are not easily reachable or available at all.

A more reasonable solution may be trying to achieve higher returns on retirement investments. For those who choose to invest in equities, there are two basic options: active and passive. Over the last decade, passive products have become the preferred choice for equity investors. However, passive products are limited to providing only average market returns and, since most Americans are ill-prepared for retirement, average may not be enough.

Unlike passive products that are designed to be average, an active manager has the potential to deliver more than average, although this is not always the result. There is no guarantee that an active manager will outperform the market (the average) and in fact may underperform. Skilled active managers can add value by being selective, choosing only the stocks they believe will deliver higher returns across different market environments. They have the flexibility to react timely in market downturns or avoid overheated areas. On the other hand, we believe index funds and ETFs will always leave investors 100% exposed to the downside.

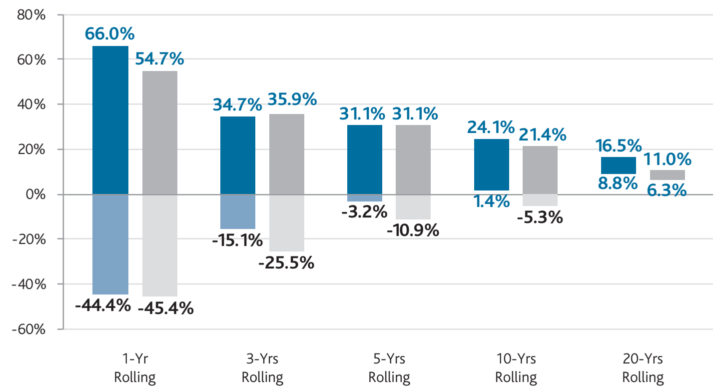
In an industry that has been and will continue to be disrupted, Baron continues to focus on helping clients to their goals. We believe that patient long-term investing is investors' best option for achieving their goals, and no amount or kind of disruption will change that.

Letter from Linda

The grey bars on the charts below show that, over the past 30 years in our domestic funds and the past nine years for our international funds, the longer you held your investment in the stock market, the higher the likelihood of achieving positive outcomes. As in climbing, it takes time to achieve financial goals, and we don't believe there are shortcuts. The blue bars on the charts further show that, if you had stayed invested with Baron, you might have done better than the market.

The Longer You Stay Invested, the Higher the Probability of Achieving Financial Goals

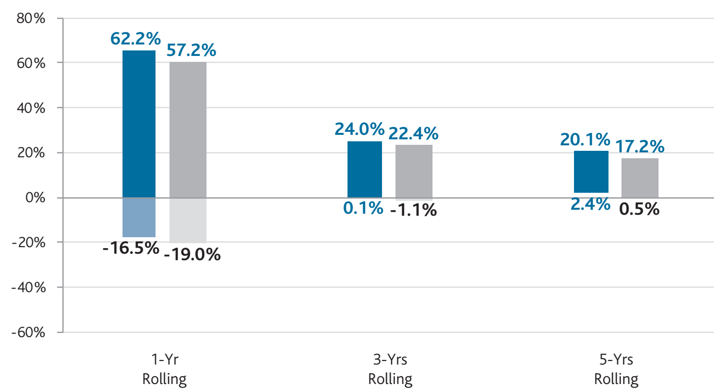
Baron Domestic Funds* vs. Russell 3000 Growth Index



Source: FactSet, BAMCO, Inc.

* *The rolling 1-, 3-, 5-, 10-, and 20-year returns for the Baron Domestic Funds Composite were calculated using equal-weighted average monthly returns of the existing domestic Baron Funds. The inception dates of the included Baron Funds are as follows: Baron Asset Fund (6/12/1987), Baron Partners Fund (1/31/1992), Baron Growth Fund (12/31/1994), Baron Focused Growth Fund (5/31/1996), Baron Small Cap Fund (9/30/1997), Baron Opportunity Fund (2/29/2000), Baron Fifth Avenue Growth Fund (4/30/2004), Baron Real Estate Fund (12/31/2009), Baron Energy & Resources Fund (12/30/2011), and Baron Discovery Fund (9/30/2013).*

Baron International Funds vs. MSCI AC World ex USA Growth Index**



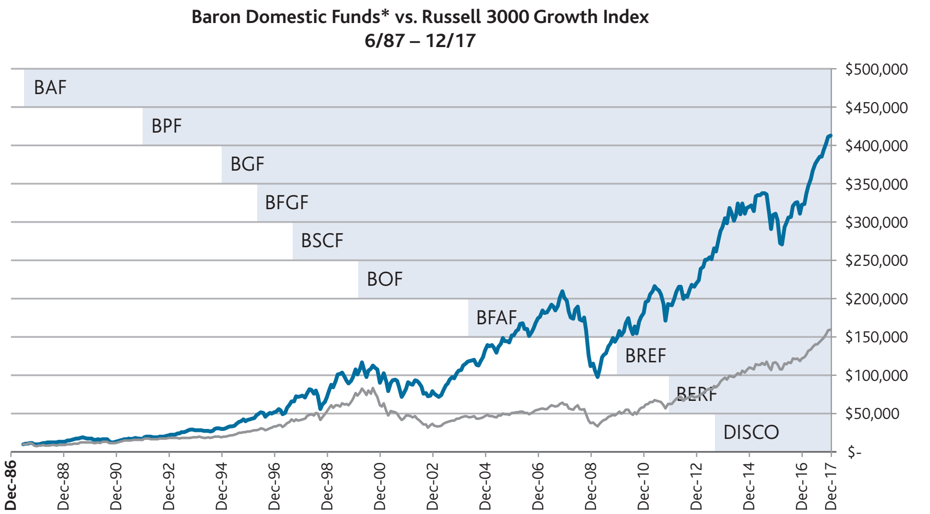
Source: FactSet, BAMCO, Inc.

** *The rolling 1-, 3-, and 5-year returns for the Baron International Funds Composite were calculated using equal-weighted average monthly returns of the existing international Baron Funds. The inception dates of the included Baron Funds are as follows: Baron International Growth Fund (12/31/2008), Baron Emerging Markets Fund (12/31/2010), and Baron Global Advantage Fund (4/30/2012).*

Baron's objective has always been to deliver better than average performance with lower risk. Our process puts a significant emphasis on helping clients achieve their goals as safely and smoothly as we can. Constant, rigorous due diligence has a central role in our investment process. We don't allow ourselves to be distracted by market noise, short-term results, or "expert" opinions. We invest in companies that we believe have strong business models, that are difficult to disrupt, that focus on their customers, and that reinvest in themselves with the long term in sight.

We stay focused on our course, aware of what our investors' goals are, carefully and skillfully navigating through. Over the past 30 years, we have been able to help many of our investors achieve their goals. Your investment goals will always remain our primary objective.

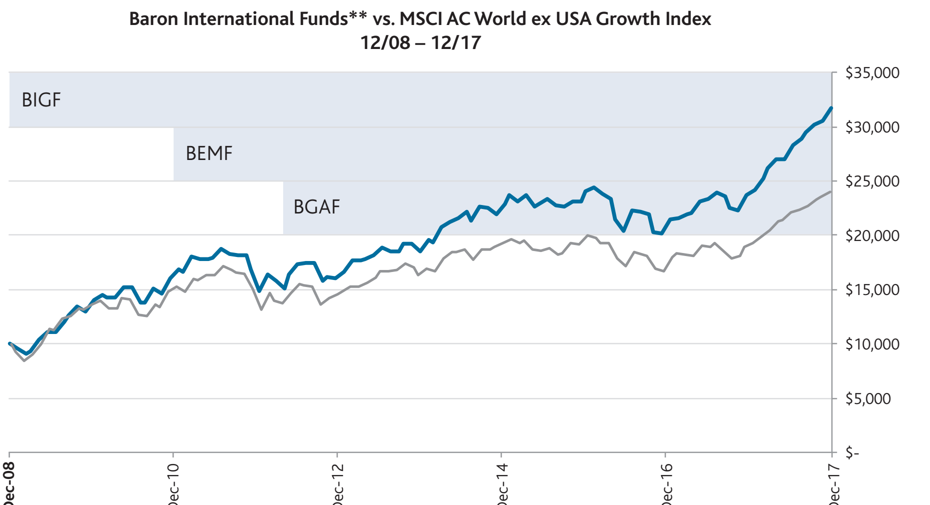
Baron Funds Have Delivered Better Than Average Over the Long Term



Fund Abr.	Fund Name	Inception Date
BAF	Baron Asset Fund	6/12/87
BPF	Baron Partners Fund	1/31/92
BGF	Baron Growth Fund	12/31/94
BFGF	Baron Focused Growth Fund	5/31/96
BSCF	Baron Small Cap Fund	9/30/97
BOF	Baron Opportunity Fund	2/29/00
BFAF	Baron Fifth Avenue Growth Fund	4/30/04
BREF	Baron Real Estate Fund	12/31/09
BERF	Baron Energy and Resources Fund	12/30/11
DISCO	Baron Discovery Fund	9/29/13

Source: FactSet, BAMCO, Inc.

* *The cumulative performance of the Baron Domestic Funds Composite was calculated using equal-weighted average monthly returns of the existing domestic Baron Funds.*

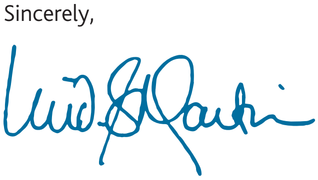


Fund Abr.	Fund Name	Inception Date
BIGF	Baron International Growth Fund	12/31/08
BEMF	Baron Emerging Markets Fund	12/31/10
BGAF	Baron Global Advantage Fund	4/30/12

Source: FactSet, BAMCO, Inc.

** *The cumulative performance of the Baron International Funds Composite was calculated using equal-weighted average monthly returns of the existing international Baron Funds.*

Sincerely,



Linda S. Martinson
Chairman, President, and COO

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.

Fund (Institutional Shares) Performance 12/31/2017

		Annualized Returns				
Fund	**Inception Date**	**1-year returns**	**5-year returns**	**10-year returns**	**Since Inception returns**	**Annual expense ratio**
Baron Asset Fund	6/12/1987	26.49%	15.59%	8.24%	11.52%	1.04%(2)
Baron Growth Fund	12/31/1994	27.35%	13.52%	8.55%	13.17%	1.04%(2)
Baron Small Cap Fund	9/30/1997	27.45%	13.45%	8.19%	10.17%	1.05%(2)
Baron Opportunity Fund†	2/29/2000	40.88%	13.15%	8.14%	6.15%	1.14%(2)
Baron Partners Fund	1/31/1992	31.91%	17.04%	8.14%	12.93%(1)	1.52%(3)(4)
Baron Fifth Avenue Growth Fund	4/30/2004	40.97%	16.77%	8.61%	8.79%	0.84%/0.75%(2)(5)
Baron Focused Growth Fund	5/31/1996	26.59%	10.10%	6.64%(1)	11.04%(1)	1.13%/1.10%(3)(6)
Baron International Growth Fund	12/31/2008	37.33%	11.01%	N/A	13.05%	1.24%/0.95%(3)(7)
Baron Real Estate Fund	12/31/2009	31.42%	12.96%	N/A	16.38%	1.07%(3)
Baron Emerging Markets Fund	12/31/2010	40.63%	9.23%	N/A	6.85%	1.13%(3)
Baron Energy and Resources Fund†	12/30/2011	(8.68)%	(2.56)%	N/A	(3.01)%	1.46%/1.10%(3)(8)
Baron Global Advantage Fund†	4/30/2012	49.82%	14.91%	N/A	13.87%	3.40%/0.90%(3)(9)
Baron Discovery Fund†	9/30/2013	35.83%	N/A	N/A	15.97%	1.23%/1.10%(2)(10)

(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) As of 9/30/2017.
(3) As of 12/31/2016.
(4) Comprised of operating expenses of 1.09% and interest expenses of 0.43%.
(5) Annual expense ratio was 0.84%, but the net annual expense ratio was 0.75% (restated to reflect current fee waivers).
(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 1.24%, but the net annual expense ratio was 0.95% (restated to reflect management fee reduction from 1.00% to 0.88% and current 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 3.40%, but the net annual expense ratio was 0.90% (restated to reflect management fee reduction from 1.00% to 0.85% and current fee waivers).
(10) Annual expense ratio was 1.23%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser 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.

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

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.

MSCI ACWI ex USA Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 22 Developed Markets countries and 24 Emerging Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.