

THE POWER OF ACTIVE, LONG-TERM INVESTING

As of December 31, 2020

Save Today, Enjoy Tomorrow

“Historically, the stock market has doubled on average every 10 to 12 years. We strive to do better.”

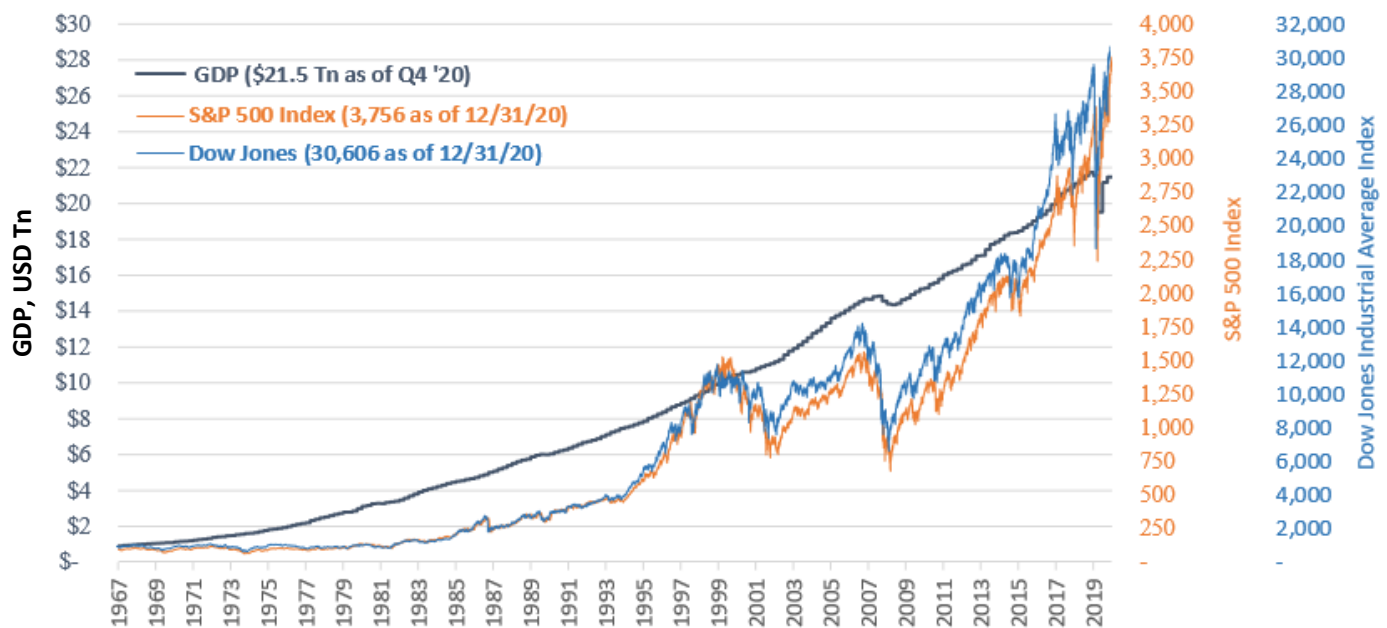
- Ron Baron

Staying invested in equities over longer periods increases the likelihood of positive returns. Historically, our economy has grown on average 6%-7% nominally per year, or doubling every 10 or 12 years, and the stock markets have closely reflected that growth.

As GDP Has Grown, So Has the Stock Market

U.S. GDP in 1967 was \$850 billion, 54 years later it is \$21.5 trillion. That’s 25 times greater than it was in 1967. The Dow Jones Industrial Average was around 850 and the S&P 500 was 90 in 1967. They are now 30,606 and 3,756, respectively.

U.S. Nominal GDP vs. Dow Jones Industrial Average and S&P 500 Indexes



Sources: U.S. Bureau of Economic Analysis, FactSet. Note: The performance data quoted represents past performance. Past performance is no guarantee of future results.

Long-Term Investors Have Had Better Chances of Positive Returns

An investor in a product that tracks the S&P 500 Index would have had a 69% chance of generating a positive return during any given quarter between 1926 and 2020. Increasing the investment horizon to 10 years would have resulted in a 95% chance of a positive return. And investing over any 20-year or 30-year period would have produced positive returns 100% of the time.

S&P 500 Index - % of Time Positive Returns and Range of Returns Over Various Periods

Based on monthly rolling periods, 1/31/1926 – 12/31/2020

Rolling Period	% Time Positive	Average Annualized Return	Smallest Annualized Return	Largest Annualized Return
1 Quarter	69%	2.96%	-44.78%	91.17%
1 Year	76%	12.27%	-67.56%	162.89%
3 Years	84%	10.63%	-42.35%	43.35%
5 Years	88%	10.16%	-17.36%	36.12%
10 Years	95%	10.43%	-4.95%	21.43%
20 Years	100%	10.86%	1.89%	18.26%
30 Years	100%	11.16%	7.80%	14.78%

*Not Annualized.

Sources: Morningstar Direct, FactSet, Baron Capital. Notes: It is not possible to invest in an index. The index is unmanaged. Past performance is not indicative of future results.



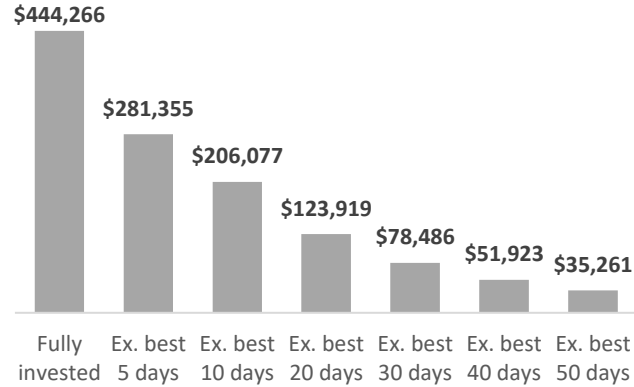
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A Few Missed Days May Be Costly

Since we cannot predict when economic and market cycles start or end, there is no good time to time the market. Over the past four market cycles, missing the best five days would have resulted in a 36.7% lower value of a hypothetical \$10,000 investment, and missing the best 10 days would have resulted in a 53.6% lower value. As big down days are often closely followed by big up days, those who panic and sell on the down days are likely to miss out on the ensuing up days.

Growth of \$10,000 Hypothetically Invested in the S&P 500 Index



Source: Factset, Baron Capital. Note: The analysis is based on daily total returns of the S&P 500 Index for the period 8/12/1982 – 3/23/2020, which covers the past four complete market cycles of the index. Each market cycle is defined as a bull market followed by a bear market. Bull markets are measured as an increase of 20% or more after a trough from a decline of 20% or higher; vice-versa for bear markets. It is not possible to invest in an index. The index is unmanaged. Past performance is not indicative of future results.

Inflation and the Power of Compounding

“Compounding [interest] is the most powerful force in the universe”

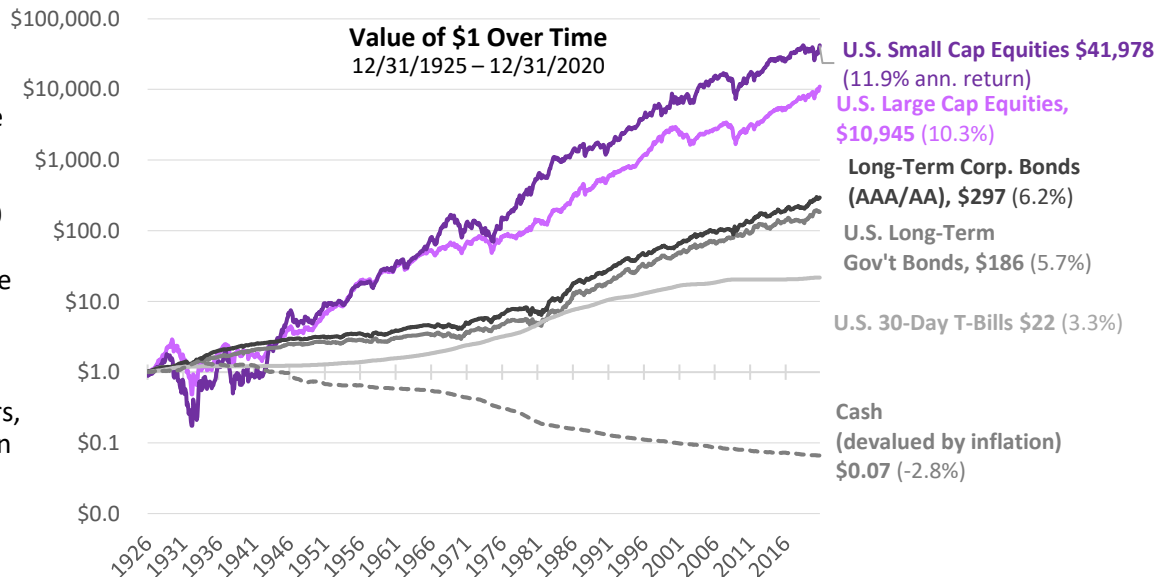
- Albert Einstein

The purchasing power of the dollar has fallen about 50% every 17 years over the past 50 years. While inflation causes currencies to lose value over time, it has a positive impact on tangible assets, businesses, and economic growth. This means stocks are the best hedge against the devaluation of your money.

While the simple answer to combat inflation is to invest your money over the long term, the concept of compounding tells us why. When your savings earn returns (e.g., bank interest, dividends), compounding allows these returns to earn even more returns. Over time, this effect snowballs, and earnings grow at an increasingly fast rate. Given a small initial investment, in year one the amount you earn on your investments will not be a lot. However, in year 10...or 20...or 30... you will not believe the impact of the “power of compounding.”

Equities Have Offered Better Protection Against Inflation Over the Long Term

If you earn 6.5% on an investment, which is the approximate historic annual growth rate of the U.S. economy and stock market (excluding dividends) for the past 60 years, the growth of your investment over a lifetime will be exponential. You will have nearly 7 times your initial amount in 30 years, 12 times in 40 years, and more than 23 times in 50 years!



Source: Morningstar Direct. Notes: U.S. Small Cap Equities are represented by the Ibbotson® U.S. Small Stock Index; U.S. Large Cap Equities are represented by the Ibbotson® U.S. Large Stock Index; Long-Term Corporate Bonds are represented by the Ibbotson® Long-Term Corporate Bond Index; U.S. Long-Term Gov't Bonds are represented by the Ibbotson® U.S. Long-Term Government Bond Index (approximate bond maturity 21.5 years); U.S. 30-Day T-Bills are represented by the Ibbotson® U.S. 30-Day T-Bill Index; and the value of Cash (devalued by inflation) was calculated using the Ibbotson® U.S. Inflation Index. It is not possible to invest in an index. Past performance is not indicative of future results.



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Baron Funds Invest for the Long Term

"If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."

- Warren Buffett

Baron Funds' investment strategy is simple. We purchase stocks of well-managed, competitively advantaged growth companies that we believe are increasing in value. As growth managers, we believe a long-term investment horizon is key to achieving above-average performance. We have outperformed the economy and U.S. stock market over the long term because we seek to invest in businesses with the potential to grow at least 15% per year, at a time when we believe their share prices do not reflect those favorable prospects.

Our Top Ten Longest Held Stocks Have Produced Strong Gains

The potential benefits of our long-term approach can be demonstrated by the returns of the 10 longest currently held investments across Baron Funds. All of these investments have generated significant gains for our investors.

Top 10 Longest Currently Held Stocks

As of 12/31/20

Ticker	Security Name	Date of First Purchase	# of Years Held	Aggregate Baron Funds Investment		Cost Per Share (\$)	Baron Funds Net Realized and Unrealized Gains Since Date of First Purchase (\$ millions)	Stock Cumulative Total Return (%)	Stock Annualized Total Return (%)
				Value as of 12/31/2020 (\$ millions)	Aggregate Baron Funds % of Net Assets				
SCHW	The Charles Schwab Corp.	1992	28.1	303.7	0.7	12.19	1,190.9	8,037.3	17.0
CHH	Choice Hotels International, Inc.	1996	24.2	396.1	1.0	22.67	462.8	2,125.8	14.3
MTN	Vail Resorts, Inc.	1997	23.9	1,024.5	2.5	28.29	951.4	1,401.3	12.0
CAKE	The Cheesecake Factory, Inc.	2001	19.2	70.2	0.2	26.11	(5.5)	146.5	4.8
CSGP	CoStar Group, Inc.	2001	19.2	1,544.6	3.7	87.24	1,727.4	5,227.3	23.0
ACGL	Arch Capital Group Ltd.	2002	18.7	667.1	1.6	3.78	816.4	1,161.7	14.5
EQIX	Equinix, Inc.	2003	17.1	151.9	0.4	157.22	524.4	3,760.5	23.8
SBAC	SBA Communications Corp.	2004	16.6	244.7	0.6	25.14	658.3	6,762.0	29.1
CNS	Cohen & Steers, Inc.	2004	16.4	145.3	0.3	27.02	82.4	1,144.0	16.6
TROW	T. Rowe Price Group, Inc.	2004	16.4	43.5	0.1	32.38	52.5	848.6	14.7
Total			20.0	4,591.6	11.0		6,461.0	3,061.5	17.0

*Total Average

The performance data quoted represents past performance. Past performance is no guarantee of future results. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.



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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.

Risks: All investments are subject to risk and may lose value.

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on 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 at any time based on market and other conditions and Baron has no obligation to update them.

Portfolio holdings as a percentage of net assets as of December 31, 2020 for securities mentioned are as follows: The Charles Schwab Corp. – Baron Asset Fund (1.6%), Baron Partners Fund (2.9%*); Choice Hotels International, Inc. – Baron Asset Fund (1.0%), Baron Growth Fund (3.7%), Baron Focused Growth Fund (2.5%); Vail Resorts, Inc. – Baron Asset Fund (2.9%), Baron Growth Fund (6.4%), Baron Partners Fund (3.6%*), Baron Focused Growth Fund (5.6%); The Cheesecake Factory, Inc. – Baron Small Cap Fund (1.1%), Baron Discovery Fund (1.1%); CoStar Group, Inc. – Baron Asset Fund (3.4%), Baron Growth Fund (6.6%), Baron Opportunity Fund (1.3%), Baron Partners Fund (9.4%*), Baron Focused Growth Fund (8.6%), Baron Real Estate Fund (1.8%), Baron FinTech Fund (2.0%); Arch Capital Group Ltd. – Baron Asset Fund (1.3%), Baron Growth Fund (3.8%), Baron Partners Fund (3.3%*), Baron Focused Growth Fund (1.6%), Baron International Growth Fund (1.3%); Equinix, Inc. – Baron Asset Fund (1.5%), Baron Opportunity Fund (0.7%), Baron Fifth Avenue Growth Fund (2.3%), Baron Real Estate Fund (3.0%), Baron Durable Advantage Fund (1.5%), Baron Real Estate Income Fund (5.1%); SBA Communications Corp. – Baron Asset Fund (2.1%), Baron Small Cap Fund (2.2%), Baron Real Estate Fund (0.9%), Baron Real Estate Income Fund (1.5%); Cohen & Steers, Inc. – Baron Growth Fund (1.7%); T. Rowe Price Group, Inc. – Baron Asset Fund (0.7%).

*% of Long Positions.

** Represents less than 0.05%.

Portfolio holdings may change over time.

Dow Jones Industrial Average is a price-weighted measure of 30 U.S. blue-chip companies. It covers all industries with the exception of Transportation and Utilities. The total return version of the index is calculated with gross dividends reinvested.

S&P 500 Index measures the performance of 500 widely held large-cap U.S. companies. The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a limited purpose broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

