DEAR BARON HEALTH CARE FUND SHAREHOLDER:

PERFORMANCE

In the quarter ended December 31, 2023, Baron Health Care Fund® (the Fund) advanced 7.69% (Institutional Shares), compared with the 6.96% gain for the Russell 3000 Health Care Index (the Benchmark) and the 11.69% gain for the S&P 500 Index (the Index). For the full year 2023, the Fund advanced 6.42%, the Benchmark advanced 2.87%, and the Index increased 26.29%. Since inception (April 30, 2018), the Fund increased 12.54% on an annualized basis compared with the 10.38% gain for the Benchmark and the 12.90% gain for the Index.

Table I.
Performance†
Annualized for periods ended December 31, 2023

	Baron Health Care Fund Retail Shares[1,2]	Baron Health Care Fund Institutional Shares[1,2]	Russell 3000 Health Care Index[1]	S&P 500 Index[1]
Three Months[3]	7.62%	7.69%	6.96%	11.69%
One Year	6.16%	6.42%	2.87%	26.29%
Three Years	0.53%	0.78%	4.63%	10.00%
Five Years	15.16%	15.43%	10.79%	15.69%
Since Inception (April 30, 2018)	12.26%	12.54%	10.38%	12.90%

NEAL KAUFMAN

PORTFOLIO MANAGER

Retail Shares: BHCFX
Institutional Shares: BHCHX
R6 Shares: BHCUX

The Fund rebounded 7.69% in the fourth quarter, modestly outperforming the Benchmark by 73 basis points due to stock selection.

Favorable stock selection in health care equipment, pharmaceuticals, and health care supplies accounted for most of the relative gains in the period. Medical device company Opsens Inc., which makes pressure-sensing guidewires for heart disease diagnostics, led the way in health care equipment after being acquired by Haemonetics for an attractive premium. We exited our position when the acquisition closed during the quarter. Additional tailwinds to performance came from continuous glucose monitoring (CGM) manufacturer **DexCom, Inc.** and robotic surgical system pioneer **Intuitive Surgical, Inc.** DexCom's shares rapidly recovered after reporting strong quarterly results and as investors became more confident that GLP-1 drugs will be used in conjunction with CGM technology. Intuitive Surgical was a top contributor in response to investor speculation that the company could launch a new robotic system in 2024. We believe Intuitive Surgical will continue to innovate and launch new products that enhance surgical outcomes, and we think the company has a long runway for growth.

Most of the relative gains in pharmaceuticals came from not owning certain large-cap pharmaceutical stocks, namely Pfizer Inc. and Bristol-Myers Squibb Company, whose shares were each down double digits in the period due to weak results and concerns about upcoming patent expirations. Stock selection was also positive in the sub-industry owing to strong gains from global animal health company **Zoetis Inc.** and therapeutics-focused

Performance listed in the above table is net of annual operating expenses. The gross annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2022 was 1.21% and 0.90%, respectively, but the net annual expense ratio was 1.10% and 0.85% (net of the Adviser's fee waivers), respectively. 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 Fund expenses pursuant to a contract expiring on August 29, 2034, 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 baronfunds.com or call 1-800-99-BARON.

† The Fund's 3-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

1 The **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. The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. All rights in the FTSE Russell Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. The Fund includes reinvestment of dividends, net of withholding taxes, while the Russell 3000® Health Care Index and S&P 500 Index include reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

3 Not annualized.

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pharmaceutical giant **Eli Lilly and Company**. Zoetis shares were up after the company reported solid quarterly results with operational revenue and EPS growing 8% and 15%, respectively. Growth was balanced with the U.S. and international segments each growing 8%. Lilly's stock continued to outperform driven by strong sales of blockbuster diabetes medicine Mounjaro and ongoing enthusiasm surrounding the company's obesity and diabetes franchises, particularly after Novo Nordisk released its SELECT trial results showing a 20% relative risk reduction in overweight patients with cardiovascular disease and no prior history of diabetes.

Strength in health care supplies was driven by **The Cooper Companies, Inc.**, a leading global contact lens manufacturer and distributor of women's health products and services. The company reported its October fiscal year end results in December, which were generally in line with expectations. Investors reacted positively to achievable and likely conservative guidance for fiscal year 2024, calling for 6% to 8% organic top-line growth, supported by healthy market growth, continued share gains, greater operating leverage, and the potential for interest cost savings. Management also committed to allowing any FX benefit to drop through to the bottom line, adding potential earnings upside after several years of strong U.S. dollar driven headwinds. We remain positive on the outlook for Cooper Companies.

Somewhat offsetting the above was adverse stock selection in life sciences tools & services, where the principal detractors were **West Pharmaceutical Services, Inc.** and **Stevanato Group S.p.A**. Shares of West, a manufacturer of components and systems for the packaging and delivery of injectable drugs, declined after the company reported sales that missed analyst forecasts and cut guidance due to inventory management by certain customers who delayed orders into 2024. We believe this shortfall is a timing issue and does not detract from the positive long-term outlook for the business. We believe West has a competitively advantaged business that we estimate can grow revenue by 7% to 9% on a normalized basis, driven by mix shift, volume, and price. Stevanato sells primary glass containers for injectable drugs, including vials, syringes, and pen cartridges. The industry Stevanto caters to is benefiting from the growth of injectable medicines, an aging population, and increasing global access to medicines. Customers are also increasingly adopting higher-value solutions with tighter manufacturing specifications, specialized coatings, and/or which are sterilized and ready to fill. Collectively, this is driving double-digit revenue growth. After the company reported third quarter 2023 earnings, some investors were concerned that the order book continued to contract, which led to concerns about revenues for 2024 and beyond. We think these concerns are unfounded. Order lead times grew substantially during COVID and the resulting supply-chain constraints, and the order book contraction is a result of normalizing order patterns. The backlog is still elevated, and we expect the contraction to continue. Management has other lines of sight into customer demand, which appears as strong as ever, and we think Stevanato will grow revenues in the double digits for a number of years.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Similar to the other Baron Funds, we remain focused on finding businesses that we believe have secular growth opportunities, durable competitive advantages, and strong management teams. We conduct independent research and take a long-term perspective. We are particularly focused on businesses that solve problems in health care, whether by reducing costs, enhancing efficiency, and/or improving patient outcomes.

We continue to think the Health Care sector will offer attractive investment opportunities over the next decade and beyond. Health Care is one of the largest and most complex sectors in the U.S. economy, accounting for an estimated 17.4% of GDP in 2022 and encompassing a diverse array of sub-industries. Health Care is also a dynamic sector undergoing changes driven by legislation, regulation, and advances in science and technology. We think navigating these changes requires investment experience and sector expertise, which makes the Health Care sector particularly well suited for active management.

Table II.
Top contributors to performance for the quarter ended December 31, 2023

	Percent Impact
Rocket Pharmaceuticals, Inc.	1.28%
Eli Lilly and Company	0.85
Intuitive Surgical, Inc.	0.72
Vertex Pharmaceuticals Incorporated	0.69
Opsens Inc.	0.63

Rocket Pharmaceuticals, Inc. specializes in the development of gene therapies for rare, life-threatening inherited genetic diseases. The company's current programs include, among others, gene therapies for Danon disease, Fanconi Anemia, Leukocyte Adhesion Deficiency-1 (LAD-1), and Pyruvate Kinase Disorder. The first three drug treatments should all be commercially launched by 2025, potentially generating substantial revenue for the company. Shares increased on the announcement of a pivotal trial design for Danon disease that had been previously delayed by two to three months. In addition, the first-ever approval of a gene editing therapy for sickle cell disease was a positive for the genetic medicine space. Near term, the focus is on next steps in the clinical trials as well as execution on initial commercial launches for Fanconi Anemia and LAD-1. Given the life-saving nature of Rocket's therapies and the high unmet need for each of these diseases, we retain conviction in our investment.

Eli Lilly and Company is a global pharmaceutical company that discovers, develops, manufactures, and sells medicines in the categories of diabetes, oncology, neuroscience, and immunology, among other areas. Stock performance was strong due to strong third quarter sales of blockbuster diabetes medicine Mounjaro and ongoing enthusiasm surrounding the company's obesity and diabetes franchises. We continue to think Lilly is well positioned to grow revenue and earnings at attractive rates through the end of the decade and beyond.

Intuitive Surgical, Inc. sells the da Vinci surgical robotic system for minimally invasive surgical procedures. The stock rose on investor speculation that the company could launch a new robotic system in 2024. We believe Intuitive Surgical will continue to innovate and launch new products that enhance surgical outcomes, and we think the company has a long runway for growth.

Table III.
Top detractors from performance for the quarter ended December 31, 2023

	Percent Impact
argenx SE	–1.10%
Structure Therapeutics Inc.	–0.34
Legend Biotech Corporation	–0.29
Veeva Systems Inc.	–0.20
West Pharmaceutical Services, Inc.	–0.16

Argenx SE is a biotechnology company focused on autoimmune disorders. Shares fell in the quarter on the back of failed clinical trials in immune thrombocytopenic purpura and pemphigus vulgaris. While the company is still analyzing the data to understand the reason for the trial failures, we do not think these events are thesis changing. On the positive side, the strong launch of Vyvgart, with early sales tripling consensus expectations and global approvals coming earlier than guided, should continue to drive revenue growth. We expect 2024 to be another year of solid stock performance, with many catalysts including the company's subcutaneous formulation launch along with readouts in myositis, Sjogren's syndrome, and multifocal motor neuropathy.

Structure Therapeutics Inc. is a biotechnology company dedicated to making oral small molecule medicines to target the obesity and diabetes market. Recent share weakness has been due to two large pharmaceutical acquisitions in the space: Roche's purchase of Carmot and AstraZeneca's in-licensing of Eccogene's GLP-1 asset. These developments were followed by updates from Structure that implied it had a promising asset, but it might be inferior to Eli Lilly's first-in-class product. Shares fell as analysts reduced the probability of success surrounding potential peak sales. We think it is too early to reach a final conclusion on the company's oral small molecule GLP-1, as these data sets are limited in total sample size, and there are compelling arguments for both sides. Given how quickly this space changes and our smaller position sizing due to the aforementioned dynamics, we are monitoring our position and making decisions based on our evolving analysis.

Legend Biotech Corporation is dedicated to researching, manufacturing, and distributing cellular therapies for cancers. Its lead product, Carvykti is in the midst of a commercial launch for the treatment of multiple myeloma patients who have second line or more advanced disease. Demand wildly outstrips supply in this 60,000 patient opportunity, as Carvykti has shown best-in-class clinical response rates and offers patients a potential curative-like *one and done* treatment approach to the cancer. Partner Johnson & Johnson has already invested $1 billion in this cellular therapy, and we expect additional investments as the therapy is scaled in what will likely be a $10 billion to $20 billion revenue opportunity. As a niche market with limited competition, we expect continued strong financial growth. Recent share weakness was due to Arcellx's data disclosures at the American Society of Hematology conference and FDA updates on safety investigations, neither of which we deem overly concerning.

Portfolio Structure

We build the portfolio from the bottom up, one stock at a time, using the Baron investment approach. We do not try to mimic an index, and we expect the Fund to look very different than the Benchmark. We loosely group the portfolio into three categories of stocks: earnings compounders, high-growth companies, and biotechnology companies. We define earnings compounders as companies that we believe can grow revenue at least mid-single digits and compound earnings at double-digit rates over the long term. We define high-growth stocks as companies we expect to generate double-digit or better revenue growth. They may not be profitable today, but we believe they can be highly profitable in the future. We expect the portfolio to have a mix of earnings compounders, high-growth, and biotechnology companies.

We may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of December 31, 2023, we held 42 stocks. This compares with 524 stocks in the Benchmark. International stocks represented 12.4% of the Fund's net assets. The Fund's 10 largest holdings represented 51.6% of net assets. Compared with the Benchmark, the Fund was overweight in life sciences tools & services, health care supplies, health care distributors, and health care facilities, and underweight in pharmaceuticals, health care services, health care equipment, and managed health care. The market cap range of the investments in the Fund was $1.9 billion to $553 billion with a weighted average market cap of $163 billion. This compared with the Benchmark's weighted average market cap of $199 billion.

We continue to invest in multiple secular growth themes in Health Care, such as genomics/genetic testing/genetic medicine, technology-enabled drug development/discovery, minimally invasive surgery, diabetes devices and therapeutics, anti-obesity medications, *picks and shovels* life sciences tools providers, the shift to lower cost sites of care, value-based health care, growth of Medicare Advantage, and animal health, among others. To be clear, this list is not exhaustive: we own stocks in the portfolio that do not fit neatly into these themes and there are other themes not mentioned here that are in the portfolio. We evaluate each stock on its own merits.

Table IV.
Top 10 holdings as of December 31, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Eli Lilly and Company	2021	$187.4	$553.4	$20.2	9.6%
UnitedHealth Group Incorporated	2018	227.2	486.9	19.8	9.4
Intuitive Surgical, Inc.	2018	49.9	118.8	10.2	4.8
Merck & Co., Inc.	2022	205.6	276.3	9.5	4.5
Thermo Fisher Scientific Inc.	2019	117.4	205.1	9.4	4.5
Vertex Pharmaceuticals Incorporated	2022	61.4	104.8	9.4	4.4
Boston Scientific Corporation	2023	73.4	84.7	8.3	4.0
Rocket Pharmaceuticals, Inc.	2022	1.1	2.7	7.8	3.7
argenx SE	2018	2.8	22.5	7.6	3.6
Zoetis Inc.	2019	55.8	90.6	6.3	3.0

Table V.
Fund investments in GICS sub-industries as of December 31, 2023

	Percent of Net Assets
Pharmaceuticals	20.3%
Biotechnology	19.6
Life Sciences Tools & Services	17.9
Health Care Equipment	16.9
Managed Health Care	12.1
Health Care Supplies	4.1
Health Care Facilities	3.0
Health Care Distributors	2.4
Health Care Technology	1.5
Cash and Cash Equivalents	2.3
Total	100.0%*

* *Individual weights may not sum to the displayed total due to rounding.*

Recent Activity

During the fourth quarter, we added eight new positions and exited four positions. Below we discuss some of our top net purchases and sales.

Table VI.
Top net purchases for the quarter ended December 31, 2023

	Quarter End Market Cap (billions)	Net Amount Purchased (millions)
Stryker Corporation	$113.8	$3.8
Immunovant, Inc.	6.1	2.1
Structure Therapeutics Inc.	1.9	2.1
Boston Scientific Corporation	84.7	1.6
Surgery Partners, Inc.	4.0	1.5

We initiated a position in **Stryker Corporation** during the quarter. Stryker is a large diversified medical device company with two business segments: (1) MedSurg and Neurotechnology, and (2) Orthopedics and Spine. The stock sold off during the quarter along with many other medical device stocks because of concerns about the impact of GLP-1 weight loss medicines on their business. Specific to Stryker, the concern was that weight loss would reduce demand for hip and knee implant procedures because obesity is one factor that drives osteoarthritis. We think this concern was overstated and saw the sell-off as an opportunity to buy a high-quality growth company at a reasonable valuation. We think Stryker is well positioned with its broad product portfolio to benefit from the trend of more orthopedic and other medical procedures moving from the hospital to ambulatory surgery centers. The company also has several new product launches coming up that should drive growth. At its recent Investor Day, management provided long-term financial goals including organic sales growth at the high end of the medical technology industry and double-digit EPS growth.

We initiated a position in **Immunovant, Inc.**, a clinical-stage biotechnology company developing therapies for autoimmune diseases. During the quarter, the company announced data from a Phase 1 clinical trial of IMVT-1402, an FcRn inhibitor that has broad potential applicability to multiple autoimmune diseases. The data showed that IMVT-1402 delivered dose dependent and deep reductions in disease-causing auto-antibodies with minimal changes in albumin and low-density lipoprotein cholesterol. The company's first generation FcRn inhibitor has shown strong efficacy but there have been questions about the safety profile of the drug. This promising data makes Immunovant a real competitor in the FcRn inhibitor drug class, though Immunovant is behind argenx in terms of timing. We think both companies can be successful given the broad array of autoimmune diseases that can potentially be treated with a safe and effective FcRn inhibitor.

We initiated a small position in **Structure Therapeutics Inc.**, a clinical-stage biotechnology company. Structure is developing an oral small molecule GLP-1 with once daily dosing. We think the GLP-1 class of obesity/diabetes drugs has the potential to be the largest drug class ever and that parts of the market will be particularly well suited to oral medications. Some people find oral medications more convenient than injectables, and oral small molecule drugs are cheaper and easier to manufacture than injectables, which could allow for lower pricing and greater access, particularly in international markets. Structure's drug is still in its early phase of development, but there is reason to think that it could be successful. The drug was designed through the company's structure-based drug discovery platform and was designed to selectively activate the G-protein signaling pathway, which should lead to a better efficacy/safety profile. In late September, Structure announced promising results from a Phase 1 multiple ascending dose study in non-diabetic overweight/obese individuals. Although there were only a few patients in the study, the drug impressively demonstrated reductions in mean body weight of up to 4.9% placebo-adjusted after 28 days, which would suggest a best-in-class profile. Then, in December, Structure announced results from its Phase 2a study, including a diabetic cohort and a non-diabetic overweight/obese cohort. The interim data from the obesity cohort continued to look competitive with 4.7% placebo-adjusted weight loss after 56 days. The diabetes data was somewhat underwhelming, with a 1.0% placebo-adjusted HbA1c reduction and 3.3% to 3.5% placebo-adjusted weight loss over 84 days (in comparison, Lilly's orforglipron showed a 1.5% to 1.7% HbA1c reduction and 4.1% to 6.3% placebo-adjusted weight loss in a similar study). Structure is planning to study additional doses and titration regimens to optimize the drug's profile in diabetes. Overall, we would characterize the early data as supportive of an active GLP-1 drug that has the potential to be among the leaders in the category. At this point we have a small position in the stock while we await more data to evaluate the competitiveness of Structure's drug.

We added to our position in **Boston Scientific Corporation**, a global developer, manufacturer, and marketer of medical devices that are used in a broad range of interventional medical specialties. We believe Boston Scientific can grow revenue in the high single digits, driven by differentiated products used to treat atrial fibrillation, such as pulsed field ablation, among others. The company held an Investor Day in September at which management established financial targets for the 2024 to 2026 period calling for an organic sales CAGR of 8% to 10%, 150 basis points of margin expansion, and strong double-digit adjusted EPS growth and improved free-cash-flow conversion. We think this growth profile makes Boston Scientific a compelling name within the large medical device universe.

We established a small position in **Surgery Partners, Inc.**, a leading operator of ambulatory surgery centers in the U.S. Like Stryker, the stock sold off during the quarter due to concerns about the impact of GLP-1s on its business, and we felt the sell-off offered a buying opportunity. The company, which operates primarily majority owned centers in partnership with physicians or hospital systems, is benefiting from a multi-year trend of surgical procedures migrating from inpatient to outpatient settings, facilitated by advances in medicine, payors' push towards lower cost outpatient facilities and patient/physician preference and convenience. The company's solid organic revenue growth profile has multiple drivers, including the mix shift to higher acuity, higher cost orthopedic and cardiac procedures, volume growth from additional physician recruitment and expanded medical specialties and better payor contracting. On top of this organic growth, management intends to deploy $200 million annually for acquisitions, leading to mid-teens EBITDA growth. We believe the stock can compound for many years as the company executes on its plan.

Table VII.
Top net sales for the quarter ended December 31, 2023

	Net Amount Sold (millions)
Opsens Inc.	$3.0
DexCom, Inc.	3.0
Inspire Medical Systems, Inc.	1.6
Insulet Corporation	1.5
Veeva Systems Inc.	1.3

Our top net sales in the quarter included **Opsens Inc.**, which was acquired by Haemonetics during the quarter; **DexCom, Inc.**, **Inspire Medical Systems, Inc.**, **Insulet Corporation**, which we reduced (in the case of DexCom and Inspire Medical) or exited (in the case of Insulet) due to increased uncertainty about the long-term impact of GLP-1s on their businesses; and **Veeva Systems Inc.**, which we reduced because of concerns about slowing growth.

Outlook

We believe the Health Care sector is well positioned in 2024 and beyond. Interest rates have come down with lower inflation expectations, which should relieve the pressure on valuations of long-duration growth companies. Capital markets appear to be opening up again. More funding for biotechnology should flow through to life sciences tools companies that sell products and services used in life sciences research. Innovation in life sciences is accelerating. Scientists have a better understanding of the genetic drivers of diseases and clinicians have more tools to treat diseases. The FDA approved 55 novel drugs in 2023, up from 37 in 2022 and the most since 2018, and in December the FDA approved the first CRISPR-based gene editing treatment in the U.S. Large pharmaceutical companies that face upcoming patent expiries have stepped up their M&A activity, leading to a record number of transactions in 2023, despite increasing scrutiny from the FTC. Secular drivers like the aging population and rising health care spending continue unabated. Given this backdrop we are optimistic heading into the coming year.

Our biopharmaceutical investments include, among others, companies focused on developing and commercializing innovative therapies for obesity, severe autoimmune diseases, and blood cancers such as multiple myeloma. We own **Eli Lilly and Company**, which we believe will remain a leader in the GLP-1 medicine class with Mounjaro, Zepbound, and the company's deep pipeline of next generation GLP-1 medicines. Our severe autoimmune disease investments include **argenx SE** and **Immunovant, Inc.**, which have products that reduce disease-causing IgG antibodies by targeting the FcRn receptor. We expect cell therapy to revolutionize multiple myeloma care and own **Legend Biotech Corporation** and **Arcellx, Inc.** Outside of these three areas, we own **Rocket Pharmaceuticals, Inc.**, a developer of gene therapies for rare, life-threatening inherited genetic diseases.

Medical device stocks had a challenging year in 2023 due to concerns about the impact of GLP-1 diabetes/obesity medicines on their businesses. We took advantage of opportunities to buy stocks where we believed the market had overreacted and we adjusted positions where we felt the long-term impact was uncertain. In general, we think the outlook for medical device stocks in 2024 is positive based on healthy procedure volumes, favorable pricing, more normalized staffing conditions, and easing inflationary and supply-chain pressures. We think the medical device companies we own are well positioned for long-term growth.

Life sciences tools stocks also had a challenging year in 2023 during which they faced multiple headwinds, including a pullback in spending by pharmaceutical customers, lower funding for biotechnology customers, a growth slowdown in China, and inventory destocking by biotechnology drug manufacturers. We think these are cyclical, temporary headwinds and we think business trends are likely to improve in 2024. We remain invested in several life sciences tools companies with secular growth drivers, pricing power, recurring revenues, high margins, and low-capital intensity.

Managed care stocks also faced a challenging 2023 due to heightened political and regulatory scrutiny, less favorable Medicare Advantage rates, and an uptick in medical cost trends. We continue to believe the managed care stocks we own are well positioned for long-term growth driven by Medicare Advantage enrollment growth, price increases ahead of cost trends, and expansion into diversified health care services.

Overall, our long-term outlook for Health Care remains bullish. Innovation in the sector and the themes in which we have been investing are very much intact. We believe the Fund holds competitively advantaged growth companies with strong management teams.

As always, I would like to thank my colleague Josh Riegelhaupt, Assistant Portfolio Manager of the Fund, for his invaluable contributions.

Thank you for investing in the Fund. I remain an investor in the Fund, alongside you.

Sincerely,

Neal Kaufman
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99-BARON or visiting baronfunds.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns.

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report 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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