Dear Baron Health Care Fund Shareholder:

Performance

In the quarter ended September 30, 2023, Baron Health Care Fund® (the Fund) declined 6.05% (Institutional Shares), compared with the 3.88% loss for the Russell 3000 Health Care Index (the Benchmark) and the 3.27% loss for the S&P 500 Index. Year-to-date through September 30, 2023, the Fund declined 1.17%, the Benchmark declined 3.83%, and the S&P 500 Index increased 13.07%. Since inception (April 30, 2018), the Fund increased 11.62% on an annualized basis compared with the 9.52% gain for the Benchmark and the 11.24% gain for the S&P 500 Index.

Table I.
Performance†
Annualized for periods ended September 30, 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]	(6.13)%	(6.05)%	(3.88)%	(3.27)%
Nine Months[3]	(1.36)%	(1.17)%	(3.83)%	13.07%
One Year	7.58%	7.80%	7.27%	21.62%
Three Years	3.38%	3.63%	5.64%	10.15%
Five Years	9.08%	9.35%	6.86%	9.92%
Since Inception (April 30, 2018)	11.34%	11.62%	9.52%	11.24%

The Fund trailed the Benchmark by 217 basis points this quarter due to a combination of stock selection and active sub-industry weights. Investments in health care equipment, life sciences tools & services, biotechnology, and health care supplies accounted for most of the underperformance in the period. Adverse stock selection in health care equipment was linked to concerns about growing adoption of diabetes and weight loss medicines Wegovy, Ozempic, Mounjaro and future generations of drugs in this class and how adoption would impact the growth prospects of certain Fund holdings, namely sleep apnea treatment leader **Inspire Medical Systems, Inc.** and diabetes device companies **DexCom, Inc.** and **Insulet Corporation**. Novo Nordisk released SELECT trial results in early August showing that its GLP-1 weight loss medicine Wegovy reduced the risk of major adverse cardiovascular events compared to placebo by 20% in adults aged 45 or older who are overweight or obese and have established cardiovascular disease with no prior history of diabetes. Based on these compelling health benefits, investors concluded that the GLP-1 drug class would eventually be broadly covered by payors and broadly adopted in the U.S. This news drove sharp gains in **Eli Lilly and Company** and Novo Nordisk, while shares of companies like Inspire Medical, DexCom, and Insulet suffered severe losses. We discuss most of these stocks later in this letter.

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PORTFOLIO MANAGER

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

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.

BARON FUNDS 1987

Weakness in life sciences tools & services was driven by double-digit declines from cancer diagnostics company **Exact Sciences Corporation** and precision instruments provider **Mettler-Toledo International Inc.** After rallying in the first half of the year as concerns regarding a competing blood-based screening test dissipated, Exact Sciences' shares pulled back this quarter because the company's quarterly results fell short of lofty expectations. We discuss Exact Sciences later in this letter. Mettler's stock declined in response to disappointing second quarter financial results and lowered 2023 guidance. Management noted market conditions in China have worsened considerably, particularly among biopharmaceutical customers who are delaying investment decisions as they wait for government stimulus. Management also stated that global manufacturing Purchasing Managers' Indexes have continued to trend lower. We think these headwinds are temporary and continue to believe Mettler has a solid long-term outlook. Another material detractor in the sub-industry was **Bio-Techne Corporation**, a leading developer and manufacturer of reagents, instruments, and services for the life sciences research, diagnostics, and bioprocessing markets. Bio-Techne's shares were pressured by various headwinds in the life sciences tools end market including reduced biotechnology funding, continued inventory destocking by customers, and a slowdown in China.

The relative shortfall in biotechnology mostly had to do with not owning a few larger cap names, particularly AbbVie Inc., Amgen Inc., and Regeneron Pharmaceuticals, Inc., whose share prices were up double digits for the quarter as investors flocked to larger, safer, cash flow positive biotechnology companies as long-term interest rates rose. These losses were somewhat offset by strong performance from **argenx SE** and **Rocket Pharmaceuticals, Inc.** The Fund's higher exposure to heath care supplies via positions in **The Cooper Companies, Inc.** and **Neogen Corp.** also proved costly as the sub-industry was among the worst performers in the Benchmark during the quarter.

Partially offsetting the above was favorable stock selection in pharmaceuticals and health care distributors along with cash exposure in a declining market. Strength in pharmaceuticals and health care distributors was driven by gains from Lilly and **McKesson Corporation**, respectively. Global pharmaceutical company Lilly was the largest contributor due to strong second quarter sales of Mounjaro and ongoing enthusiasm surrounding the company's obesity and diabetes franchises. McKesson is a leading distributor of pharmaceuticals and medical supplies and also provides prescription technology solutions that connect pharmacies, providers, payers, and biopharmaceutical customers. McKesson's stock performed well due to strong financial results in the company's pharmaceutical distribution and prescription technology solutions businesses, driven in part by higher volumes of GLP-1 medicines and prior authorization technology services related to GLP-1 medicines.

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 industry 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 September 30, 2023

	Percent Impact
Eli Lilly and Company	1.03%
argenx SE	0.47
UnitedHealth Group Incorporated	0.42
Rocket Pharmaceuticals, Inc.	0.12
Arcellx, Inc.	0.10

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 second quarter sales of blockbuster diabetes/obesity medicine Mounjaro and ongoing enthusiasm surrounding the company's obesity and diabetes franchises, particularly after Novo Nordisk released its SELECT trial results. We continue to think Lilly is well positioned to grow revenue and earnings at attractive rates through the end of the decade and beyond.

Argenx SE is a commercial stage biopharmaceutical company focused on developing and commercializing therapies for rare autoimmune diseases. Shares increased in the quarter after the company reported positive data from a study of Vyvgart Hytrulo in adults with chronic inflammatory demyelinating polyneuropathy (CIDP). CIDP is an important commercial market representing billions of dollars in potential sales, which adds to the overall revenue opportunity for the Vyvgart franchise. We expect additional upcoming clinical data readouts to further increase the revenue opportunity for argenx.

UnitedHealth Group Incorporated is a diversified health and well-being company with $200 billion in revenue that operates across four segments, United Healthcare, Optum Health, OptumInsight, and OptumRX, serving 134 million individuals in all 50 states and more than 125 countries. Shares increased on a second quarter upside surprise, including an EPS beat and medical loss ratio of 82.3%, 30 basis points better than investors had feared after management's warning of higher Medicare Advantage utilization. Investors were also reassured by management confidence that it had priced to trend, which it backed up by raising the low end of 2023 guidance. We remain positive on this market-leading managed care company with revenue twice that of its closest competitor. The company continues to gain Medicare Advantage share given attractive and stable benefits and could achieve greater profitability as medical management is deployed across newer, higher acuity lives. We believe UnitedHealth has a broad number of levers at its command and can sustainably deliver 13% to 16% annual long-term earnings growth.

Table III.
Top detractors from performance for the quarter ended September 30, 2023

	Percent Impact
Inspire Medical Systems, Inc.	–1.12%
DexCom, Inc.	–1.02
Exact Sciences Corporation	–0.70
Intuitive Surgical, Inc.	–0.65
Insulet Corporation	–0.56

Inspire Medical Systems, Inc. offers a treatment option called hypoglossal nerve stimulation for patients with moderate-to-severe obstructive sleep apnea who are unable to use or get benefit from continuous positive airway pressure. The stock declined after Novo Nordisk released SELECT trial results. The trial results have led to investor concerns that GLP-1 medicines may be broadly reimbursed by payors and widely adopted in the future. While this has raised questions about the long-term impact of GLP-1 drugs on the size of Inspire Medical's addressable market and the terminal value of the stock as weight loss can significantly reduce the severity of sleep apnea, the net impact remains unclear as some severely obese patients who would otherwise be ineligible for the company's therapy could become candidates for treatment after losing weight. We retain conviction in Inspire Medical's growth outlook.

DexCom, Inc. is a leading provider of continuous glucose monitoring technology (CGM) for people with diabetes. The stock declined after Novo Nordisk released SELECT trial results. The trial results have led to investor concerns that Wegovy and medications in the same class (Ozempic, Mounjaro, and other drugs in development) may be broadly reimbursed by payors and widely adopted. This has raised questions about the long-term impact of GLP-1 drugs on the size of DexCom's addressable market and the terminal value of the stock as these new medications could slow the progression of diabetes for those who are pre-diabetic and reduce the need for insulin for those with Type 2 diabetes. We think GLP-1 drugs will be used in conjunction with CGM technology, which will remain a critical diabetes management tool. We continue to believe DexCom has an attractive long-term growth runway ahead.

Exact Sciences Corporation is a cancer diagnostics company whose flagship product is Cologuard, a stool-based screening test for colon cancer. The stock declined because financial results did not satisfy lofty expectations and there was a broader sell-off in the diagnostics stocks. We retain conviction in the investment, though we reduced the position size to manage risk ahead of privately held company Freenome's clinical trial readout of a potentially competing blood-based screening test for colorectal cancer. We believe the screening market for colon cancer is vast, and management continues to build optionality by moving several liquid biopsy programs of their own through the pipeline.

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 September 30, 2023, we held 38 stocks. This compares with 528 stocks in the Benchmark. International stocks represented 14.5% of the Fund's net assets. The Fund's 10 largest holdings represented 49.8% 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 technology and underweight in pharmaceuticals, health care services, biotechnology, and health care equipment. The market cap range of the investments in the Fund was $150 million to $510 billion with a weighted average market cap of $156 billion. This compared with the Benchmark's weighted average market cap of $193 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 September 30, 2023

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
UnitedHealth Group Incorporated	2018	$227.2	$467.0	$18.9	9.5%
Eli Lilly and Company	2021	187.4	509.9	18.6	9.3
argenx SE	2018	2.8	28.8	9.1	4.6
Merck & Co., Inc.	2022	205.6	261.2	9.0	4.5
Thermo Fisher Scientific Inc.	2019	117.4	195.4	9.0	4.5
Intuitive Surgical, Inc.	2018	49.9	102.7	8.8	4.4
Vertex Pharmaceuticals Incorporated	2022	61.4	89.7	8.0	4.0
DexCom, Inc.	2018	8.3	36.2	6.3	3.2
Boston Scientific Corporation	2023	73.4	77.3	5.9	3.0
Zoetis Inc.	2019	55.8	80.1	5.5	2.8

Baron Health Care Fund

Table V.
Fund investments in GICS sub-industries as of September 30, 2023

	Percent of Net Assets
Pharmaceuticals	19.3%
Life Sciences Tools & Services	17.4
Biotechnology	17.1
Health Care Equipment	16.9
Managed Health Care	12.5
Health Care Supplies	3.7
Health Care Distributors	2.4
Health Care Facilities	2.3
Health Care Technology	2.0
Cash and Cash Equivalents	6.4
Total	100.0%*

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

Recent Activity

During the third quarter, we did not add any 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 September 30, 2023

	Quarter End Market Cap (billions)	Amount Purchased (millions)
argenx SE	$ 28.8	$3.6
Shockwave Medical, Inc.	7.3	2.0
Boston Scientific Corporation	77.3	1.8
Legend Biotech Corporation	11.4	1.0
Danaher Corporation	183.2	0.9

We added to our position in **argenx SE**, a commercial stage biopharmaceutical company focused on developing and commercializing therapies for rare autoimmune diseases. In July, argenx reported positive data from a study of Vyvgart Hytrulo in adults with CIDP. The study met its primary endpoint demonstrating a significantly lower risk of relapse with Vyvgart Hytrulo versus a placebo. This positive data adds to the commercial opportunity for Vyvgart, which is in the early stages of commercial launch for the treatment of myasthenia gravis (MG). We estimate CIDP represents an additional $3 billion revenue opportunity. We believe Vyvgart and the subcutaneous version Vyvgart Hytrulo have the potential to generate at least $7 billion in peak sales in MG, CIDP, primary immune thrombocytopenia, and pemphigus vulgaris. Plus, the company is studying Vyvgart in other autoimmune diseases and the ultimate peak sales potential for the franchise could be much higher. We continue to believe argenx is a unique growth company with strong management.

We added to our position in **Shockwave Medical, Inc.**, a medical device company that sells products for the treatment of peripheral artery disease and coronary artery disease. The company's catheters emit sonic waves to crack calcium in the plaque and open up the arteries (called intravascular lithotripsy or IVL). Shockwave is the only player on the market today with IVL catheters. Competing devices include plain balloons to push out plaque, and atherectomy, which uses blades or lasers to scrape away plaque. Plain balloons have difficulty removing hard, calcified plaque, and both of these alternative methods carry risks of damaging the artery. In contrast, IVL uses sonic waves to selectively target calcium plaque while leaving arteries undamaged. IVL also enables penetration deep into artery walls to crack hidden calcium. According to physicians, IVL is safe and easy to use, and adoption has been rapid, which has driven strong revenue growth for Shockwave. There is some uncertainty about the level of Medicare rates for IVL coronary artery procedures in the outpatient setting when a temporary add-on payment expires next year, but recently Medicare created new reimbursement codes specifically for IVL for the inpatient setting, which is encouraging. Meanwhile, Shockwave continues to advance its new product pipeline and expand in international markets. We think the company can grow revenue 20% or better for at least the next few years. The company is already highly profitable with higher than 20% operating margins and room to expand further.

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 wrote about Boston Scientific last quarter. We believe Boston Scientific can grow revenue in the high single digits, driven by differentiated products used to treat atrial fibrillation, among others. The company held an Investor Day during the quarter at which management established financial targets for the 2024–2026 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 added to **Legend Biotech Corporation**, a biotechnology company developing cell therapies for cancer. The company's lead product is Carvykti, a cell therapy for the treatment of multiple myeloma, a blood cancer affecting over 200,000 people in the U.S. alone. We wrote about Legend Biotech last quarter and retain conviction in the investment thesis.

We added to **Danaher Corporation**, which recently completed the spinoff of its non-life sciences businesses to become a pure-play life sciences tools company. Although near-term trends in the bioprocessing market remain challenging, we like the long-term growth drivers in this business and think Danaher is well positioned.

Table VII.
Top net sales for the quarter ended September 30, 2023

	Amount Sold (millions)
Abbott Laboratories	$2.5
Exact Sciences Corporation	1.3
Humana Inc.	1.1
Elevance Health, Inc.	1.1
Moderna, Inc.	1.0

We sold **Abbott Laboratories** to raise cash for potential new ideas with higher growth potential. We reduced our positions in **Humana Inc.** and **Elevance Health, Inc.** to lower our overall exposure to managed care. We trimmed our position in **Exact Sciences Corporation** as discussed earlier. We took a tax loss in **Moderna, Inc.**

Outlook

One of the biggest growth categories in health care is the adoption of GLP-1 medicines to treat Type 2 diabetes and obesity. GLP-1 medicines work by stimulating insulin production, decreasing glucagon secretion, slowing gastric emptying, and increasing satiety. This results in improved glucose control and weight loss. Although GLP-1s have been used to treat Type 2 diabetes for many years, the newest generation of GLP-1s (Ozempic, Wegovy, Mounjaro) are more effective and can help people lose 15% to 20% or more of their body weight.

The announcement of Novo Nordisk's SELECT trial results in early August demonstrated that these newer GLP-1s don't just treat Type 2 diabetes and cause weight loss, they also benefit patients' cardiovascular health. GLP-1s are being studied in other outcomes trials to demonstrate whether they have other health benefits. If these trials read out positively, we could be entering a new era with improved public health and lower downstream medical costs. The SELECT news sent shockwaves throughout the market as investors digested the potential impact of widespread adoption of GLP-1s on health care companies, food and beverage manufacturers, restaurants, retailers, and even tobacco and gaming companies.

When thinking about how big the market for GLP-1s could be, the numbers get large. There are roughly 100 million people in the U.S. who have obesity without diabetes and another roughly 33 million diagnosed adults with Type 2 diabetes. One possible precedent is the market for cholesterol and blood pressure medications that are roughly 50% penetrated on a compliance-adjusted basis. If we assume 40% of the non-diabetic obese population plus 60% of the Type 2 adults population take and stay on a GLP-1 medicine (a key variable since some patients may cycle on and off therapy), that implies roughly 60 million people taking GLP-1s in the future in this country alone.

We have positioned the Fund to benefit from this trend by maintaining a large position in **Eli Lilly and Company**, which we believe will remain a leader in the field with its drug Mounjaro and its deep pipeline of next generation GLP-1 medicines. Analysts now estimate the GLP-1 drug class could surpass $100 billion in revenue by the end of the decade and we expect Lilly to hold a meaningful share of that market. We also have positions in **West Pharmaceutical Services, Inc.** and **Stevanato Group S.p.A**, both of which are beneficiaries of GLP-1 injectable medicine uptake. West makes syringe plungers that are used in injection devices and Stevanato makes glass syringes and cartridges that go into pens and autoinjectors. **McKesson Corporation**, another Fund holding, also benefits from distribution of GLP-1 medicines and prior authorization technology services related to GLP-1 medicines.

Moving beyond the GLP-1 discussion and turning to managed care, the second quarter's scare about medical cost trends has dissipated as recent commentary by managed care companies has noted relatively stable trends. Although managed care stocks have faced a challenging 2023 due to heightened political and regulatory scrutiny of the Medicare Advantage program and the pharmacy benefit management industry, less favorable Medicare Advantage rates for 2024, and an uptick in medical cost trends, we continue to believe the managed care stocks we own are well positioned for long-term growth.

During the quarter, the Center for Medicare and Medicaid Services released the list of the first 10 drugs that will be subject to price negotiation under the Medicare Drug Price Negotiation Program (the Program) that Congress established as part of the Inflation Reduction Act. For the most part, the list did not surprise investors, and many of the drugs on the list will be close to patent expiration around the time they become subject to negotiation. We continue to track litigation challenging the constitutionality of the Program. We are also monitoring whether the Program leads to an overall change in biopharmaceutical R&D spending or a shift in spending towards large molecule biologics and away from small molecules because of the different treatment of these drugs in the legislation (13-year period without Medicare drug price negotiation for biologics vs. 9 years for small molecules).

In biotechnology, we continue to focus on select biotechnology companies that we believe have innovative products and are well funded and well positioned in a more difficult pricing environment. Examples include **argenx SE**, a developer of therapeutic antibodies for severe autoimmune diseases; **Rocket Pharmaceuticals, Inc.**, a developer of gene therapies for rare, undertreated diseases; and **Legend Biotech Corporation**, a developer of cell therapies for blood cancers such as multiple myeloma.

After benefiting during COVID and then having a challenging 2022, life sciences tools stocks continue to face multiple headwinds in 2023, 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. Although market conditions in China deteriorated in the third quarter, we believe the headwinds are temporary. We remain invested in several life sciences tools companies with secular growth drivers, pricing power, recurring revenues, high margins, and low-capital intensity.

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 pricing power, strong management, and excellent balance sheets.

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

Thank you for investing in Baron Health Care 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 contain 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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Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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