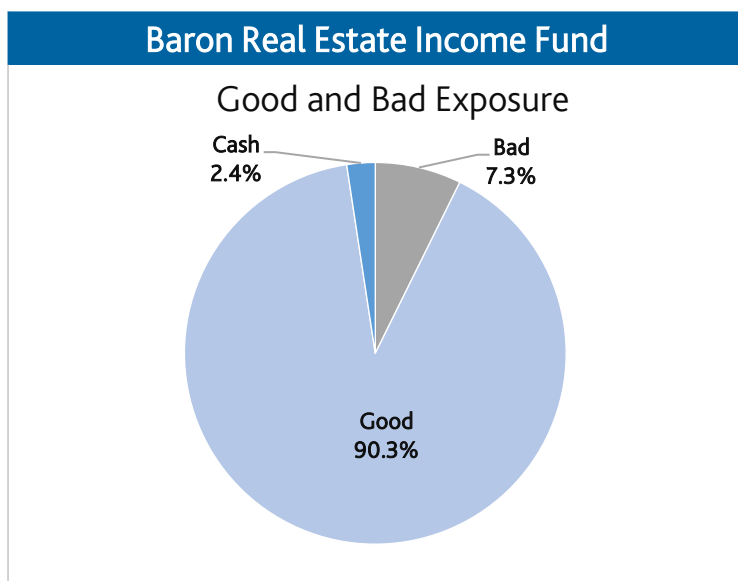
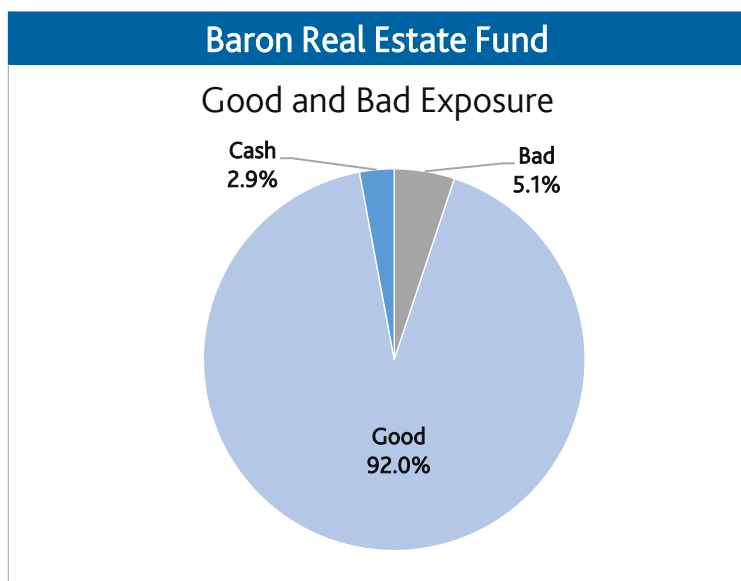


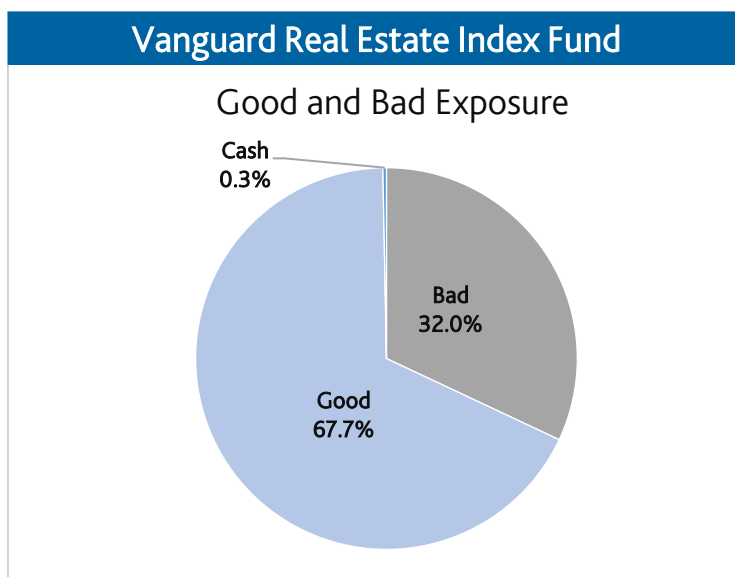
# The Case for Active Management of Public Real Estate

As of September 30, 2020

- We believe the case for active management of public real estate is compelling.
- The public real estate universe has evolved into a narrower set of investment opportunities.
- Today, there is a tale of two real estate categories. One that is likely to benefit from multi-year operating tailwinds (the “Good”). The other group may face ongoing operating headwinds for the next few years (the “Bad”).
- A passive real estate strategy such as the Vanguard Real Estate ETF (VNQ) owns both the “Good” and the “Bad”.
- An actively managed real estate strategy can be discerning—prioritize the “Good” and deemphasize the “Bad”.
- **Both the Baron Real Estate Fund and the Baron Real Estate Income Fund have outperformed passive real estate strategies such as the Vanguard Real Estate ETF (VNQ) by a wide margin.**



— VS. —



# The Case for Active Management of Public Real Estate *(cont'd)*

As of September 30, 2020

- **We believe characteristics of “Good” real estate categories include:** Unique competitive advantages that limit competition and enable outsized reinvestment returns, long runways for non-cyclical cash flow growth, relatively capital efficient business models
- **We believe characteristics of “Bad” real estate categories include:** Secular growth headwinds, oversupplied conditions, highly uncertain medium-term demand prospects
- **Opportunistic Purchases:** At times, both Baron Real Estate Fund and Baron Real Estate Income Fund may acquire shares opportunistically in companies facing near to medium-term headwinds (the “Bad”) if we determine that the return profile is attractive and risk profile is acceptable. However, opportunistic purchases of “Bad” companies are not a portfolio management and risk management priority

The “Good”			
Property Category Breakdown	Baron Real Estate Fund	Baron Real Estate Income Fund	Vanguard Real Estate Index
Casinos & Gaming Operators	18.0%	15.7%	--
Building Products/ Services	13.8%	--	--
Homebuilders & Land Developers	13.6%	--	0.2%
Real Estate Service Companies	9.8%	--	2.7%
Data Centers	8.8%	7.3%	--
Data Center REITs	5.5%	11.6%	10.9%
Industrial REITs	4.5%	12.5%	10.6%
Wireless Tower REITs	4.2%	9.8%	19.3%
Other REITs - Good	3.5%	8.7%	3.5%
Triple Net REITs	3.0%	6.4%	7.8%
Real Estate Operating Companies	2.2%	0.8%	0.3%
Single Family Rental REITs	1.8%	7.9%	2.1%
Tower Operators & Wireless Telecommunication Services	1.5%	1.7%	--
Manufactured Housing REITs	1.2%	5.1%	2.3%
SPACs	0.6%	--	--
Other Non-REITs	--	2.8%	--
Self-Storage REITs	--	--	5.5%
Timber REITs	--	--	2.5%
<b>Subtotal</b>	<b>92.0%</b>	<b>90.3%</b>	<b>67.7%</b>

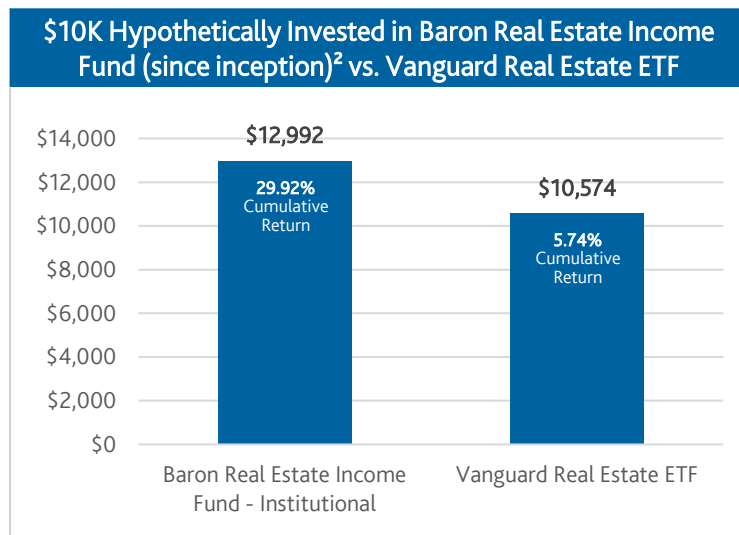
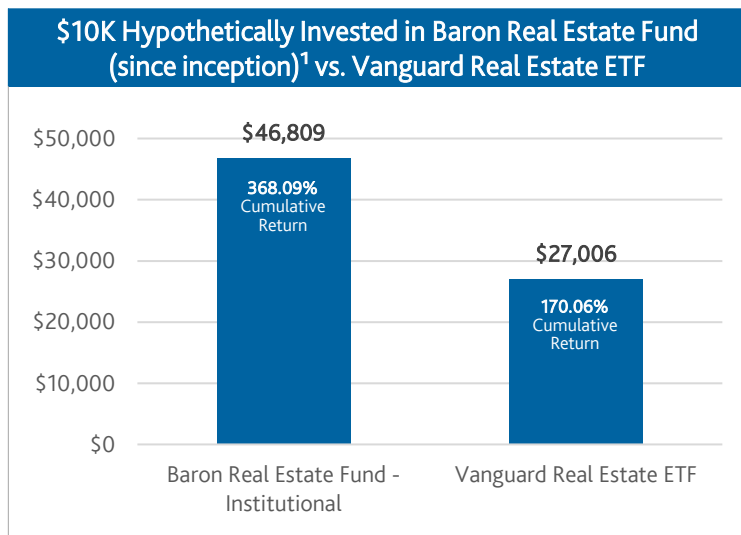
The “Bad”			
Property Category Breakdown	Baron Real Estate Fund	Baron Real Estate Income Fund	Vanguard Real Estate Index
Health Care REITs	--	--	8.6%
Multifamily REITs	--	1.1%	8.4%
Office REITs	0.3%	2.5%	5.6%
Shopping Center REITs	--	--	3.1%
Mall REITs	--	--	2.2%
Hotel REITs	--	2.6%	2.1%
Other REITs - Bad	--	--	0.9%
Billboard REITs	--	--	0.7%
Student Housing REITs	--	--	0.4%
Hotels & Leisure	4.8%	1.1%	--
<b>Subtotal</b>	<b>5.1%</b>	<b>7.3%</b>	<b>32.0%</b>

Property Category Breakdown % is subject to change.



# The Case for Active Management of Public Real Estate *(cont'd)*

As of September 30, 2020



## Baron Real Estate Fund vs. Vanguard Real Estate ETF (VNQ)

	Annualized (%)						Cumulative Since Inception
	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception <sup>1</sup>	Cumulative Since Inception
Baron Real Estate Fund	23.54	37.09	15.13	13.60	15.37	15.44	368.09
Vanguard Real Estate ETF (VNQ)	-12.79	-12.26	2.34	5.21	8.49	9.68	170.06

## Baron Real Estate Income Fund vs. Vanguard Real Estate ETF (VNQ)

	Annualized (%)			
	YTD	1 Year	Since Inception <sup>2</sup>	Cumulative Since Inception
Baron Real Estate Income Fund	6.94	13.69	9.99	29.92
Vanguard Real Estate ETF (VNQ)	-12.79	-12.26	2.05	5.74

1 - Baron Real Estate Fund inception date is 12/31/2009.

2 - Baron Real Estate Income Fund inception date is 12/29/2017.

*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](http://www.BaronFunds.com) or call 1-800-99BARON.*

*Investors should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. The prospectus and summary prospectus contain this and other information about the Fund and can be obtained from the Fund's distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting [www.BaronFunds.com](http://www.BaronFunds.com). Please read them carefully before investing.*

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**Risks:** In addition to general market conditions, the value of the **Baron Real Estate Fund** will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. In addition to general market conditions, the value of the **Baron Real Estate Income Fund** will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Fund invests in debt securities which are affected by changes in prevailing interest rates and the perceived credit quality of the issuer. Both Funds invest in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. For information pertaining to the Vanguard Real Estate ETF, please refer to that firm's website.

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