Dear Baron Health Care Fund Shareholder:

NEAL KAUFMAN

PORTFOLIO MANAGER

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

Performance

In the quarter ended March 31, 2024, Baron Health Care Fund® (the Fund) advanced 8.92% (Institutional Shares), compared with the 8.52% gain for the Russell 3000 Health Care Index (the Benchmark) and the 10.56% gain for the S&P 500 Index (the Index). Since inception (April 30, 2018), the Fund increased 13.61% on an annualized basis compared with the 11.45% gain for the Benchmark and the 14.24% gain for the Index.

Table I.
Performance
Annualized for periods ended March 31, 2024

	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]	8.84%	8.92%	8.52%	10.56%
One Year	20.09%	20.36%	15.41%	29.88%
Three Years	3.23%	3.49%	6.77%	11.49%
Five Years	13.91%	14.19%	10.76%	15.05%
Since Inception (April 30, 2018)	13.33%	13.61%	11.45%	14.24%

The Fund's 8.92% gain in the first quarter was roughly in line with the Benchmark, which rose 8.52%. Solid stock selection was offset in part by negative impacts from active sub-industry weights and cash exposure in a rising market.

Investments in health care equipment, pharmaceuticals, and life sciences tools & services added the most value in the period. Stock selection in health care equipment accounted for about 130 basis points of relative gains, driven by outstanding performance from **Shockwave Medical, Inc.**, a medical device company focused on developing and commercializing products intended to transform the way calcified cardiovascular disease is treated. The company is best known for its intravascular lithotripsy technology, which targets severely calcified plaques in the coronary and peripheral arteries with shockwaves, clearing the way for cardiologists before percutaneous coronary intervention. Shockwave's shares moved sharply higher due to a combination of solid financial results and news that pharmaceutical giant Johnson & Johnson was in talks to acquire the company. On April 5, the initial rumors were confirmed: the companies announced that Johnson & Johnson would acquire Shockwave for $335 per share, representing a transaction value of roughly $13.1 billion.

Strength in the sub-industry also came from robotic surgical system leader **Intuitive Surgical, Inc.** and global medical device manufacturer **Boston Scientific Corporation**. Intuitive's stock rose after the company announced the planned launch of a new multi-port robotic system called the da Vinci 5. We offer additional detail on Intuitive below. Boston Scientific's shares outperformed due to increasing excitement around the emerging field of pulsed field ablation (PFA), where the company is well positioned. Traditionally, physicians have used temperature-based methods (either hot or cold) to disable heart tissue responsible for irregular heartbeats. Temperature-based methods may damage surrounding tissue, however. PFA, in comparison, relies on electricity to damage aberrant tissue, and because different types of tissue have different electrical thresholds, the surrounding

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, 2023 was 1.20% and 0.88%, 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 waives and/or 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.

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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tissue can be selectively spared. We remain positive about Boston Scientific because of the company's differentiated products in electrophysiology and structural heart, double-digit EPS growth profile, proven track record of cost discipline, and consistent annual operating margin expansion.

Within pharmaceuticals, not owning certain underperforming large-cap pharmaceutical stocks (Johnson & Johnson, Pfizer Inc., and Bristol-Myers Squibb Company) was again a tailwind to performance as these companies continue to face concerns about diminished growth prospects and upcoming patent expirations. The Fund also benefited from its sizeable position in global pharmaceutical company **Eli Lilly and Company**, whose shares continued their strong run due to robust fourth quarter sales of Mounjaro/Zepbound, better-than-anticipated initial guidance for fiscal year 2024, and ongoing enthusiasm surrounding the company's obesity and diabetes franchises.

Solid stock selection in life sciences tools & services was mainly due to double-digit gains from clinical genetic testing company **Natera, Inc.** and global contract research organization **ICON Plc**. Natera's stock was bolstered by significant momentum in the oncology market, where its personalized blood-based DNA test Signatera is driving strong testing volume growth. The test detects and quantifies how much residual cancer DNA remains in the body after surgery. Signatera helps physicians determine whether chemotherapy is necessary after surgery and monitor for cancer recurrence before the cancer is detectable with standard imaging. We think Natera has a long runway for growth with expanding margins and profitability. ICON's shares rose in response to management's optimistic messaging in the face of a firming industry backdrop and accelerating trends, which led investors to believe that the company's initial guidance for fiscal year 2024 was more conservative than initially believed. The company continues to experience strong demand despite lingering concerns over biotechnology funding levels. Customer preference is shifting toward functional outsourcing services, which should disproportionally benefit ICON as the leader in this market.

Somewhat offsetting the above was adverse stock selection in biotechnology and health care supplies coupled with cash exposure amid favorable market conditions. Weakness in biotechnology was mainly due to disappointing performance from **Rocket Pharmaceuticals, Inc.** and **Immunovant, Inc.**, whose shares fell double digits in the period. Rocket specializes in the development of gene therapies for rare genetic diseases outside of oncology. Currently these include Danon disease, Fanconi's anemia, LAD-I, and Pyruvate kinase disorder. The first three drug treatments should all commercially launch by 2025, generating substantial potential revenue for the company. In the near term, Rocket's shares were pressured by a three-month FDA delay to their initial commercial asset in LAD-1 and the added overhang of slow gene therapy launches from bluebird bio in sickle cell disease and BioMarin in hemophilia B. Given the life-saving nature of Rocket's therapies and the high unmet need for treatments and cures for each of these diseases, we retain conviction in our investment. Immunovant is focused on autoimmune disorders targeting the FcRn mechanism of action. A host of concerns weighed on Immunovant's stock price, the most critical of which was competitor **argenx SE**'s failure in pemphigus vulgaris, which has raised questions about the addressable opportunity for the FcRn class. Overall, we continue to believe FcRn will command billions in revenue and that Immunovant has one of the two competitive offerings in the space. We are most optimistic about Immunovant's development plans in Graves' disease, a large commercial unmet need in which they currently have no competition. **Xenon Pharmaceuticals Inc.**, **Legend Biotech Corporation**, argenx, and **Vertex Pharmaceuticals Incorporated** also underperformed in the period, overshadowing excellent performance from **Viking Therapeutics, Inc.**, whose shares nearly quadrupled after the company's experimental weight-loss drug showed impressive weight loss and good tolerability in a Phase 2 clinical trial.

Performance in health care supplies was hindered by **Neogen Corp.**, a leading provider of food and animal safety products. Neogen's shares pulled back after management lowered guidance for fiscal year 2024.

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 17.3% 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 March 31, 2024

	Percent Impact
Eli Lilly and Company	3.05%
Merck & Co., Inc.	1.01
Intuitive Surgical, Inc.	0.90
Boston Scientific Corporation	0.75
Shockwave Medical, Inc.	0.74

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 robust fourth quarter sales of Mounjaro/Zepbound, better-than-anticipated initial guidance for fiscal year 2024, 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.

Global pharmaceutical company **Merck & Co., Inc.** contributed on the continued growth of Keytruda, the company's key asset and the leading immuno-oncology agent used to treat a variety of cancers. The FDA's late March approval of pulmonary arterial hypertension drug sotatercept, also drove share gains. We retain conviction as Merck has started to transition from prioritizing its Keytruda franchise to building a more diversified business, with a focus on the Gardasil vaccine, pneumococcal vaccine development, and cardiovascular drug development, well in advance of the scheduled expiration of patent protection/exclusivity rights.

Intuitive Surgical, Inc. sells the da Vinci surgical robotic system for minimally invasive surgical procedures. The stock rose after the company announced the planned launch of the da Vinci 5, its next-generation, multiport robotic system. The new system has 10,000 times the computing power of its predecessor and features over 150 design upgrades such as force feedback, improved visualization, and productivity enhancements. Intuitive plans to launch the device at a small number of customers in the U.S. before releasing it more broadly. We think the da Vinci 5 will enable Intuitive to continue to generate strong revenue and earnings growth and maintain its competitive edge.

Table III.
Top detractors from performance for the quarter ended March 31, 2024

	Percent Impact
UnitedHealth Group Incorporated	–0.51%
Zoetis Inc.	–0.37
Rocket Pharmaceuticals, Inc.	–0.37
Immunovant, Inc.	–0.34
Neogen Corp.	–0.28

UnitedHealth Group Incorporated is a leading health insurance company that operates across four segments: United Healthcare, Optum Health, OptumInsight, and OptumRX. Shares fell alongside other managed care organizations (MCOs) due to patient utilization of Medicare Advantage (MA) that was higher than consensus forecasts, raising concerns that MCOs had mispriced 2024 bids and could suffer margin compression as a result. In addition, the industry is facing headwinds from MA reimbursement cuts and Star Rating changes. While management said higher cost trends are mostly transitory and reflected in its bidding, and 2024 guidance was roughly in line with consensus, investors took a more cautious wait-and-see approach. We believe UnitedHealth should remain a core portfolio holding, as it is a way to play positive demographic, population health, and value-based reimbursement trends. Despite its size, we think the company should be able to grow earnings consistent with its 13% to 16% long-term EPS annual target, the fastest among major MCOs.

Zoetis Inc. is a global leader in medicines and vaccines for companion and farm animals, operating in more than 120 countries across eight core species and five major product categories. Shares fell after the company reported mixed fourth quarter results that fell short of high market expectations and issued below-consensus 2024 guidance. While revenue beat Street forecasts primarily on higher sales in the livestock category, EPS missed consensus due to FX headwinds, costs associated with an acquired asset, and investments related to the U.S. launch of canine arthritis drug Librela. Investor concerns about new parasiticide competition and inefficiencies with the Librela ramp also weighed on the share price. Zoetis remains an attractive holding given its consistent above-market growth, diverse portfolio and rich pipeline, new and innovative product flow, and attractive end-markets that have proven resilient in periods of heightened economic uncertainty.

Rocket Pharmaceuticals, Inc. specializes in the development of gene therapies for rare genetic diseases outside of oncology. Currently these include Danon disease, Fanconi anemia, lysosomal acid lipase deficiency, and pyruvate kinase deficiency. The first three drug treatments are slated for commercial launch by 2025, which should generate substantial revenue. Shares detracted from performance after the FDA extended the priority review period by three months for the Kresladi gene therapy to treat leukocyte adhesion deficiency. Sluggish gene therapy launches from bluebird bio in sickle cell disease and BioMarin in hemophilia B may have also impacted the stock. Given the life-saving nature of Rocket's therapies and the high unmet need for each of these life-ending diseases, we retain conviction in our investment.

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 March 31, 2024, we held 41 stocks. This compares with 516 stocks in the Benchmark. International stocks represented 9.8% of the Fund's net assets. The Fund's 10 largest holdings represented 48.1% 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, and managed health care. The market cap range of the investments in the Fund was $2.0 billion to $739.7 billion with a weighted average market cap of $173.6 billion. This compared with the Benchmark's weighted average market cap of $232.2 billion.

We continue to invest in multiple secular growth themes in Health Care, such as genomics/genetic testing/genetic medicine, innovative medical devices that improve outcomes and/or lower costs, 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, 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 March 31, 2024

	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	$739.7	$20.2	8.4%
UnitedHealth Group Incorporated	2018	227.2	456.1	18.6	7.7
Intuitive Surgical, Inc.	2018	49.9	141.5	12.1	5.0
Merck & Co., Inc.	2022	205.6	334.2	11.9	4.9
Thermo Fisher Scientific Inc.	2019	117.4	221.6	11.0	4.5
Boston Scientific Corporation	2023	73.4	100.7	10.5	4.4
Vertex Pharmaceuticals Incorporated	2022	61.4	108.0	9.6	4.0
argenx SE	2018	2.8	23.3	7.9	3.3
Rocket Pharmaceuticals, Inc.	2022	1.1	2.4	7.0	2.9
Arcellx, Inc.	2023	1.9	3.7	7.0	2.9

Table V.
Fund investments in GICS sub-industries as of March 31, 2024

	Percent of Net Assets
Health Care Equipment	20.3%
Biotechnology	18.9
Life Sciences Tools & Services	17.8
Pharmaceuticals	16.6
Managed Health Care	9.7
Health Care Facilities	3.6
Health Care Supplies	3.3
Health Care Distributors	2.4
Health Care Technology	1.5
Health Care Services	0.4
Cash and Cash Equivalents	5.5
Total	100.0%*

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

Recent Activity

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

Table VI.
Top net purchases for the quarter ended March 31, 2024

	Quarter End Market Cap (billions)	Net Amount Purchased (millions)
iRhythm Technologies, Inc.	$ 3.6	$5.1
Arcellx, Inc.	3.7	2.4
Repligen Corporation	10.3	1.6
Surgery Partners, Inc.	3.8	1.4
Stryker Corporation	136.2	1.4

We initiated a position in **iRhythm Technologies, Inc.**, a medical device manufacturer of cardiac monitoring solutions. The company offers a sleek patch (Zio XT) that goes on patients' chests to monitor their heart rhythm, enabling the detection of atrial fibrillation, which is an abnormal heart rhythm that is responsible for 450,000 hospitalizations annually in the U.S. Traditional Holter monitors are bulky, have wires, and can only monitor for 48 hours. Zio XT, in comparison, is a small patch, does not have wires, and can monitor for up to 14 days. Half of arrhythmias occur more than 48 hours out, so the Zio XT has much better diagnostic yield than Holter monitors.

The company's moat is not just the hardware, but also the algorithms they have built around their AI engine. IRhythm is able to automate the analysis of data collected from the patch and generate a summary report that is easy for clinicians to understand. Physicians can always double check to make a final decision, but they tend to agree with the AI's finding 99% of the time. This is a flywheel that has been built up over time with 1.8 billion hours of curated heart rhythm data.

Management has set a goal of expanding margins from just around breakeven on EBITDA currently to reach at least 15% EBITDA margins by 2027 as they become more disciplined around operating expenses and get volume leverage. From there, we think margins can expand further. We have conviction that this volume leverage can materialize – today only 5.5 million cardiac monitoring tests are done in the U.S., but there are 15 million patients who show up to their primary care physician with heart palpitations, which means a potential tripling of the addressable market. The company has already made good progress in this primary care channel, with roughly 20% of volumes coming from that source today.

There are other dimensions to the thesis as well. The company has a next-generation patch (the Zio Monitor) that is roughly 70% smaller for enhanced patient comfort while also offering a better gross margin profile in the long term. IRhythm also has a real-time monitoring product (the Zio AT); the company is underpenetrated here today at just 7%, and it has estimated that every 10 points of share gain would translate to $80 million to $100 million in incremental revenue (which is not insignificant for a company that did $500 million in revenues in 2023). International markets are another frontier for iRhythm – they represent only a de minimis percentage of revenues today, but the company thinks they can represent 25% of the revenue mix over time. Longer term, iRhythm also has a vision for its monitoring solutions to be used beyond cardiac arrhythmia, for conditions like sleep apnea and hypertension.

We added to **Arcellx, Inc.**, an early-stage biotechnology company that is developing cell therapies for multiple myeloma. We continue to be bullish on the overall multiple myeloma space and expect cell therapy to revolutionize multiple myeloma care. Though earlier in development than its competitors, Arcellx's cell therapy platform has potential advantages in terms of safety and manufacturing scalability while potentially achieving similar or better efficacy.

We added to **Repligen Corporation**, a life science tools supplier that offers a broad portfolio of tools involved in the production of biologic drugs, including upstream cell culture, downstream chromatography and filtration, and process analytics. Repligen operates in attractive end markets, historically targeting monoclonal antibodies (10% to 12% market growth) and moving into cell and gene therapies (over 25% market growth). Repligen has a strong track record of smart acquisitions and innovation, including the introduction of differentiated filters and development of in-line process analytics (real-time monitoring of the drug production process). Because bioprocessing is a highly regulated industry, suppliers are embedded into workflows and their products become very sticky. We see the opportunity for Repligen to drive an attractive, recurring consumables stream in an increasing number of commercial processes. After a year of headwinds including customer destocking, biotechnology customer funding constraints, and China weakness, we believe Repligen's results are turning the corner, and we have conviction in the company's long-term growth potential.

We also added to **Surgery Partners, Inc.**, a leading operator of ambulatory surgery centers, and **Stryker Corporation**, a large diversified medical device company. We think Surgery Partners should benefit from a multi-year trend of surgical procedures migrating from inpatient hospitals to outpatient centers. Stryker reported strong fourth quarter financial results, highlighted by 11.5% organic revenue growth, and management provided solid guidance for 2024, calling for 7.5% to 9.0% organic revenue growth and double-digit EPS growth.

Table VII.
Top net sales for the quarter ended March 31, 2024

	Net Amount Sold (millions)
Eli Lilly and Company	$6.3
AstraZeneca PLC	2.3
Humana Inc.	2.1
Structure Therapeutics Inc.	1.4
Exact Sciences Corporation	1.3

We reduced our position in **Eli Lilly and Company** due to valuation, though we remain positive about the company's long-term outlook. We reduced **AstraZeneca PLC** to fund new ideas. We sold **Humana Inc.** because the Medicare Advantage business faces challenges, including elevated medical expenses and rate pressure. We took a tax loss in **Structure Therapeutics Inc.** while we await more data to evaluate the competitiveness of Structure's oral small molecule GLP-1 drug. We reduced **Exact Sciences Corporation** ahead of a clinical trial readout of competitor Freenome's blood-based colon cancer screening test. In early April, Freenome released data from its clinical trial. The pre-cancer and early-stage cancer sensitivity was below investor expectations. We now have two large trial read-outs of blood-based colon cancer screening tests (Guardant and Freenome) that have shown pre-cancer and early-stage cancer sensitivity below levels needed for widespread adoption, removing for now the existential threat to Exact's stool-based Cologuard business.

Outlook

Health Care is off to a good start in 2024, though not as strong as the rest of the equity market due in part to the underperformance of managed care stocks. The Medicare Advantage business has experienced a perfect storm of elevated medical cost trends and less favorable reimbursement from the Center for Medicare and Medicaid Services (CMS). It's possible that these are short-term, temporary headwinds, but near-term earnings visibility is low, and CMS has made several policy decisions over the past year that are negatively impacting the industry, raising questions about the attractiveness of the Medicare Advantage business going forward. Given this uncertainty, we sold our position in **Humana Inc.**, which is most exposed to the Medicare Advantage program. We continue to own **UnitedHealth Group Incorporated**, which has a more diversified business and has the potential to gain market share in a difficult environment for weaker competitors.

The flip side of higher medical cost trends is that health care providers and medical device companies have been seeing strong trends in their businesses. Whether this higher utilization is cyclical or structural is unclear. The argument in favor of structural change is that there are more access points for health care services post-COVID-19, such as ambulatory surgery centers, retail clinics, and urgent care centers, and this increased access has added to overall health care utilization Even if health care utilization trends normalize, we think our health care provider and medical device company holdings have unique growth drivers such as new product cycles and are well positioned for long-term growth.

Life sciences tools companies, which have experienced headwinds over the past two years since the COVID-19 demand surge, saw signs of stabilization during the quarter. Intra-quarter commentary from life sciences tools companies suggested a lessening of headwinds and an expectation of improving trends in the second half of 2024 and into 2025. In addition, biotechnology funding in the first quarter was well above the amount raised in the year ago period and represented the best funding quarter since the fourth quarter of 2021. Biopharmaceutical R&D spending remains at healthy levels. This bodes well for future life sciences customer demand. We remain invested in several life sciences tools companies that we believe have good long-term growth prospects.

In biopharmaceuticals, we remain bullish on the market opportunity for new diabetes and obesity medicines, and we continue to own companies focused on developing and commercializing innovative therapies for severe autoimmune diseases, rare genetic diseases, and cancer, among other diseases.

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

Neal Kaufman
Portfolio Manager

Baron Health Care Fund

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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