LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

By now, there is no doubt that the COVID-19 pandemic has been one of the most unexpected global shocks in recent history. At Baron, we have been closely monitoring developments since the outbreak in China. Since March 11, we instituted a mandatory firmwide work from home policy, following our well-established and tested business continuity plan. The plan focuses on maintaining the Firm's ability to serve its clients and protect their assets in the event of a significant business disruption. Thus far, our policies and procedures have functioned as intended, and Baron has not experienced any business disruption as a result of the Coronavirus outbreak. For the time being, we are working from home in our sweatpants.

Along with the safety of our employees, we remain fully focused on our clients' needs, the portfolios we manage, and the companies in which we have invested. Our investment strategy has not changed, and we continue to assess the long-term prospects and competitive advantages of our investments. Our research team is doubling down, talking to our companies every day to determine how the current crisis is affecting the businesses and their future growth opportunities.

A rare event like this global pandemic poses many unknowns for investors. No one can predict when it will be over, what the magnitude of the impact would be on the population and economy, what the best protective measures are, how long a recovery would take, what businesses would be most impacted. Our investment philosophy, however, is not based on predicting the near term.

Historical Perspective on Previous Pandemics

Over the past 100 years, there have been several pandemics with significant global consequences for the population, economy, and stock market. The table below broadly summarizes their impact and the U.S. stock market returns during their duration.

During each of the prior pandemics, there were other significant macroeconomic and or geopolitical events around the times of the pandemics which makes it difficult to attribute the market impact to a pandemic alone.

The worst market decline during a pandemic was 36.1% during the Hong Kong Flu in the late 60s, which killed around one million people worldwide.

Impact of Global Pandemics

Global Pandemics During the Past 100 Years

						S&P 500 Index		
Pandemic	**Period**	**Cases**	**Global Deaths**	**U.S. Deaths**	**What Else Was Going On**	**Return – Start to End**	**Worst Decline During the Pandemic**	**Time from Pandemic Trough to Full Recovery**
Spanish Flu	Jan 1918 – Dec 1920	Global: ~500M (1/3rd of world)	50M+	~675K	- WWI - Post-WWI U.S. Recession - High U.S. Inflation - Women right to vote (1919) - U.S. Pres. Elections (1920)	-5.5%	-32.2%	~27 months
Asian Flu	Feb 1957 – Mar 1958	unknown	~1.1M	~116K	- U.S. Recession - Rising U.S. Unemployment - Cold War	-5.9%	-20.7%	~11 months
Hong Kong Flu	Jul 1968 – Jun 1970	Hong Kong: ~500K	~1M	~100K	- Vietnam War - U.S. Recession - Rising U.S. Inflation - U.S. Pres. Elections (1968)	-27.0%	-36.1%	~21 months
Swine Flu	Mar 2009 – Dec 2010	Global: 700M-1.4B U.S.: 60.8M	150K –575K	~12.5K	- Financial Crisis Recovery - Rising U.S. Unempl. - Eurozone Debt Crisis	57.6%	-16.0%	~4 months
COVID-19 (as of 4/8/2020)	Dec 2019 -	Global: 1.35M+ U.S.: 395K+	79K+	12.7K+	- Saudi-Russia Oil Price War - Global Political Turmoil	?	-33.9%	?

Sources: Center for Disease Control and Prevention, World Health Organization, Center for Infectious Disease Research and Policy, University of Minnesota, FactSet.

Notes: It is not possible to invest in an index. Past performance is not indicative of future results.

During the Spanish Flu of 1918-20, which infected a third of the world's population and killed over 50 million people, the S&P 500 Index's worst period was a 32.2% decline.

To put things in perspective, as of the date of this letter the reported cases of COVID-19 have been significantly fewer than in any of these pandemics. Without any effective testing or treatment, COVID-19 may infect many more people than the prior pandemics. We remain hopeful that this will not be the case.

Compared to previous pandemics, investors have already priced COVID-19 as one of the worst pandemics in the last century. With people being forced to stay home, many businesses in the U.S. and abroad have been brought to a halt.

As if a rapid global pandemic outbreak was not enough on investors' plate, another black swan landed in the pond. Saudi Arabia and Russia entered an oil price war which lead to the biggest one-day drop in oil prices since 1991 (24.1% on 3/9/20) and a decline of over 60% in oil prices since January. As a result of these two simultaneous black swan events, investors had one of the most ferocious reactions in history. Extremely stressed equity and fixed income investors left the market in record time.

The increased investor anxiety was more directed at corporate debt than equities. In March, taxable bond funds suffered some of their worst outflows on record, largely driven by higher default and downgrade risks and worsening debt markets liquidity. Equity outflows, too, spiked after the market reached its trough. In a flight to safety, investors poured over $750 billion into short-term money market funds in just a few weeks. According to ICI's data, as of 4/1/2020, around $4.4 trillion was sitting on the sidelines, "earning" negative interest and, in an attempt to time the market, it risks missing out on the next market rally.

Investors Have Been Leaving Equities and Fixed Income for Money Markets

Category Flows in 2020

Monthly for January, weekly afterward

	Jan-20	02/05/20	02/12/20	2/19/2020 (S&P 500 Index Peak)	02/26/20	03/04/20	03/11/20	03/18/20	03/25/20	Cumulative Net Flows Since Index Peak
Domestic Equities	–$24.5	$5.9	$4.4	–$3.3	–$13.5	–$17.3	$17.6	–$6.4	–$30.2	–$49.8
World Equities	$16.6	$7.0	$3.2	$3.5	-$0.4	–$3.0	-$1.6	–$5.2	–$10.6	–$20.7
Total Equities	–$7.9	$12.9	$7.6	$0.3	–$13.9	–$20.2	$16.0	–$11.6	–$40.8	–$70.5
Taxable Bonds	$60.0	$10.7	$15.9	$12.2	$0.2	–$17.2	–$29.2	–$94.0	–$80.7	–$221.0
Municipal Bonds	$13.9	$3.0	$3.3	$2.6	$3.0	–$0.5	–$3.1	–$20.4	–$20.1	–$41.0
Total Bonds	$73.9	$13.7	$19.1	$14.9	$3.2	–$17.8	–$32.3	–$114.4	–$100.8	–$262.1
Commodities	$2.6	$0.8	$0.5	$0.8	$0.2	$0.3	$2.3	–$1.5	$2.8	$4.2

Source: Investment Company Institute.

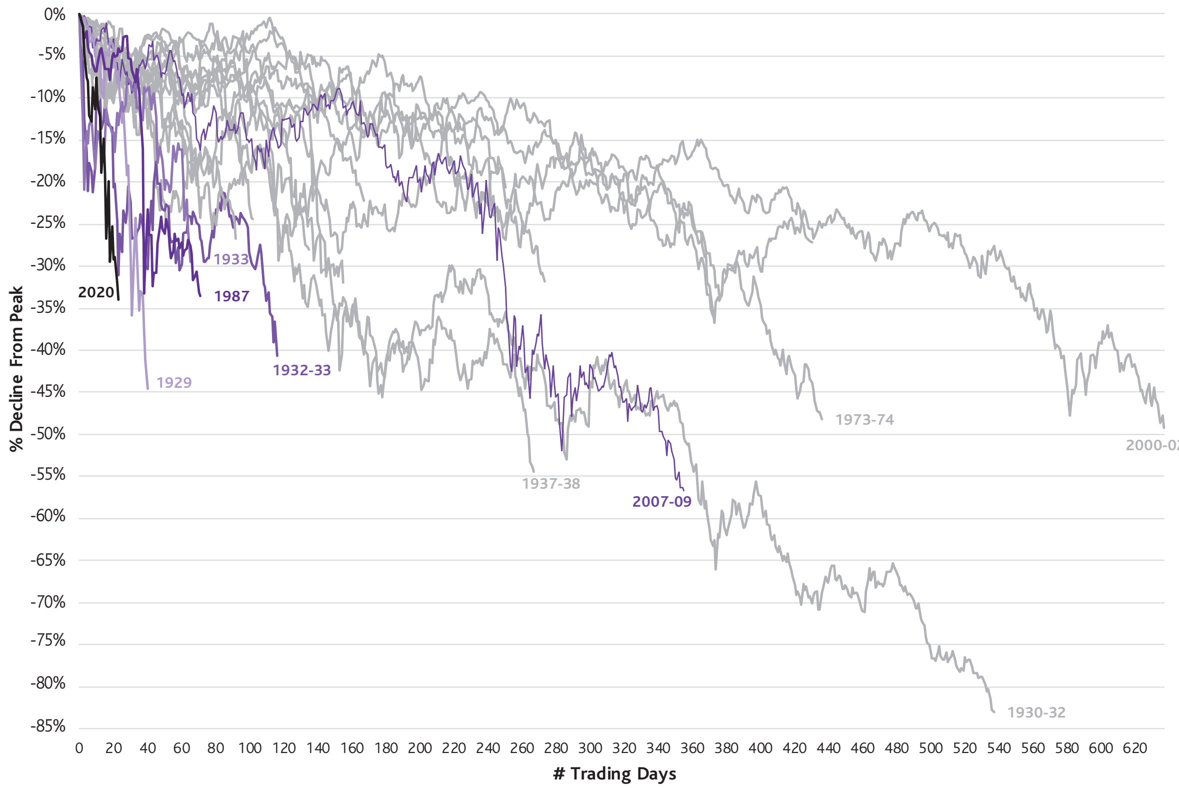
Notes: Weekly fund flows are estimates based on reporting covering more than 98% of mutual funds and ETF assets, while actual monthly mutual fund net new cash flow and ETF net issuance data are collected and reported separately. Past performance is not indicative of future results.

In the current crisis, the S&P 500 Index declined by ~34% in 23 business days, the fastest decline of such magnitude since at least 1928. Equity volatility reached all-time highs (82.69%), exceeding the levels of the financial crisis (80.86%), as measured by the VIX Index. Almost every U.S. stock sold off near-instantly, by a massive amount, and trading volumes nearly doubled, on average. In our view, the velocity of this decline has been partly driven by technological advancements that allow for faster trading and dissemination of news than ever before. The pervasiveness of social media has also likely contributed.

The Recent Down Market Has Been One of the Steepest in History

S&P 500 Index – Bear Markets

01/03/1928 – 3/31/2020



Source: FactSet.

Notes: It is not possible to invest in an index. Past performance is not indicative of future results.

Energy stocks were among the most impacted due to their high sensitivity to oil prices. Travel, hotels, leisure, and restaurant stocks were among the most affected by the unfolding pandemic, as social distancing put in place in many states impacted these business the most.

Most Stocks Declined Significantly During the Recent Down Market…

Performance of U.S. Stocks in the Russell 3000 Index from Peak to Trough

(2/19/20 – 3/23/20)

Period Return	Number of Stocks	% of Stocks
>0%	65	2.2%
0% to –10%	69	2.3%
–10% to –20%	181	6.1%
–20% to –30%	394	13.2%
–30% to –40%	714	23.9%
–40% to –50%	696	23.3%
–50% to –60%	448	15.0%
–60% to –70%	267	8.9%
–70% to –80%	112	3.8%
<–80%	39	1.3%

GICS Sector	Average Stock Performance	Median Stock Performance
Energy	–56.1%	–58.6%
Consumer Discretionary	–49.0%	–51.8%
Real Estate	–46.8%	–47.0%
Financials	–43.2%	–42.8%
Industrials	–42.9%	–42.2%
Materials	–40.9%	–40.3%
Communication Services	–39.2%	–39.2%
Information Technology	–35.7%	–36.2%
Health Care	–32.4%	–34.4%
Utilities	–31.9%	–33.5%
Consumer Staples	–23.7%	–26.5%
Russell 3000 Index	**–40.52%**	**–40.89%**

…and Volumes Nearly Doubled

Change in the Average Daily Volume After the Market Peak, by Sector

GICS Sector	Change in Average Daily Volume (12/31–2/19 vs. 2/20–3/31)
Financials	133%
Real Estate	108%
Energy	103%
Industrials	102%
Consumer Discretionary	100%
Utilities	77%
Information Technology	76%
Consumer Staples	75%
Health Care	70%
Communication Services	65%
Materials	54%
Russell 3000 Index	**90%**

Source: FactSet.

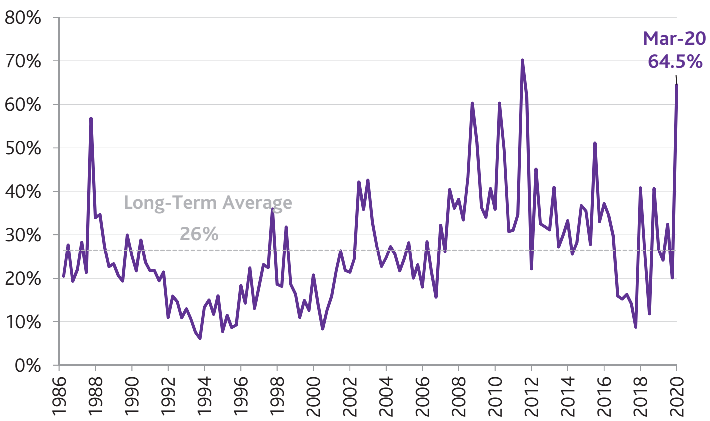
Notes: The Change in Average Daily Volume is calculated as the change in the average aggregate daily share volume within each GICS sector in the Russell 3000 Index. It is not possible to invest in an index. Past performance is not indicative of future results.

Despite the significantly higher trading volumes in specific sectors, the recent spike in intra-stock correlations (shown below) is a reasonable indication that nearly everything was on sale after the market peaked on February 19th.

Correlations Have Spiked to Multiyear Highs

Average Correlations of the Stocks in the S&P Index

(6/30/1986 – 3/31/2020)



Source: FactSet.

Notes: Calculated as the quarterly average of all pairwise correlations during a calendar quarter, using daily returns. Past performance is not indicative of future results.

We are neither economists nor experts on infectious diseases, and we realize that comparing pandemics may be oversimplifying. Each pandemic shocks health care systems, economies, and stock markets differently. In the current crisis, most governments have taken unprecedented measures that sacrifice economic growth for the sake of not overloading their health care infrastructures, thus there may be unprecedented economic effects. We have already seen sharp spikes in unemployment and non-essential businesses have been brought to a halt.

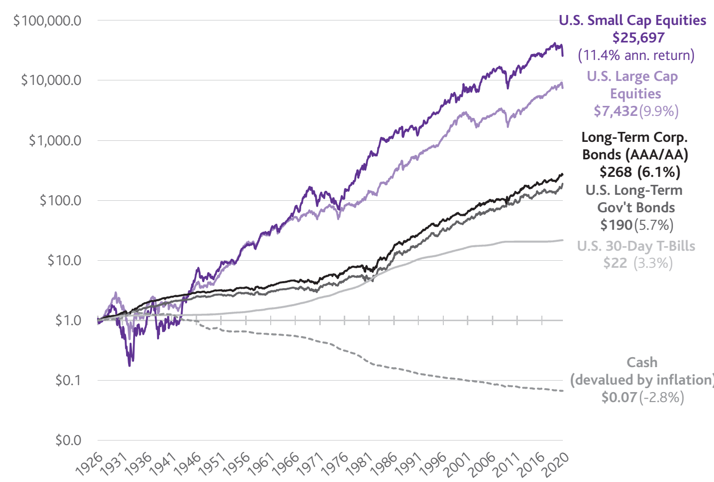
Nonetheless, we believe that the economic damage will not be permanent or long-lasting. We are optimistic about the current situation and the stock market prospects. Compared to prior global health crises, today the world has the best tools and resources that it has ever had, like computers and computing-driven innovation that can help us discover drugs and vaccines faster than ever before, and the internet and other widespread information channels that can help us coordinate efforts globally.

In addition, government and central banks have more and more effective ways to intervene in the markets to stabilize them. We strongly believe that economic and fiscal policy responses will ultimately prevail, although the cost may include higher inflation and other macroeconomic imbalances in the future. Luckily, long-term equity investors will likely be best protected against the negative effect of inflation, as has been the case in the past.

Equities Have Offered Better Protection Against Inflation Over the Long Term

Value of $1 Over Time

12/31/1925 – 3/31/2020



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.

We believe that as a result of the crisis and the restrictive measures taken by authorities, there has been a meaningful impact on the business prospects and fundamentals of many companies. However, we do not think all companies will be equally affected. Businesses with strong balance sheets and income statements, low or no indebtedness, unique or irreplaceable assets, and strong managements, among other factors, have better prospects than the rest.

Baron's focus remains on the long term. Our general thesis has not changed – we believe that equities are the best investment for the long term and that the stock market will eventually recover and surpass its prior peaks, like it has always done. We also believe that, like most bear markets, this one has resulted in significant dislocations across industries, geographies, and market capitalization segments, and has created potential investment opportunities.

Historical Bull and Bear Markets in U.S. Equities

Although the market may decline further and uncertainty may persist, we believe that long-term investors should not sell to protect the value of their investments; on the contrary. As we have commented in the past, bull and bear markets are unpredictable and, to our knowledge, it is impossible to time them consistently.

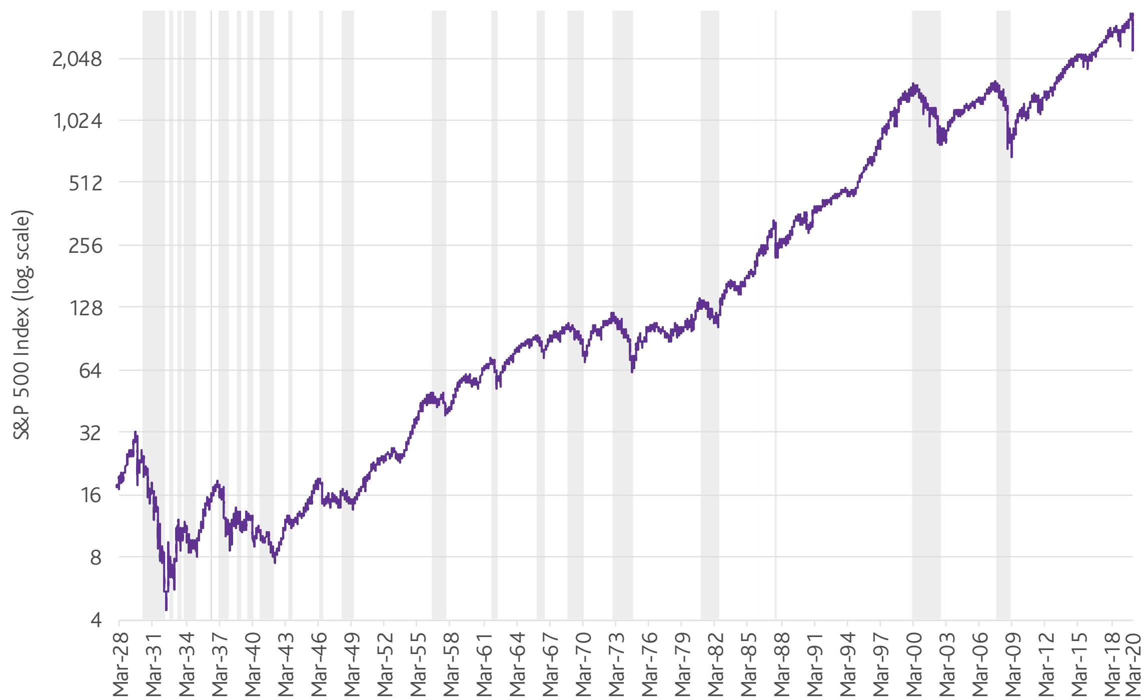
The stock market is not a mechanical, coin-operated machine that moves up and down on demand. While market increases and decreases can be broadly characterized by statistics, each bull or bear market is different from the prior and is thus unpredictable. The chart below shows all S&P 500 Index bull and bear markets since 1928, bear markets highlighted in grey. 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.

The Strength and Duration of Bull and Bear Markets Have Varied Significantly

S&P 500 Index – Historical Bull and Bear Markets

3/31/1928 – 3/31/2020

(bear markets highlighted in grey)



Source: FactSet.

Notes: 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. Past performance is not indicative of future results.

There are two patterns that we have identified on this chart: (i) every time the market has declined, it recovered and eventually surpassed its prior highs, and (ii) the market has been in a bull phase most of the time (77% of the time since 1928, and 84% of the time since 1970). Besides these, we do not identify any other obvious patterns of market behavior.

The tables on the next page show the details of the duration and strength of each bull and bear market presented in the chart above. On average, bear markets have lasted about a year (median – less than eight months). On the other hand, bull markets have lasted significantly longer: about three and a half years on average (median – a little less than two and a half years). However, because the duration and strength of individual bull/bear markets has varied significantly from the mean and median values, we don't think that they can be useful indicators for what may happen in the future. Plus, what happens next is not limited to the boundaries defined by history – a shorter bear market and a longer bull market remain a possibility.

On Average, Bear Markets Have Been Shorter Than Bull Markets

Bear Markets

Peak	Trough	Number of Calendar Days	S&P 500 Price Change	1 Month After Trough	3 Months After Trough	6 Months After Trough	12 Months After Trough	2 Years After Trough	3 Years After Trough
Sep-29	Nov-29	58	–44.6%	22.9%	32.3%	38.3%	-6.2%	-39.3%	-57.9%
Apr-30	Jun-32	783	–83.0%	4.5%	92.5%	53.0%	121.4%	113.2%	119.8%
Sep-32	Feb-33	173	–40.6%	10.1%	76.9%	100.7%	95.5%	59.0%	165.6%
Jul-33	Oct-33	93	–29.4%	18.8%	26.9%	28.3%	4.9%	41.6%	99.0%
Feb-34	Mar-35	401	–31.8%	13.3%	26.8%	45.4%	80.8%	125.1%	33.7%
Mar-37	Mar-38	386	–54.5%	12.8%	36.0%	44.0%	29.2%	43.6%	17.2%
Nov-38	Apr-39	153	–24.4%	7.6%	8.5%	23.2%	18.9%	-7.7%	-23.6%
Oct-39	Jun-40	229	–31.9%	10.9%	17.1%	18.0%	9.2%	-7.2%	35.0%
Nov-40	Apr-42	537	–34.4%	9.1%	15.4%	24.6%	53.7%	58.9%	98.7%
May-46	Oct-46	133	–26.6%	5.8%	9.3%	5.0%	8.1%	12.6%	12.1%
Jun-48	Jun-49	363	–20.6%	9.2%	16.2%	22.8%	42.1%	59.0%	79.9%
Jul-57	Oct-57	99	–20.7%	4.8%	5.7%	9.8%	31.0%	43.7%	35.2%
Dec-61	Jun-62	196	–28.0%	9.3%	7.3%	20.5%	32.7%	55.7%	56.0%
Feb-66	Oct-66	240	–22.2%	10.3%	13.1%	22.1%	33.2%	41.7%	27.2%
Nov-68	May-70	543	–36.1%	6.0%	17.2%	24.0%	43.7%	59.7%	55.2%
Jan-73	Oct-74	630	–48.2%	17.3%	13.5%	30.9%	38.0%	67.0%	55.3%
Nov-80	Aug-82	622	–27.1%	19.4%	36.2%	45.4%	58.3%	61.5%	83.2%
Aug-87	Dec-87	101	–33.5%	14.3%	19.4%	19.3%	22.8%	56.9%	45.7%
Mar-00	Oct-02	929	–49.1%	12.8%	19.4%	11.5%	33.7%	44.8%	52.9%
Oct-07	Mar-09	517	–56.8%	26.6%	39.3%	52.7%	68.6%	95.1%	102.6%
Feb-20	3/23/20	33	–33.9%						
Average		**344**	**–37.2%**	**12.3%**	**26.5%**	**32.0%**	**41.0%**	**49.2%**	**54.6%**
Median		**240**	**–32.7%**	**10.6%**	**18.3%**	**24.3%**	**33.5%**	**56.3%**	**54.0%**

Bull Markets

Trough	Peak	Number of Calendar Days	S&P 500 Price Change
Nov-29	Apr-30	148	46.8%
Jun-32	Sep-32	98	111.6%
Feb-33	Jul-33	141	120.6%
Oct-33	Feb-34	110	37.3%
Mar-35	Mar-37	727	131.6%
Mar-38	Nov-38	223	62.2%
Apr-39	Oct-39	197	26.8%
Jun-40	Nov-40	150	26.7%
Apr-42	May-46	1492	157.7%
Oct-46	Jun-48	615	20.8%
Jun-49	Jul-57	2954	262.6%
Oct-57	Dec-61	1512	86.4%
Jun-62	Feb-66	1324	79.8%
Oct-66	Nov-68	784	48.0%
May-70	Jan-73	961	73.5%
Oct-74	Nov-80	2248	125.6%
Aug-82	Aug-87	1839	228.8%
Dec-87	Mar-00	4494	582.1%
Oct-02	Oct-07	1826	101.5%
Mar-09	Feb-20	3999	400.5%
Average		**1292**	**136.6%**
Median		**873**	**93.9%**

Source: FactSet.

Notes: 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. Past performance is not indicative of future results.

There is No Good Time to Time the Market

We cannot predict with any certainty when economic and market cycles start or end, and we don't think anyone else can either. Nonetheless, we continue to see some investors try to time the markets and get hurt or miss out on opportunities.

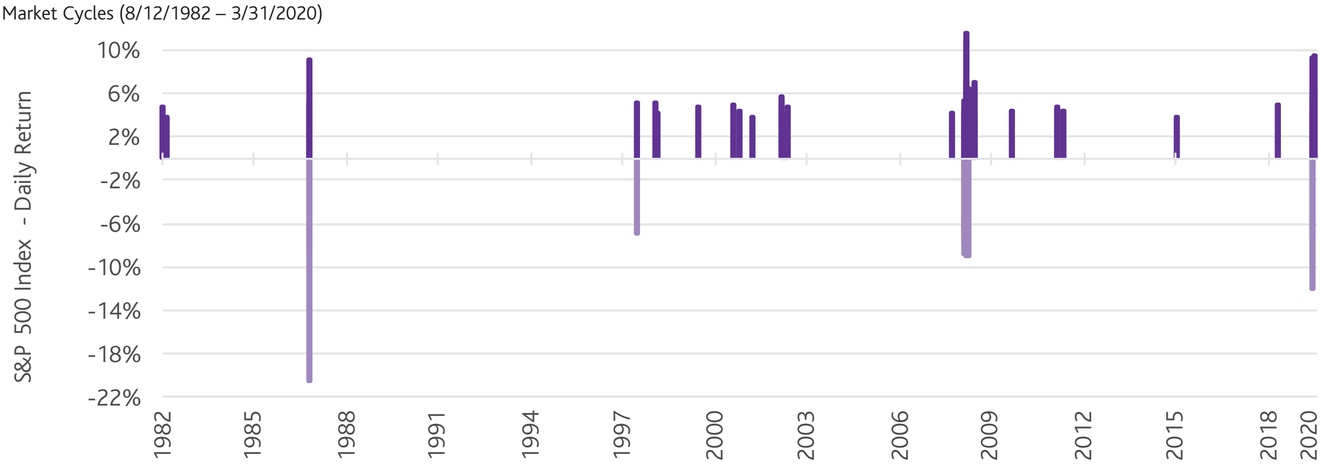
To be effective at market timing, an investor needs to have precision timing; and that timing needs to be consistent. Missing a few opportunistic days can have a significant negative impact on the long-term value of an investment portfolio. In our view, you might have better luck in Vegas.

Because big down days are usually closely followed by big up days (see chart below), those who panic and sell on the down day are highly likely to miss out on the returns from the ensuing up day.

The Worst Days Have Been Usually Followed by The Best Days

Top 10 Worst & Top 50 Best Days in the S&P 500 Index

Past Four Market Cycles (8/12/1982 – 3/31/2020)



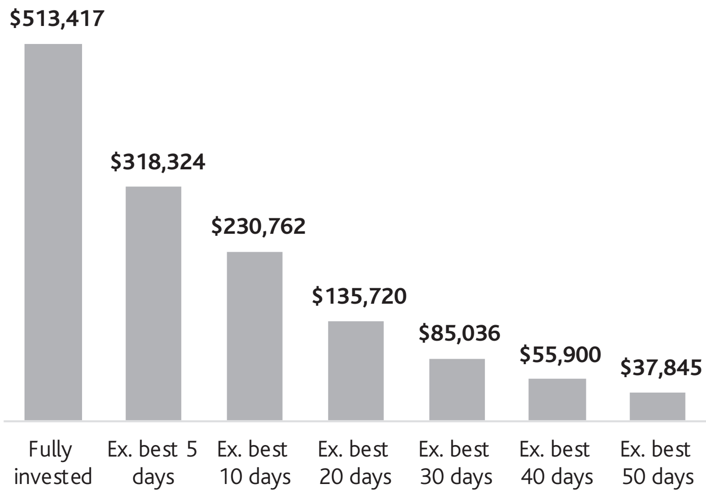
Source: FactSet.

Notes: It is not possible to invest in an index. Past performance is not indicative of future results.

As the chart below shows, missing the best five days in the market over the past 4 market cycles would have resulted in a 38% lower value of a hypothetical $10,000 investment and missing the best 10 days would have resulted in a 55% lower value. Missing more up days would have produced even worse results.

A Few Missed Days May Be Costly

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

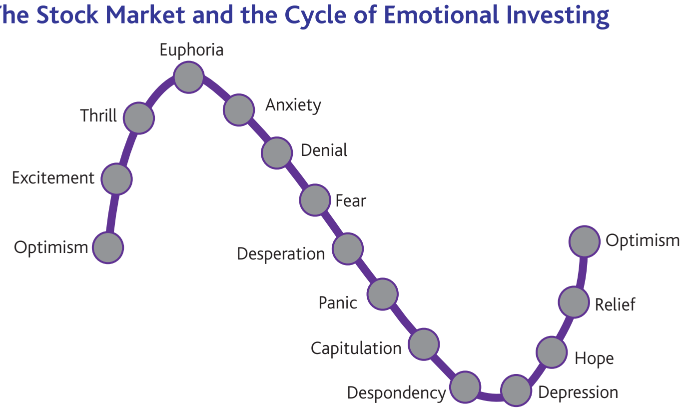


Source: FactSet, Baron Capital.

Notes: It is not possible to invest in an index. Past performance is not indicative of future results.

In theory, staying invested during a significant market downturn doesn't sound like a complicated task. In practice, however, emotions often prevail over reason, especially in crises. Those are the times when many investors start to think that "this time it's different" or that they know better than anyone else how the market will behave. The illustration below shows the different emotional stages of investing. We believe that currently investors are around the low point, where radical investment changes may later turn out to be bad decisions.

The Stock Market and the Cycle of Emotional Investing

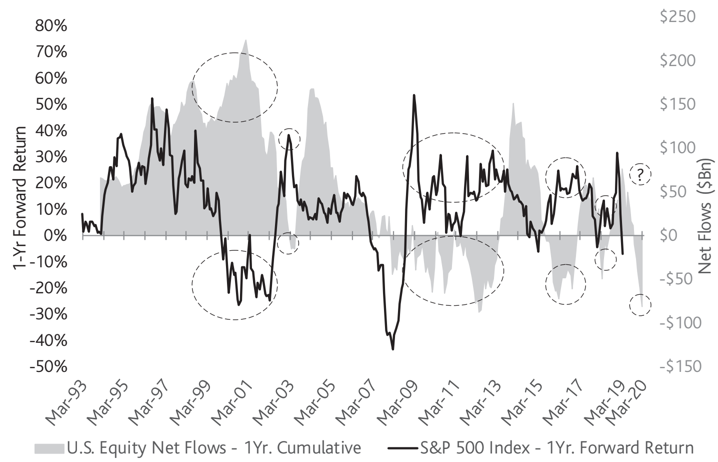


We are not machines and we are not able to completely suppress our behavioral biases, but especially in market environments like today's it is important that we at least try to realize that our behavioral shortcomings can be costly and we should try to minimize their effects.

Another piece of historical data has shown that equity investors tend to miss out on market rallies. The chart below shows that equity fund inflows were often strongest just before the market declined, and outflows were often strongest just before the market rallied.

Investor Anxiety Leads to Buy High/Sell Low Behavior

Equity Mutual Fund and ETF Flows vs. One-Year Forward Returns



For example: As of 5/31/12 the cumulative one-year net flows in U.S. equity funds were negative $85.3 Bn. The following one-year return of the S&P 500 Index as of 5/31/13 was 27.28%.

Source: Morningstar Direct, FactSet.

Notes: Flows data is as of 2/28/20 and includes mutual funds and ETFs from Morningstar's US Equity broad category group. Obsolete funds are included. It is not possible to invest in an index. Past performance is not indicative of future results.

In addition, the data suggests that staying invested in equities over longer periods increases the likelihood of generating positive returns. For example, as shown in the table below, an investor in a product that exactly mimics the performance of 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 much better chance for positive return – about 95%, and a significantly lower worst-case scenario. And investing over any 20- or 30-year period would have produced positive returns 100% of the time.

Long-Term Investors Have Had Better Chances of Positive Returns

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

Based on monthly rolling periods, 1/31/1926 – 3/31/2020

Rolling Period	% Time Positive	Average Annualized Return	Smallest Annualized Return	Largest Annualized Return
1 Quarter*	69%	2.92%	-44.78%	91.17%
1 Year	75%	12.26%	-67.56%	162.89%
3 Years	84%	10.62%	-42.35%	43.35%
5 Years	88%	10.14%	-17.36%	36.12%
10 Years	95%	10.40%	-4.95%	21.43%
20 Years	100%	10.90%	1.89%	18.26%
30 Years	100%	11.18%	7.80%	14.78%

Sources: Morningstar Direct, FactSet, Baron Capital.

Notes: It is not possible to invest in an index. Past performance is not indicative of future results.

** Not Annualized*

Letter from Linda

Stay Invested, Stay Active

The elevated uncertainty since the beginning of the year has been unexpected, but it has not affected Baron's long-term views or stock-picking and portfolio management strategies. We are optimistic about the long-term prospects of the economy and stock market and continue to position our portfolios to potentially benefit from the secular growth trends we have identified.

The recent market decline and volatility have also reinforced our view that active managers like Baron can add significant value due to our deep fundamental research and seasoned investment process. As the performance table below shows, during the first three months of the year, nearly all Baron Funds outperformed their primary benchmarks, and all Funds outperformed during the up market in the first few weeks of the year (12/31/19 – Peak).

During the peak-to-trough period, the vast majority of our Funds performed as expected or better than expected. Baron Partners Fund and Baron Focused Growth Fund experienced more meaningful underperformances during that period, largely because they are focused portfolios with significant weights in hotels and leisure.

In the case of Baron Partners Fund, the use of leverage exacerbated the losses. The steep decline in hotel and leisure companies has not changed the conviction we have in our investments in these industries. We believe they have been only temporarily hurt, but their solid financials, strong managements, and unique business models and assets will allow them to successfully navigate out of the crisis with an advantage ahead of the competition.

With regard to Baron Emerging Markets Fund, the portfolio manager has been bullish on opportunities in Brazil and India, which were significantly hurt by the two black swan events during the quarter. Nevertheless, he remains optimistic about the prospects of his investments in these countries and has not made any material adjustments to the investment strategy.

The Baron Funds Have Delivered Strong Results Over the Short and Long Term

Absolute and Excess Returns Over Various Periods

as of 3/31/2020 (institutional shares)

	12/31/19 – Benchmark Peak*		Benchmark Peak to Trough*		12/31/19 – 3/31/20 (YTD)		1 Year		3 Years (annualized)		5 Years (annualized)		10 Years (annualized)		Since Inception (annualized)	
Fund Name	**Fund Total Return**	**Fund Excess Return**	**Fund Total Return**	**Fund Excess Return**	**Fund Total Return**	**Fund Excess Return**	**Fund Total Return**	**Fund Excess Return**	**Fund Total Return**	**Fund Excess Return**	**Fund Total Return**	**Fund Excess Return**	**Fund Total Return**	**Fund Excess Return**	**Fund Total Return**	**Fund Excess Return**
Baron Growth Fund	11.65%	6.56%	–40.26%	0.15%	–22.30%	3.46%	–10.27%	8.31%	7.02%	6.92%	5.67%	3.97%	10.71%	1.82%	12.19%	5.41%
Baron Small Cap Fund	9.19%	4.10%	–39.54%	0.87%	–23.34%	2.42%	–16.05%	2.53%	4.08%	3.98%	3.93%	2.23%	9.47%	0.58%	8.91%	4.03%
Baron Discovery Fund	10.62%	5.53%	–38.75%	1.66%	–19.95%	5.81%	–15.18%	3.40%	7.51%	7.41%	6.22%	4.52%	–	–	10.54%	6.11%
Baron Asset Fund	8.13%	1.16%	–34.10%	1.61%	–16.63%	3.41%	–4.48%	4.97%	9.76%	3.23%	8.47%	2.86%	11.83%	0.94%	11.17%	1.65%
Baron Focused Growth Fund	25.88%	19.78%	–43.62%	–5.82%	–16.74%	6.48%	–3.23%	11.17%	9.61%	6.26%	6.43%	2.79%	9.57%	–0.53%	10.51%	3.52%
Baron Partners Fund	30.87%	23.90%	–50.76%	–15.05%	–20.70%	–0.66%	–1.30%	8.15%	10.04%	3.51%	8.18%	2.57%	12.65%	1.76%	12.34%	3.25%
Baron Opportunity Fund	17.11%	8.12%	–28.68%	3.21%	–6.65%	8.20%	8.11%	8.55%	20.30%	9.76%	13.26%	3.52%	13.00%	0.32%	7.31%	3.04%
Baron Fifth Avenue Growth Fund	12.11%	2.85%	–28.71%	2.75%	–9.48%	4.62%	2.38%	1.47%	14.67%	3.35%	11.61%	1.25%	12.88%	–0.09%	8.92%	–0.35%
> with the new manager since Nov '11	12.11%	2.85%	–28.71%	2.75%	–9.48%	4.62%	2.38%	1.47%	14.67%	3.35%	11.61%	1.25%	–	–	14.58%	0.88%
Baron Durable Advantage Fund	8.05%	2.97%	–33.57%	0.22%	–15.95%	3.65%	3.30%	10.28%	–	–	–	–	–	–	4.32%	3.84%
Baron Emerging Markets Fund	4.34%	1.43%	–35.09%	–1.36%	–25.02%	–1.42%	–20.39%	–2.70%	–3.31%	–1.69%	–1.02%	–0.65%	–	–	1.57%	2.44%
Baron International Growth Fund	1.89%	0.25%	–31.87%	2.53%	–21.50%	1.86%	–13.00%	2.57%	1.35%	3.31%	2.80%	3.44%	5.21%	3.16%	8.57%	3.42%
Baron Global Advantage Fund	12.74%	9.85%	–25.53%	8.21%	–7.62%	13.75%	6.49%	17.75%	18.34%	16.84%	13.04%	10.19%	–	–	13.38%	7.42%
Baron Real Estate Fund	7.53%	1.03%	–38.13%	6.18%	–19.86%	8.93%	–2.81%	17.10%	3.25%	5.84%	1.27%	0.70%	10.98%	3.13%	11.44%	2.88%
Baron Real Estate Income Fund	8.39%	1.90%	–36.81%	7.28%	–15.75%	11.49%	–2.43%	19.53%	–	–	–	–	–	–	1.04%	7.91%
Baron Health Care Fund	7.97%	5.05%	–28.32%	0.19%	–9.37%	3.51%	6.84%	8.95%	–	–	–	–	–	–	8.58%	2.72%
Baron FinTech Fund	13.00%	7.92%	–34.34%	–0.55%	–12.50%	7.10%	–	–	–	–	–	–	–	–	–12.50%	7.10%

Sources: Morningstar Direct, Baron Capital.

Notes: Fund Excess Returns are calculated versus each Fund's primary prospectus benchmark. Returns are not annualized, unless specified. It is not possible to invest in an index. Past performance is not indicative of future results.

** **Fund Primary Benchmarks, and Benchmark Q1 2020 Peak and Q1 2020 Trough Dates:** for Baron Growth Fund, Baron Small Cap Fund, and Baron Discovery Fund – Russell 2000 Growth Index (peak on 2/19/20, trough on 3/18/20); Baron Focused Growth Fund - Russell 2500 Growth Index (peak on 2/19/20, trough on 3/18/20); Baron Partners Fund and Baron Asset Fund – Russell Mid Cap Growth Index (peak on 2/19/20, trough on 3/23/20); Baron Opportunity Fund – Russell 3000 Growth Index (peak on 2/19/20, trough on 3/23/20); Baron Fifth Avenue Growth Fund – Russell 1000 Growth Index (peak on 2/19/20, trough on 3/23/20); Baron Durable Advantage Fund and Baron FinTech Fund – S&P 500 Index (peak on 2/19/20, trough on 3/23/20); Baron Emerging Markets Fund – MSCI EM Index (peak on 1/17/20, trough on 3/23/20); Baron International Growth Fund – MSCI ACWI ex USA Index (peak on 1/17/20, trough on 3/23/20); Baron Global Advantage Fund – MSCI ACWI Index (peak on 2/12/20, trough on 3/23/20); Baron Real Estate Fund – MSCI USA IMI Extended Real Estate Index (peak on 2/14/20, trough on 3/23/20); Baron Real Estate Income Fund – MSCI US REIT Index (peak on 2/22/20, trough on 3/23/20); Baron Health Care Fund – Russell 3000 Health Care Index (peak on 2/19/20, trough on 3/23/20).*

***Fund Inception Dates:** Baron Growth Fund – 12/30/1994; Baron Small Cap Fund – 9/30/1997; Baron Discovery Fund – 9/30/2013; Baron Asset Fund – 6/12/1987; Baron Focused Growth Fund – 5/31/1996; Baron Partners Fund – 1/31/1992; Baron Opportunity Fund – 2/29/2000; Baron Fifth Avenue Growth Fund – 4/30/2004; Baron Durable Advantage Fund – 12/29/2017; Baron Emerging Markets Fund – 12/31/2010; Baron International Growth Fund – 12/31/2008; Baron Global Advantage Fund – 4/30/2012; Baron Real Estate Fund – 12/31/2009; Baron Real Estate Income Fund – 12/29/2017; Baron Health Care Fund – 4/30/2018; Baron FinTech Fund – 12/31/2019.*

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, 2030, 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 or call 1-800-99BARON.

Our Funds' track record during the first quarter has been additionally supported by their strong upside/downside capture ratios, shown below. All Funds had a ratio above 1.00, meaning they captured more upside and/or less downside than their respective benchmarks. Most of the Funds captured significantly more upside than downside during the first weeks of the quarter, when the market was climbing. We expect this trend to persist and to benefit our Funds' performance in the long run since the market is going up most of the time, although we may not achieve this result.

The Baron Funds Have Delivered Strong Up/Down Capture Ratios

Upside and Downside Capture Ratios Over Various Periods

as of 3/31/2020

	12/31/19 – Benchmark Peak*					Benchmark Peak – Benchmark Trough*					12/31/2019 – 3/31/2020					3 Years ended 3/31/2020				
Fund Name	# Up Days Fund/ Bench.	# Down Days Fund/ Bench.	Fund Up Capture	Fund Down Capture	Fund Up/ Down Ratio	# Up Days Fund/ Bench.	# Down Days Fund/ Bench.	Fund Up Capture	Fund Down Capture	Fund Up/ Down Ratio	# Up Days Fund/ Bench.	# Down Days Fund/ Bench.	Fund Up Capture	Fund Down Capture	Fund Up/ Down Ratio	# Up Months Fund/ Bench.	# Down Months Fund/ Bench.	Fund Up Capture	Fund Down Capture	Fund Up/ Down Ratio
Baron Growth Fund	21 / 19	12 / 14	109%	43%	2.56	5 / 5	15 / 15	103%	101%	1.03	31 / 30	31 / 32	98%	93%	1.04	25 / 23	11 / 13	104%	79%	1.33
Baron Small Cap Fund	22 / 19	9 / 14	99%	53%	1.88	6 / 5	14 / 15	99%	98%	1.01	33 / 30	27 / 32	95%	93%	1.02	25 / 23	11 / 13	100%	85%	1.18
Baron Discovery Fund	22 / 19	9 / 14	115%	63%	1.83	6 / 5	14 / 15	89%	93%	0.95	34 / 30	26 / 32	98%	91%	1.08	24 / 23	12 / 13	117%	89%	1.32
Baron Focused Growth Fund	23 / 20	10 / 13	153%	N/A**	N/A**	5 / 5	15 / 15	73%	106%	0.69	33 / 30	29 / 32	96%	88%	1.09	23 / 25	13 / 11	114%	90%	1.27
Baron Partners Fund	24 / 22	8 / 11	201%	N/A**	N/A**	6 / 6	17 / 17	113%	142%	0.80	34 / 32	27 / 30	135%	126%	1.07	23 / 25	13 / 11	138%	131%	1.05
Baron Asset Fund	21 / 22	12 / 11	96%	75%	1.28	6 / 6	17 / 17	100%	97%	1.04	31 / 32	31 / 30	98%	94%	1.05	26 / 25	10 / 11	102%	87%	1.17
Baron Opportunity Fund	23 / 22	10 / 11	122%	40%	3.08	7 / 6	16 / 17	91%	89%	1.02	34 / 32	28 / 30	94%	84%	1.12	26 / 27	10 / 9	127%	91%	1.39
Baron Fifth Avenue Growth Fund	23 / 22	10 / 11	107%	77%	1.39	7 / 6	15 / 17	96%	93%	1.04	34 / 32	27 / 30	97%	91%	1.07	25 / 27	11 / 9	101%	84%	1.20
Baron Durable Advantage Fund	21 / 21	11 / 12	119%	93%	1.28	6 / 6	17 / 17	107%	102%	1.05	31 / 31	30 / 31	110%	102%	1.08	–	–	–	–	–
Baron Emerging Markets Fund	8 / 7	4 / 6	126%	98%	1.28	17 / 17	27 / 29	102%	104%	0.98	29 / 28	33 / 37	109%	108%	1.01	20 / 19	16 / 17	86%	95%	0.91
Baron International Growth Fund	7 / 9	5 / 4	96%	74%	1.30	17 / 16	27 / 30	169%	107%	1.59	28 / 30	34 / 35	128%	110%	1.16	19 / 23	17 / 13	102%	86%	1.18
Baron Global Advantage Fund	20 / 18	8 / 13	175%	48%	3.66	13 / 8	14 / 20	137%	92%	1.50	37 / 30	24 / 35	119%	88%	1.35	23 / 26	13 / 10	140%	59%	2.37
Baron Real Estate Fund	20 / 21	11 / 10	98%	80%	1.22	7 / 7	18 / 18	88%	84%	1.05	31 / 32	31 / 30	96%	86%	1.13	26 / 26	10 / 10	119%	90%	1.33
Baron Real Estate Income Fund	20 / 21	13 / 14	88%	56%	1.56	5 / 6	16 / 15	95%	84%	1.13	29 / 32	31 / 30	95%	82%	1.17	–	–	–	–	–
Baron Health Care Fund	20 / 19	11 / 14	121%	74%	1.64	7 / 5	16 / 18	83%	92%	0.90	31 / 28	29 / 34	94%	90%	1.05	–	–	–	–	–
Baron FinTech Fund	22 / 21	9 / 12	118%	26%	4.55	6 / 6	16 / 17	90%	97%	0.93	32 / 31	27 / 31	104%	93%	1.12	–	–	–	–	–

Source: Morningstar Direct, Baron Capital.

Note: The upside and downside capture for the 3-year period were calculated using monthly data. The statistics for all other periods were calculated using daily data.

*** Morningstar's calculation of Down Capture compounds all returns during down periods for the Fund and for the benchmark; the Down Capture is the ratio of these compounded returns. Baron Partners Fund and Baron Focused Growth Fund generated a positive compounded return during the down periods, while their benchmarks generated negative returns. While this is a great outcome for the Funds, the down capture statistics are not meaningful for the period. Past performance is not indicative of future results.*

While we are largely satisfied with our Funds' track record during the first quarter, our objective remains delivering exceptional long-term performance. We believe that focusing on long-term growth opportunities, strong management teams, and competitive advantages is the best way to consistently add value over long periods.

The markets may bounce up tomorrow or may remain volatile for a while – no one knows, but we are confident that they will eventually recover and reach new peaks, just like we are confident that sports will eventually return. Long, secular equity bull markets often get temporarily disrupted, but it rarely pays off to bet that they are ending. Speaking from experience, our best advice to other long-term investors is: keep your focus on the big picture, stay invested, and stay active.

Sincerely,

Linda S. Martinson
Chairman, President, and COO

Disclosures:

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.

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

Baron Partners Fund performance reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

The **Baron Global Advantage Fund's** 1, 3 and 5-year historical performance was impacted by gains from IPOs and/or secondary offerings, and 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 **Baron Discovery Fund's** 5-year historical performance was impacted by gains from IPOs and/or secondary offerings, and 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.

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.

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The **Ibbotson U.S. Small Stock Index** is a capitalization-weighted index which measures the performance of U.S. equities in the ninth and tenth deciles of market capitalization. The **Ibbotson U.S. Long-Term Corporate Bond Index** is a market value-weighted index which measures the performance of long-term U.S. corporate bonds. The **Ibbotson U.S. Long-Term Government Bond Index** is an unweighted index which measures the performance of twenty-year maturity U.S. Treasury Bonds.

The **Ibbotson U.S. 30 Day Treasury Bill Index** is an unweighted index which measures the performance of one-month maturity U.S. Treasury Bills. **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. **Chicago Board Options Exchange (CBOE) Volatility Index** shows the market's expectation of 30-day volatility. It is widely used to measure market risk, often referred to as the "investor fear gauge." It is constructed using the implied volatilities of a wide range of S&P 500 index options. **MSCI ACWI Index** measures the equity market performance of large and midcap securities across developed and emerging markets, including the United States. The **MSCI ACWI ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 26 Emerging Markets countries. **MSCI Emerging Markets Index** is an unmanaged float-adjusted market capitalization index designed to measure equity market performance of large and mid cap securities in the emerging markets. **MSCI US REIT Index** is an unmanaged free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. **MSCI USA IMI Extended Real Estate Net Index** is an unmanaged custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classified securities. **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. **Russell 2500® Growth Index** measures the performance of small to medium-sized U.S. companies that are classified as growth. **Russell 3000® Index** measures the performance of the broad 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. **Russell 3000® Health Care Index** is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. The indexes are unmanaged. The index performance is not fund performance; one cannot invest directly into an index.

Correlation is a statistical measure of how two securities move in relation to each other. **Price/Earnings Ratio (next 12-months):** is a valuation ratio of a company's current share price compared to its mean forecasted 4 quarter sum earnings per share over the next twelve months. If a company's EPS estimate is negative, it is excluded from the portfolio-level calculation. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

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