

Risk Management at Baron

"If we don't succeed we run the risk of failure." - Yogi Berra

What four-letter word comes to mind when thinking about your investments? No, not gold. No, not those other words. How about risk? Since the financial crisis, the institutional investment community has been increasingly focused on talking about and thinking about, and measuring risk.

Put simply, risk is the possibility that something bad or unpleasant will happen. Wichita State, seeded #1, found it pretty unpleasant to lose to the #8 seed Kentucky and its five starting freshmen in the third round of the 2014 NCAA championship.

At Baron, we view risk as the probability of an adverse outcome and the potential of permanent loss of capital.

In the investment world, many investors equate risk to volatility. Volatility is a statistical measure of the variation of returns of a security over time, based entirely on historical information. The wider the historical range of returns, the higher the volatility. Less volatile stocks have a narrower range of price spreads. Standard deviation, tracking error, and beta are popular volatility metrics used in the industry.

While volatility remains a convenient measure of risk because it captures many possible outcomes in one statistic, we do not find it to be meaningful in our research and portfolio management processes. We don't consider volatility as a relevant measure of risk of our investments, although we are certainly aware of price fluctuations of our current and potential holdings.

In our view, volatility's biggest weakness as an indicator of risk is that it measures both positive and negative price fluctuations. It will identify a big loss as risk, but it will also identify a big gain as risk. Big gains are not a risk to us; on the contrary, these are what we hope to achieve. Risk for us is if our investors lose money. When assessing risk, our portfolio managers focus on three reasons a loss may occur: (1) we paid too high a purchase price, (2) there is a deterioration of the company's fundamentals that we believe is long term in nature, (3) we made the wrong selling decision.

Our investment process is designed to identify and understand the risks inherent in an investment, along with the potential for long-term returns. As active managers, our goal is not to eliminate or minimize risks; we believe a certain amount of risk is necessary to achieve positive excess returns. Measured, known risks are ok; surprise risks are not so welcome, which is one reason we dedicate so much time to research.

Because we invest for the long term, there is a high likelihood that a stock may fall below our purchase price while we own it.

This is not the risk that concerns us. We take a longer-term view.

At Baron we manage risk at three levels: (1) at the security level, (2) at the portfolio level, and (3) at the firm level. This letter focuses primarily on the first two kinds of risk management.

SECURITY LEVEL RISK

We consider two kinds of risks at the individual security level: business risk and systematic risk.

Business Risk

Because we believe that deep research is critical to understanding a potential investment opportunity, risk management is inherent in our approach to investing. We believe it is better to know a lot about a select group of companies than it is to know a little about a lot of companies. Using our four main investment criteria, we evaluate potential merits and risks for each investment: (1) a significant opportunity for growth, (2) sustainable competitive advantages, (3) strong management, and (4) an attractive valuation.

The opportunity we are looking for in each investment is the future growth opportunity, not the one that is priced into the market already. The risk is that we mis-identify or over-estimate the secular growth opportunity. For example, we believe Illumina, Inc., the market leader in next generation DNA sequencing, has a significant long-term growth opportunity. Sequencing is now commonly used in the diagnosis and treatment of cancer and in reproductive and genetic health. New markets for sequencing are developing at a rapid pace. The risks include a cutback of government funding, which currently accounts for about one third of Illumina's revenues, and the evolving nature of the regulatory and reimbursement landscape for genetic testing. We believe the growth opportunities far outweigh these risks.

In our view, a company has a significant advantage when other companies can't do what it does. Verisk Analytics, Inc. provides information about risk to companies in the insurance, health care, and mortgage industries. Verisk enables financial risk-bearing businesses to better understand and manage their risks. Verisk's businesses enjoy remarkable competitive advantages, as they are built on contributory databases that have emerged as de facto monopolies because their data would be difficult to replicate. Its insurance segment has a 98% market share in the U.S., and its financials segment has data relationships with the 25 largest domestic financial institutions. Health care represents a significant area of growth for Verisk. The risk is that there are several legitimate competitors targeting Verisk's health care opportunity. While



LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

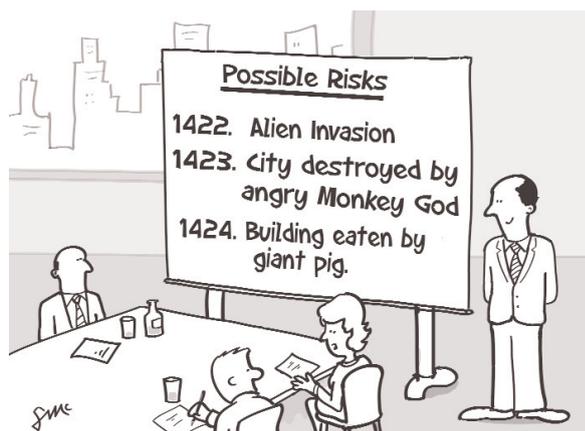
we believe Verisk is a logical winner, the market is still nascent, and a competitor could emerge.

Management can be the reason a company succeeds or fails. That is why we like to invest with entrepreneurs who have a track record of building successful businesses, such as Tim Leach of Concho Resources, Inc., Mitch Rales of Colfax Corp., Tom Pritzker of Hyatt Hotels Corp. or Steve Wynn of Wynn Resorts Ltd. We like management to have a vision, as Under Armour, Inc.'s founder Kevin Plank did when he became tired of wearing sweat-soaked cotton t-shirts at his college football practices. Our risk regarding management is that we mis-judge the CEO's ability to deploy capital efficiently or to execute the business plan. There is also a risk that an important member of management leaves the company or that our subjective assessment of management's credibility is wrong.

Finally, it is critical to invest at the right price. We want the valuation of the company to be less than our estimate of its intrinsic value, as this provides a margin of safety. If we are wrong in our assessment of the company's future revenues and costs for the next three to five years, and on management's ability to execute on the growth opportunity, we will not be able to generate the returns we expect.

We believe our research process, as executed by our talented research team, helps us understand the risks inherent in every investment. We think our long track record of successful investing helps us navigate through these risks.

Thorough Research Uncovers Risks



Source: www.CartoonStock.com

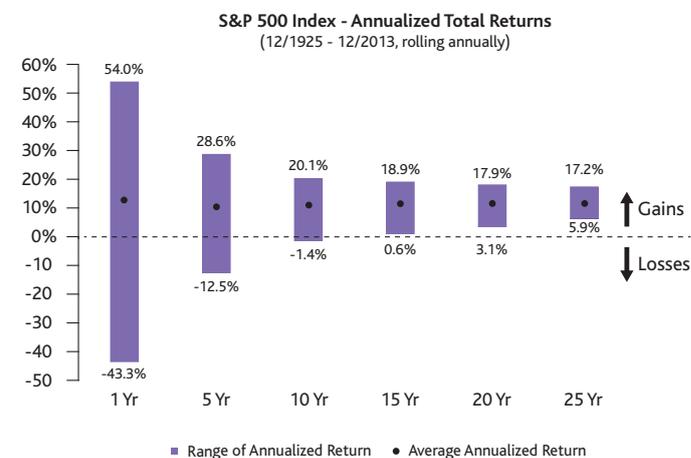
Baron's Time-Risk Arbitrage

We believe our long-term investment horizon helps mitigate risk and adds an additional margin of safety to each investment. Having a long-

term investment horizon to achieve our above-average expected returns makes us less reactive to interim price fluctuations, macro events, and market noise, thus reducing the likelihood of an emotional or rash decision that could result in a loss. Because we invest in businesses that we believe will benefit from long-term secular growth trends, price fluctuations in the short term will generally not affect our conviction. Volatility may create attractive opportunities to add to our existing positions and increase our margin of safety, further reducing risk. We may be willing to accept more short-term volatility in exchange for long-term performance on a stock-by-stock basis.

A review of historical stock price fluctuations over different time periods shows the relationship between the risk of loss and time. This relationship confirms that a long-term investment horizon mitigates the possibility of permanent loss of capital by reducing the probability of selling at a loss. The chart below shows that over the past 88 years, U.S. stocks' annualized returns fluctuated widely during shorter holding periods; and as holding periods became longer, there were corresponding smaller fluctuations, and the risk of loss decreased. The one-year average rolling returns for the S&P 500 Index fluctuated between -43.3% and +54.0%, with 27% of the observations being negative. In contrast, the five-year rolling returns fluctuated between -12.5% and +28.6% with 14% of observations being negative. Statistically speaking, the probability of losing money with a one-year investment horizon has been 27%, while extending the time horizon to five years brings down the probability to 14%. Independent of the time horizon and fluctuations, the average rolling returns over the various holding periods remained within a narrow range between 9.9% and 12%. With longer holding periods, the magnitude of the loss also declined significantly.

Long-Term Horizon Mitigates Risk



Risk Management at Baron

Annualized Returns

	1-Year Periods	5-Year Periods	10-Year Periods	15-Year Periods	20-Year Periods	25-Year Periods
Maximum	54.0%	28.6%	20.1%	18.9%	17.9%	17.2%
Average	12.0%	9.9%	10.5%	10.8%	11.2%	11.3%
Minimum	-43.3%	-12.5%	-1.4%	0.6%	3.1%	5.9%
% Of Negative Periods	27%	14%	5%	0%	0%	0%

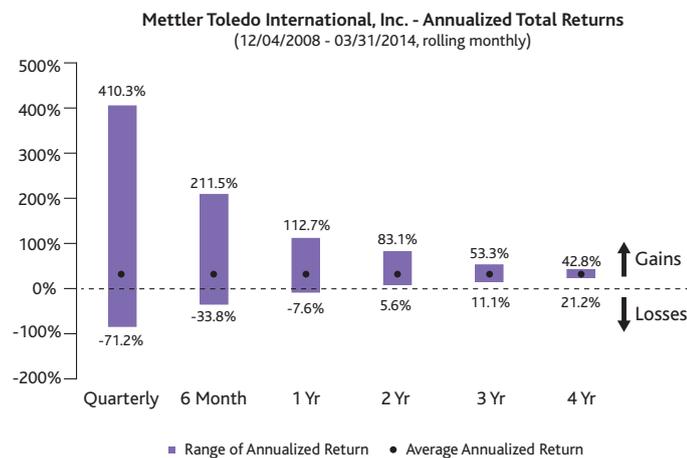
Source: Morningstar Direct

Of course, not all stocks behave like the average. Some stocks have valid fundamental reasons to fall and never recover. Our deep knowledge of the businesses we invest in helps us to discern if stock fluctuations are caused by permanent deterioration of the company's fundamentals or whether it is just market noise.

Our investment in Mettler Toledo International, Inc. is one example of many. Mettler Toledo is the world's largest manufacturer of weighing instruments and product inspection systems for laboratory, industrials, and food retailing applications. Three of our Funds invested in the company in the end of 2008. Over the next three and a half months, the stock price dropped by 37% and the stock volatility increased, mainly driven by external systematic factors (e.g., the financial crisis, the "Great Recession"). Our opinion of the company remained unchanged, and the portfolio managers took advantage of this drop to add to their positions. The Funds have held the position for over five years, and our investment has more than tripled.

An investor in Mettler Toledo with a three-month investment horizon would have had a significantly higher chance of losing money in this investment during this period. The probability of a loss decreases from 34% to 0% as holding periods lengthen, as shown in the chart below.

Long-Term Horizon & Fundamentals Further Mitigate Risks



Cumulative Returns

	Quarterly Periods	6-Months Periods	1-Year Periods	2-Year Periods	3-Year Periods	4-Year Periods
Maximum	50.3%	76.5%	112.7%	235.1%	259.9%	315.4%
Average	7.3%	16.6%	32.4%	68.0%	104.7%	183.4%
Minimum	-25.2%	-18.6%	-7.6%	11.5%	37.0%	115.8%
% of Negative Periods	34%	20%	9%	0%	0%	0%

Source: Morningstar Direct

Besides reducing the probability of a loss, the longer we own a stock, the better we know the company. We attain a deeper understanding of where the risks and opportunities in the business are, and when and how to act on news, developments, or changes. This translates into higher certainty of the expected future outcome, allowing us to size the positions with better precision. Joe Girardi knows with some degree of confidence how veteran Derek Jeter is going to play, but when he starts rookie Dean Anna at short-stop there could be more surprises.

Systematic Risk

Systematic risk reflects vulnerability to events that affect the entire economy or distinctive areas of the economy. Investors cannot avoid recessions, government policy changes, or natural disasters, and we are not an exception.

While we stay abreast of macroeconomic events that might negatively impact the performance of our portfolios, forecasting such events is not part of Baron's investment approach. Rather, we believe that a well-researched, knowledgeable effort coupled with a long-term investment horizon can mitigate risk and can position our portfolios to decline by less than the market in bad times, while retaining high upside potential.

Systematic risk is commonly measured by beta. Beta quantifies how volatile a security or a portfolio is compared to the overall market. A security with beta greater than 1 would on average have more return volatility than the market. The opposite is true for a security with beta less than 1. Similar to volatility, beta treats both up and down movements as risk and does so in a symmetric way. As previously noted, we do not view upward movements as risky. Baron's portfolio managers are not guided by company betas when making investment decisions and do not target a specific level of portfolio beta when constructing their portfolios. The portfolio betas are a result of our investment approach.

The table below lists the predicted beta of our Funds' performance and their exposures to stocks with predicted beta greater than 1.

Baron Funds Betas are a Result of Our Approach

MSCI BARRA Predicted Betas as of 3/31/2014

Fund Category	Fund Name	Primary Benchmark Index	Portfolio Predicted Beta	Weighted Average Predicted Beta	Portfolio weight in stocks with Predicted Beta > 1.0	Portfolio weight in stocks with Predicted Beta > 1.2
Diversified	Baron Discovery Fund	Russell 2000 Growth	0.94	1.00	47%	13%
	Baron Small Cap Fund	Russell 2000 Growth	0.85	0.88	28%	5%
	Baron Growth Fund	Russell 2000 Growth	0.80	0.84	24%	3%
	Baron Asset Fund	Russell Mid Cap Growth	0.95	0.95	36%	15%
	Baron Opportunity Fund	Russell Mid Cap Growth	1.15	1.15	72%	44%
	Baron International Growth Fund	MSCI AC World ex USA IMI Growth	0.98	1.03	47%	18%
	Baron Emerging Markets Fund	MSCI EM IMI Growth	0.90	1.00	45%	19%
High-Conviction	Baron Focused Growth Fund	Russell 2500 Growth	0.90	0.90	36%	11%
	Baron Partners Fund	Russell Mid Cap Growth	1.14	0.97	52%	17%
	Baron Fifth Avenue Growth Fund	S&P 500	1.07	1.10	57%	27%
	Baron Global Advantage Fund	MSCI ACWI Growth	1.00	1.07	51%	26%

Source: MSCI Barra US3EL and GEM2L models via Barra Portfolio Manager. These models don't apply to our specialty Funds, the Baron Energy and Resources Fund and the Baron Real Estate Fund.

* Baron Partners Fund uses leverage.

PORTFOLIO LEVEL RISK

As responsible stewards of our clients' capital, it is not enough to identify the risks involved in the investments that we select. Successful portfolio management requires combining and balancing these risks, and we do this in several ways.

We diversify our portfolios because even the safest appearing stock has some chance of losing value permanently. Diversification requires a delicate balance. Some diversification is necessary to manage the risk in the portfolio, or the "too-many-eggs-in-one-basket" syndrome could have some unpleasant effects. No baseball manager wants a roster comprised solely of second basemen and catchers; but every manager wants depth on his roster in case a player is injured or needs a day off.

Diversification, however, should not be done for its own sake. Too much diversification (as with an index fund) may dampen the volatility of the portfolio, but it will likely do so by diluting company-specific risk and at the expense of generating alpha. Baron's portfolio managers do not shy away from company-specific risk. On the contrary – this is the risk that we understand best and that we seek to take. This is also where we expect our alpha to come from. We want, however, to take a measured amount of stock specific-risk.

Portfolio diversification is not about how many different stocks are in the portfolio; instead, it is how different are the risk exposures of the stocks in the portfolio. Our portfolios are diversified by a variety of factors, including end market exposures, sources of revenues, exposures to energy prices, addressable markets, weather exposures, social and political risks, business models, and regulatory risks. We want to make sure that the prospects for growth of our businesses are not correlated with each other.

Still, throwing together companies in a portfolio just because they are not highly correlated to each other does little good on its own to generate alpha. The risks of each security should be carefully integrated in the portfolio. This is where our conviction based investing approach comes into play as an additional way to manage portfolio risk.

As fundamental, bottom-up investors, we manage portfolios by selecting companies one by one, and the size of our investment is driven by our level of conviction. Conviction is a direct result of our research process. In this way, the portfolio manager skews the overall portfolio exposure to the risks he wants to take and limits the vulnerability to the risks he wants to avoid. This is a critical step in our portfolio construction and management process. My Perspectives September 2013 has an extensive discussion of how we think about this. As a general rule, the higher the conviction, the larger the position. Sometimes the largest position is not

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the one we think will do the best. Sometimes the steadier stock is the largest position.

Our international and sector fund managers combine their bottom up approach with a top-down overlay to manage risks that are specific to their portfolios. Such risks include interest rates, commodity prices, socio/political risks and currency risks.

Many professional investors manage their portfolios so they don't deviate from their benchmark by certain set amounts. Some would view large deviations from a benchmark as a high-risk strategy due to the potential volatility of the excess returns. This risk is measured by tracking error. Some investors manage their tracking error by limiting the deviation from the benchmark's GICS sectors or other common factors. Those investors set up guidelines to be within specific ranges of a benchmark's weights. While our managers are generally aware of their benchmark's exposures, they do not build their portfolios to be within certain ranges of an index. At Baron, portfolio weights and tracking error are an outcome of stock selection rather than a method for selecting stocks.

RISK MONITORING

Since we are bottom-up fundamental investors, our approach to evaluating correlations of the stocks in our portfolios is largely heuristic.

This subjects us to the risks of unintended exposures and unexpected consequences.

To increase our awareness to those risks, Baron has subscribed to several MSCI Barra multi-factor models (MFMs), which we believe will further increase the Firm's risk management and oversight capabilities. The MFMs identify common factors and determine return sensitivity to these factors. One major weakness of MFMs for us is that risk is defined and measured as the volatility of returns or of excess returns. Nevertheless, the factor models allow us, to some extent, to analyze exposures to various fundamental factors and to understand how much return and risk resulted from intended or unintended exposures to different factors in the past, and how much risk to expect going forward.

We use these models for three purposes: risk measurement, risk monitoring and client reporting. Although the results from the factor models are shared with portfolio managers periodically, we do not foresee integrating the software into the investment management process or using it to influence any stock decisions because we are fundamental, bottom-up stock pickers.

Below is the active risk attribution of our domestic and our international Funds, excluding our sector Funds.

Stock-Specific Risk is a Significant Contributor

Risk Attribution Overview as of 3/31/2014

Baron U.S. Funds

Fund Category	Fund	Primary Benchmark Index	Portfolio Total Risk	Benchmark Total Risk	Portfolio Active Risk (tracking error)	Industry Factors % Contribution to Active Risk (out of 100%)	Style Factors % Contribution to Active Risk (out of 100%)	Stock-Specific Risk % Contribution to Active Risk (out of 100%)
Diversified	Baron Discovery Fund	Russell 2000 Growth	18.39%	18.48%	6.11%	16.37%	27.68%	55.95%
	Baron Small Cap Fund	Russell 2000 Growth	16.19%	18.48%	4.49%	19.23%	45.88%	34.89%
	Baron Growth Fund	Russell 2000 Growth	15.32%	18.48%	5.45%	18.18%	59.12%	22.70%
	Baron Asset Fund	Russell Mid Cap Growth	15.04%	15.54%	3.31%	17.82%	10.75%	71.43%
	Baron Opportunity Fund	Russell Mid Cap Growth	18.81%	15.54%	6.48%	20.93%	41.94%	37.13%
High-Conviction	Baron Focused Growth Fund	Russell 2500 Growth	16.65%	17.55%	5.65%	21.54%	16.48%	61.98%
	Baron Partners Fund	Russell Mid Cap Growth	18.46%	15.54%	5.76%	29.22%	2.03%	68.75%
	Baron Fifth Avenue Growth Fund	S&P 500	16.10%	13.80%	6.50%	24.71%	33.89%	41.40%

Source: MSCI Barra USE3L model via Barra Portfolio Manager

Baron International Funds

Fund Category	Fund	Primary Benchmark Index	Portfolio Total Risk	Benchmark Total Risk	Portfolio Active Risk (tracking error)	Industry Factors % Contribution to Active Risk (out of 100%)	Style Factors % Contribution to Active Risk (out of 100%)	Country Factors % Contribution to Active Risk (out of 100%)	Currency Factors % Contribution to Active Risk (out of 100%)	World Factors % Contribution to Active Risk (out of 100%)	Stock Specific Risk % Contribution to Active Risk (out of 100%)
Diversified	Baron Emerging Markets Fund	MSCI EM IMI Growth	16.30%	17.50%	4.75%	6.53%	10.62%	12.92%	12.30%	9.35%	48.29%
	Baron International Growth Fund	MSCI ACWI ex USA IMI Growth	15.76%	15.64%	3.88%	10.64%	18.16%	9.49%	5.87%	0.22%	55.63%
High-Conviction	Baron Global Advantage Fund	MSCI ACWI Growth	15.19%	14.30%	5.18%	12.14%	20.90%	11.50%	5.47%	-0.25%	50.25%

Source: MSCI Barra GEM2L model via Barra Portfolio Manager

Consistent with our bottom-up, fundamental approach, stock-specific risk is the largest contributor to our active risk for the majority of our Funds. For Baron Growth Fund and Baron Small Cap Fund, the style factor contribution is larger, as a result of the Funds' intended over-exposure to more stable businesses.

RISKY BUSINESS

As our compliance group makes us say in virtually everything we write, investing in the stock market is risky. You could lose all of your money. At Baron, our mission is to make our investors money.

We build portfolios stock by stock, balancing risk to reward. Our investment management process is designed to achieve our return

objectives while limiting the possibility of permanent loss of capital. Only when we achieve both, do we believe we are successful.

Sincerely,



Linda S. Martinson.
Chairman, President and COO
April 11, 2014

Past performance is no guarantee of future results.

The indexes are unmanaged. The **Russell Midcap™ Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. The **Russell 2000® Growth Index** 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. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The **MSCI ACWI ex USA IMI Growth Index Net USD** measures the performance of large, mid and small cap growth securities across developed and emerging markets, excluding the United States. 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 (Emerging Markets) IMI Growth Index Net USD screens for growth-style securities. The **MSCI ACWI Growth Index Net USD** measures the equity market performance of large and mid-cap growth securities across developed and emerging markets.

Risk Management at Baron

Baron Funds Net Realized and Unrealized Gain (\$ in millions) As of March 31, 2014

	Baron Asset Fund	Baron Growth Fund	Baron Small Cap Fund	Baron Opportunity Fund	Baron Fifth Avenue Growth Fund	Baron Partners Fund	Baron Focused Growth Fund	Baron Real Estate Fund	Baron Energy and Resources Fund	Baron Global Advantage Fund
Mettler-Toledo International, Inc.	64.5	156.2	79.5	–	–*	–	3.1	–	–	–

Portfolio Holdings As a Percentage of Net Assets As of March 31, 2014

	Baron Asset Fund	Baron Growth Fund	Baron Small Cap Fund	Baron Opportunity Fund	Baron Fifth Avenue Growth Fund	Baron Partners Fund	Baron Focused Growth Fund	Baron Real Estate Fund	Baron Energy and Resources Fund	Baron Global Advantage Fund
Colfax Corp.	2.5	1.9	–	–	–	–	7.4	–	–	–
Concho Resources, Inc.	1.2	–	–	2.0	1.8	5.2**	–	–	3.6	–
Hyatt Hotels Corp.	2.0	–	–	–	–	7.1**	6.7	3.8	–	–
Illumina, Inc.	3.2	–	–	4.5	6.2	3.1**	–	–	–	3.8
Mettler–Toledo International, Inc.	2.4	1.5	1.0	–	–	–	–	–	–	–
Under Armour, Inc.	–	3.0	–	1.3	–	–	–	–	–	–
Verisk Analytics, Inc.	–	–	–	2.3	2.0	–	2.8	–	–	–
Wynn Resorts Ltd.	3.0	–	1.2	–	5.1	–	–	3.3	–	–

At March 31, 2014, Baron International Growth Fund, Baron Emerging Markets Fund and Baron Discovery Fund did not own any of the securities listed above.

*Less than \$50,000

**% of Long Positions.

Definitions

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

Tracking Error: measures how closely a fund's return follows the benchmark index returns). It is calculated as the annualized standard deviation of the difference between the fund and the index returns.

MSCI Barra Multiple-Factor Model Definitions

Predicted Beta, the beta MSCI Barra derives from its risk model, is a forecast of a stock's sensitivity to the market. It is also known as fundamental beta because it is derived from fundamental risk factors. In Barra's U.S. model these factors include 13 style attributes – such as size, yield, and price/earnings ratio – plus industry exposure allocated across a maximum of 6 of 55 industry groups. In Barra's Global Equity model, these factors include 8 style attributes, 55 countries, 55 currencies, 34 industry groups and a world factor. These factors are reestimated monthly, thus the predicted beta reflects changes in the company's underlying risk structure in a timely manner. Barra uses predicted beta rather than historical beta because it's a better forecast of market sensitivity.

Portfolio Risk: the annualized standard deviation of the returns of the portfolio. MSCI Barra calculates a forecasted portfolio risk by combining the common factor and stock specific risks in the portfolio.

Benchmark Risk: the annualized standard deviation of the returns of the benchmark. MSCI Barra calculates a forecasted benchmark risk by combining the common factor and stock specific risks in the benchmark.

Portfolio Active Risk (Tracking Error): the annualized standard deviation of the active returns of the portfolio. MSCI Barra calculates a forecasted portfolio active risk by combining the common factor and stock specific risks in the active portfolio.

MSCI Barra Factors: Factors are fundamental influences that have been identified as important contributors towards explaining the systematic return on a broad range of stocks. These factors are also referred to as common factors or systematic risk factors. MSCI Barra has identified different factors that vary based on the scope of their models.

- **Industry Factors** – these factors relate to the portfolio's exposure to and return influence by different industries. The portfolio's exposure to industries is calculated by combining the individual stock exposures to each industry in the classification scheme used by MSCI Barra.
- **Style Factors** – these factors relate to the portfolio's exposure to and return influence by fundamental characteristics like growth, value, momentum, market capitalization, leverage, earnings variation etc. The portfolio's exposure to styles is calculated by combining the individual stock exposures to each style that MSCI Barra identified as important.
- **Country and Currency Factors** – these factors relate to a portfolio's exposure to and return influence by different countries and their respective currencies. The portfolio's exposure to countries is calculated by combining the individual stock exposures to each country in country classification scheme used by MSCI Barra.
- **World Factor** – the world factor describes the portfolio's aggregate up-and-down movement of the global equity market.

Stock Specific Risk: risk that is specific to a company and is uncorrelated (or minimally correlated) with the specific risk of other companies. Also called unique, idiosyncratic, independent risk.

Institutional Sales & Relationship Management

JAMES BARRETT Head of Institutional Sales, 212-583-2076, jbarrett@baronfunds.com
DAVID KAPLAN VP, Senior Director, Institutional Sales, 212-583-2033, dkaplan@baronfunds.com
MEETA SINGAL VP, Director, Institutional Sales, 212-583-2055, msingal@baronfunds.com
CARLA F. AVILA Head of Financial Institutions, 212-583-2056, cavila@baronfunds.com
ASHLEY BRADLEY Director Financial Institutions, 212-583-2169, abradley@baronfunds.com
CHELSEA METZ Director, Financial Institutions, 212-583-2158, cmetz@baronfunds.com

RIA Sales & Relationship Management

FRANK MAIORANO Head of RIA Sales, 212-583-2183, fmaiorano@baronfunds.com
ROBIN THURAU RIA Sales – East/Midwest, 212-583-2083, rthurau@baronfunds.com
LIZ CASSAL RIA Sales – West, 212-583-2138, lcassal@baronfunds.com
SETH DUNLAP RIA Sales – Midwest, 212-583-2167, sdunlap@baronfunds.com

Intermediary Sales & Relationship Management

DAVID FELDMAN VP, Head of Intermediary Sales, 212-583-2007, dfeldman@baronfunds.com
DAVID JUDICE Head of National Accounts, 212-583-2034, djudice@baronfunds.com
BILL ZOROVICH External Wholesaler – Mid-Atlantic, 646-556-5473, bzorovich@baronfunds.com
BRIAN McNAMARA External Wholesaler – Midwest, 773-718-7444, bmcnamara@baronfunds.com
SCOTT KOZIOL External Wholesaler – Southeast, 404-433-6137, skoziol@baronfunds.com
MARK J. WHITEHOUSE External Wholesaler – New England, 603-661-8887, mwhitehouse@baronfunds.com
WAYNE OUIMETTE External Wholesaler – West, 310-292-6255, wouimette@baronfunds.com
RON STANKIEWICZ External Wholesaler – NY Metro, 212-583-2164, rstankiewicz@baronfunds.com
STEPHANIE GISRIEL Associate National Account Manager, 212-583-2187, sgisriel@baronfunds.com

PRODUCTS WE OFFER

We offer thirteen mutual funds in Retail as well as Institutional Share Classes, Separately Managed Accounts, Sub-Advisory Services and an Offshore Fund.

EQUITY GROWTH STRATEGIES

BARON ALL CAP GROWTH
BARON EMERGING MARKETS GROWTH STRATEGY
BARON ENERGY & RESOURCES GROWTH STRATEGY
BARON FOCUSED GROWTH
BARON HIGH GROWTH
BARON INTERNATIONAL GROWTH
BARON LARGE CAP GROWTH
BARON MID CAP GROWTH
BARON REAL ESTATE
BARON SMALL CAP GROWTH
BARON SMID CAP GROWTH

MUTUAL FUNDS

BARON ASSET FUND (BARAX, BARIX)
BARON DISCOVERY FUND (BDFFX, BDFIX)
BARON EMERGING MARKETS FUND (BEXFX, BEXIX)
BARON ENERGY AND RESOURCES FUND (BENFX, BENIX)
BARON FIFTH AVENUE GROWTH FUND (BFTHX, BFTIX)
BARON FOCUSED GROWTH FUND (BFGFX, BFGIX)
BARON GLOBAL ADVANTAGE FUND (BGAFX, BGAIX)
BARON GROWTH FUND (BGRFX, BGRIX)
BARON INTERNATIONAL GROWTH FUND (BIGFX, BINIX)
BARON OPPORTUNITY FUND (BIOPX, BIOIX)
BARON PARTNERS FUND (BPTRX, BPTIX)
BARON REAL ESTATE FUND (BREFX, BREIX)
BARON SMALL CAP FUND (BSCFX, BSFIX)

BARON CAPITAL, INC.
767 FIFTH AVENUE, 49TH FLOOR
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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.

