

A focused approach to investing Baron Partners Fund



Ron Baron,
Portfolio Manager

Baron Partners Fund is a focused all-cap mutual fund that holds, for the long-term, stocks in which we have our highest level of conviction. The portfolio holds a small number of stocks, only 21 as of March 31, 2013. Conviction is driven by our fundamental research, our experience as investors, and our expectations of a company’s long term growth opportunities. The Fund generally takes a positive view of the stock markets over the long-term, and we often employ leverage to increase its investment exposure. This Fund may not be appropriate for every investor. We believe that by focusing on a small number of companies with, in our opinion, above-average return potential, we will deliver superior performance over time.

Baron Partners Fund is managed by Ron Baron. Ron has over 43 years of research experience and has been at the helm of this Fund since its inception. Baron Partners Fund started as a private investment partnership on January 31, 1992 and converted to a mutual fund on April 30, 2003. Ron’s unique approach to “investing in people not just buildings,” focusing on a company’s long-term sustainable competitive advantages and investing only when he thinks the price is right, is the foundation of the Baron investment approach. We believe that Ron’s long experience as a portfolio manager gives this Fund an edge. We think this is particularly important in a portfolio with a smaller number of positions.

We do a deep dive before and throughout the life of an investment. To understand a company’s prospects for long-term growth, we perform exhaustive proprietary due diligence on the company’s business fundamentals to evaluate opportunities and confirm our investment thesis. We validate this information by questioning customers, suppliers, and competitors. We use our industry expertise, which we have developed over many years of investing. Understanding the fundamentals of a business also allows us to know when a dip in a stock’s price may actually be an opportunity to add to our position.

We invest for the long-term and have low turnover. Baron Partners Fund trades infrequently, resulting in an average turnover rate for the three years ending March 31, 2013 of 15.0%. When we invest in a company, we invest for the long term, and we buy stocks we believe have the potential to double in size over the next four to five years. We

continually reassess that potential over the life of an investment, and if we believe the potential still exists, we will continue to hold the stock.

We invest in people. Our long-term approach enables us to know company executives over many years, and watch them as they implement their plans for growth. We meet with management so we can understand the character, vision, and style of the people running the business. We look for passion, commitment, integrity — for executives dedicated to their customers, shareholders, and employees. We seek managers who have long-term vision and the ability to execute that vision. Over our many years of investing we have learned what makes a successful management team.

We build our portfolio stock by stock. We invest in companies that we believe are of the highest quality; are appropriately financed; have great

CONTINUED ON PAGE 2

Top 10 Holdings as of March 31, 2013

Security	% of Total Investments
Arch Capital Group Ltd.	10.7%
ITC Holdings Corp.	10.6%
Hyatt Hotels Corp.	8.7%
Verisk Analytics, Inc.	8.2%
Fastenal Co.	7.5%
Dick’s Sporting Good, Inc.	6.2%
FactSet Research Systems, Inc.	6.0%
VAIL Resorts, Inc.	5.5%
The Charles Schwab Corp.	5.0%
CoStar Group, Inc.	4.4%
Total	72.8%

growth opportunities, stable businesses, and exceptional managements; and are inexpensive relative to what we believe they can earn. Because the portfolio has a small number of investments, we have to be highly confident in a company's growth and its prospects for success before buying it for Baron Partners Fund. As of March 31, 2013 the top 10 positions represented 72.8% of the Fund's total investments, and the average top 10 position size was 7.3%. This means that the performance of each of these holdings will have a significantly larger impact on the portfolio's performance. The Fund held 11 additional investments that we hope will perform so well that they become top 10 positions.

The Fund is not diversified. Baron Partners Fund is not diversified, which means it might have a large percentage of its assets in few stocks and the positions may be heavily weighted to a particular industry or sector. We invest in companies we think will provide the greatest returns for our shareholders over time.

Even though it is not diversified, we do try to maintain a balance of risks in the portfolio. We diversify risk by investing in stocks that are not necessarily correlated to each other. We consider a variety of factors, including growth opportunities, regulatory implications, business lines, addressable markets, and the types of customers or consumers for a particular business. We look at a company's sensitivity to oil prices and to the economy, exposures to the financial markets, and trading liquidity.

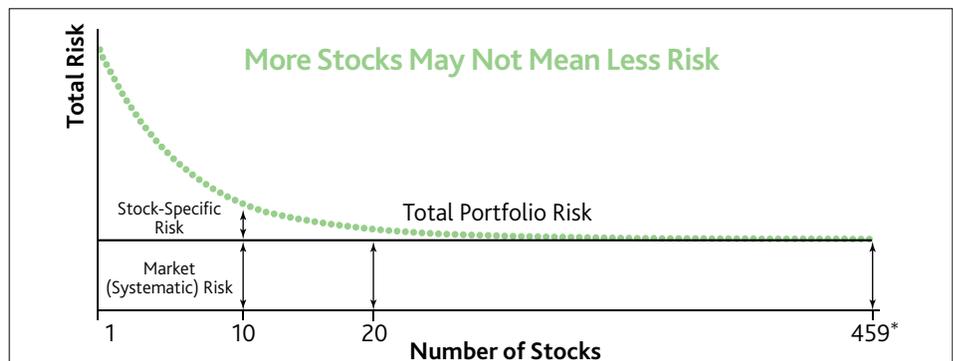
Focused does not necessarily mean more risk. Many investors believe that a portfolio with a large number of stocks has less risk than a focused portfolio. Generally speaking, the risk of an equity portfolio can be divided into two major categories: market, or systemic, risk and stock-specific risk. Market risk relates to potential losses arising from the overall performance of the financial markets. All equity portfolios have market risk. Stock-specific risk relates to the potential losses that are particular to a company. Examples of stock-specific risk include an employee strike, a natural disaster, or a product recall.

While systemic risk cannot be eliminated, to some extent stock-specific risk can be de-

creased by adding more stocks in a portfolio. However, there is a limit to the benefits of diversifying away company-specific risk. To use a real-life example, you might be worried about running out of gas and carry an extra can of gas in your car as a hedge to seeing the empty sign appear on your gas gauge. Carrying more than one extra can of gas, however, doesn't necessarily limit the risk of eventually running out of gas, and the additional cans may actually have a negative impact on other things, including adding to your costs, carrying potentially explosive materials, lim-

to the overall expense ratio of the Fund, and if the interest expense exceeds the returns achieved, the use of leverage will decrease returns to investors. The Fund may borrow up to one-third of its total assets and must maintain asset coverage of 300%. As of March 31, 2013 the Fund was about 121% invested.

The Fund may be more volatile. Baron Partners Fund's performance is generally more volatile than other Baron Funds. Because of the limited number of stocks, the Fund may experience higher short-term volatility, which is further amplified by the use of leverage. However,



Source: Graphical interpretation of results from "Equity Portfolio Diversification: How Many Stocks are Enough? Evidence from Five Developed Markets (November 28, 2012)" by Alexeev, Vitali V. and Tapon, Francis, FIRM Research Paper; and Russell Indices. *Number of stocks in the Russell Mid-Cap Growth Index at 3/31/2013.

iting space in your trunk, and adding weight, thus reducing gas mileage, which could actually increase your chance of running out of gas. Someone might also think you are a terrorist!

Similarly, the benefit of each additional stock may decrease as the number of stocks increase. Several academic studies have shown that on average, owning 20 to 30 stocks in a portfolio is sufficient to eliminate about 90-95% of stock-specific risk. (see, e.g., Alexeev, Vitali V. and Tapon, Francis, Equity Portfolio Diversification: How Many Stocks are Enough? Evidence from Five Developed Markets (November 28, 2012). FIRM Research Paper. Available at SSRN: <http://ssrn.com/abstract=2182295> or <http://dx.doi.org/10.2139/ssrn.2182295>). This concept is illustrated in the chart above. And more stocks means less room for the highest conviction ideas.

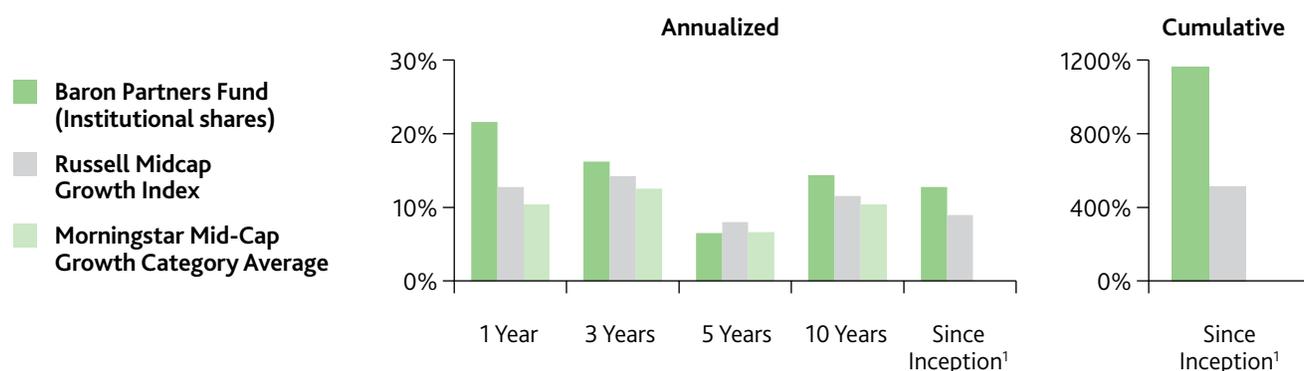
The portfolio uses leverage. The Fund may borrow money to buy securities, increasing the Fund's exposure to the positions and the equity market. Although this may tend to magnify the volatility of the Fund's returns, it also can enhance its returns. The interest expense incurred by the Fund to borrow adds

we believe that the Fund's downside risk is mitigated by the higher-quality characteristics of the Fund's investments: exceptionally well-managed with sustainable competitive advantages and superior long term growth. We believe these characteristics result in stable earnings per share growth, high EBITDA margins, superior returns on invested capital, and strong free cash flows. Many of the companies in the portfolio have a large portion of their income from recurring revenues and the weighted average beta of the portfolio holdings is typically below one.

Performance. We believe Baron Partners Fund's portfolio of high conviction ideas has the potential to outperform the market over time. As the table on page 3 shows, the Fund has been a pretty good investment over time. ■

Specific risks associated with non-diversification and leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. The Fund may not achieve its objectives. Current and future portfolio holdings are subject to risk.

Baron Partners Fund Performance, March 31, 2013



	Annualized (%)					Cumulative (%)
	1 Year	3 Years	5 Years	10 Years	Since Inception ¹	Since Inception ¹
Baron Partners Fund (Institutional shares)	21.57	16.22	6.50	14.38	12.74	1164.52
Russell Midcap Growth Index	12.76	14.23	7.98	11.53	8.95	514.15
Morningstar Mid-Cap Growth Category Average	10.40	12.54	6.62	10.38	—	—
Morningstar Mid-Cap Growth Category % Ranking	2	10	51	—	—	—

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 Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON. As of December 31, 2011 the total expense ratio for Baron Partners Fund was 1.45% comprised of operating expenses of 1.09% and interest expenses of 0.36% for the Institutional share class.

¹ Inception date was 1/31/1992. The Fund began as a partnership and converted to a mutual fund on 4/30/2003. The Institutional Shares were added 5/29/2009.

² The Morningstar US OE Mid-Cap Growth Category percentile ranking is based on total return, excluding sales charges, of all share classes of all funds in the category. The category average is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth category. The Fund's Retail Shares have been included in the category since 4/30/03 and the Fund's Institutional Shares since 5/29/09. As of 3/31/2013, the category consisted of 714, 645, 564, and 417 funds for the 1-, 3-, 5-, and 10-year periods.

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

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

The Russell Midcap™ Growth Index is an unmanaged index that measures the performance of medium-sized U.S. companies that are classified as growth. The Index and the Fund are with dividends, which positively impact the performance results.

Baron Events

Baron Investment Conference

Our 22nd Annual Baron Investment conference will be held **Friday, November 8, in New York City at the Metropolitan Opera House, Lincoln Center**. Advance registration is required and seating is first come, first served. For your free registration, visit www.BaronFunds.com/register.

Or call **800-99-BARON, option 1**. Our conference features guest speakers from the companies in which we invest and our own portfolio managers. Seating is limited. Preferred seating is available to those who qualify.

Please read our registration requirements before registering. Reserve your place beginning May 1, 2013.

Performance as of March 31, 2013¹

RETAIL SHARES										
		YTD	Average Annualized Returns			Since Inception		Inception	Expense Ratio	Interest
			1-Year	5-Years	10-Years	Annualized	Cumulative	Date		Expense
Small Cap	Baron Growth Fund	13.38%	21.08%	8.58%	11.66%	13.60%	924.51%	12/31/94	1.32% ¹	
	Baron Small Cap Fund	12.59%	17.15%	8.60%	11.56%	9.74%	322.28%	9/30/97	1.31% ¹	
Smid Cap	Baron Focused Growth Fund ³	10.92%	17.72%	6.94%	15.41%	11.79%	552.33%	5/31/96	1.48%/1.35% ²	
Mid Cap	Baron Asset Fund	14.20%	15.20%	6.51%	11.59%	11.16%	1434.43%	6/12/87	1.33% ¹	
	Baron Opportunity Fund	8.83%	5.86%	8.57%	14.48%	4.06%	68.39%	2/29/00	1.39% ¹	
Large Cap	Baron 5 th Ave. Growth Fund	4.80%	3.23%	4.01%	N/A	4.76%	51.34%	4/30/04	1.55%/1.30% ¹	
All Cap	Baron Partners Fund ³	18.65%	21.29%	6.28%	14.26%	12.68%	1151.89%	1/31/92	1.35% ²	0.36% ²
Int'l	Baron Emerging Markets Fund	2.29%	9.07%	N/A	N/A	1.83%	4.16%	12/31/10	4.49%/1.50% ²	
	Baron Global Advantage Fund	2.02%	N/A	N/A	N/A	N/A	6.20%	4/30/12	4.50%/1.50% ²	
	Baron Int'l Growth Fund	1.67%	3.33%	N/A	N/A	14.84%	80.07%	12/31/08	1.73%/1.50% ²	
Specialty	Baron Energy and Rsrcs Fund	11.63%	5.18%	N/A	N/A	4.46%	5.60%	12/30/11	4.25%/1.35% ²	
	Baron Real Estate Fund	13.18%	39.63%	N/A	N/A	24.83%	105.62%	12/31/09	2.33%/1.35% ²	
INSTITUTIONAL SHARES										
		YTD	Average Annualized Returns			Since Inception		Inception	Expense Ratio	Interest
			1-Year	5-Years	10-Years	Annualized	Cumulative	Date		Expense
Small Cap	Baron Growth Fund	13.45%	21.40%	8.79%	11.77%	13.66%	934.63%	12/31/94	1.06% ¹	
	Baron Small Cap Fund	12.66%	17.45%	8.81%	11.67%	9.81%	326.40%	9/30/97	1.05% ¹	
Smid Cap	Baron Focused Growth Fund ³	11.01%	17.98%	7.12%	15.51%	11.84%	558.01%	5/31/96	1.18%/1.10% ²	
Mid Cap	Baron Asset Fund	14.28%	15.54%	6.73%	11.70%	11.21%	1450.05%	6/12/87	1.06% ¹	
	Baron Opportunity Fund	8.94%	6.12%	8.81%	14.60%	4.15%	70.20%	2/29/00	1.13% ¹	
Large Cap	Baron 5 th Ave. Growth Fund	4.85%	3.55%	4.21%	N/A	4.87%	52.79%	4/30/04	1.26%/1.05% ¹	
All Cap	Baron Partners Fund ³	18.74%	21.57%	6.50%	14.38%	12.74%	1164.52%	1/31/92	1.09% ²	0.36% ²
Int'l	Baron Emerging Markets Fund	2.29%	9.20%	N/A	N/A	2.02%	4.61%	12/31/10	3.83%/1.25% ²	
	Baron Global Advantage Fund	2.11%	N/A	N/A	N/A	N/A	6.40%	4/30/12	4.25%/1.25% ²	
	Baron Int'l Growth Fund	1.66%	3.56%	N/A	N/A	15.10%	81.81%	12/31/08	1.38%/1.25% ²	
Specialty	Baron Energy and Rsrcs Fund	11.71%	5.48%	N/A	N/A	4.69%	5.90%	12/30/11	4.00%/1.10% ²	
	Baron Real Estate Fund	13.27%	39.90%	N/A	N/A	25.12%	107.17%	12/31/09	2.14%/1.10% ²	

Baron Growth Fund and Small Cap Fund invest primarily in small-cap securities, Baron Asset Fund in mid-cap securities, Baron Focused Growth Fund and International Growth Fund in both. Small and mid-cap securities may be thinly traded and more difficult to sell during market downturns. Baron Opportunity Fund emphasizes mid-sized companies that we believe will benefit from innovations and advances in technology, which present the risk of rapid change and product obsolescence and their successes may be difficult to predict for the long term. Baron Partners Fund, Focused Growth Fund, Baron Real Estate Fund and Baron Energy and Resources Fund are non-diversified and Baron Partners Fund uses leverage, which increase volatility of the Funds' returns and expose the Funds to greater loss in any given period. In addition, the value of Baron Real Estate Fund is affected by the strength of the real estate markets. Baron Fifth Avenue Growth Fund invests primarily in large-cap securities, which like all equities are subject to price fluctuations in the stock market. Baron International Growth Fund, Baron Emerging Markets Fund and Baron Global Advantage Fund invests primarily in non-U.S. securities, which involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. These risks are heightened for the Baron Emerging Markets Fund. Baron Energy and Resources Fund invests in energy companies, which can be affected by fluctuations in energy prices and supply and demand of energy fuels, and in resources industries, which can be affected by international political and economic developments, the success of exploration projects, and meteorological events.

¹ As of September 30, 2012 for Baron Asset, Baron Growth, Baron Small Cap, Baron Opportunity and Baron Fifth Avenue Growth Funds. For Baron Fifth Avenue Growth Fund, the total expense ratio was 1.55% Retail share class and 1.26% Institutional share class, but the net annual expense ratio is 1.30% Retail and 1.05% Institutional (net of the Adviser's fee waivers).

² As of December 31, 2011 for Baron Partners, Baron Focused Growth, Baron International Growth, Baron Real Estate and Baron Emerging Markets Funds. Total expense ratio shown for Baron Partners Fund was comprised of operating expenses of 1.35% and interest expense of 0.36% for the Retail share class and 1.09% and 0.36% respectively for the Institutional share class. For Baron Focused Growth Fund, the total expense ratio was 1.48%, but the net annual expense ratio was 1.35% for the Retail share class and 1.18% and 1.10% respectively for the Institutional share class (net of the Adviser's fee waivers). For Baron International Growth Fund, the total expense ratio was 1.73%, but the net annual expense ratio was 1.50% for the Retail share class and 1.38% and 1.25% respectively for the Institutional share class (net of the Adviser's fee waivers). For Baron Real Estate Fund, the total expense ratio was 2.33% but the net annual expense ratio was 1.35% for the Retail share class and 2.14% and 1.10% respectively for the Institutional share class (net of the Adviser's fee waivers). For Baron Emerging Markets Fund, the total expense ratio was 4.49%, but the net annual expense ratio was 1.50% for the Retail share class and 3.83% and 1.25% respectively for the Institutional share class (net of the Adviser's fee waivers). For Baron Energy and Resources Fund, the estimated total expense ratio is 4.25%, but the net annual expense ratio is 1.35% for the Retail share class and 4.00% and 1.10% respectively for the Institutional share class (net of the Adviser's fee waivers). For Baron Global Advantage Fund, the estimated annual operating expense is 4.50% (*not annualized), but the net annual expense ratio is 1.50% for the Retail share class and 4.25% (*not annualized), and 1.25% respectively for the Institutional share class (net of the Adviser's fee waivers).

³ Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee. The predecessor partnerships' performance is only for periods before the Funds' registration statements were effective (4/30/03 for BPF and 6/30/08 for BFCF). During those periods, the predecessor partnerships were not registered under the Investment Company Act of 1940 and were not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if they were, might have adversely affected their performance.

The Adviser has reimbursed certain Fund expenses for Baron Focused Growth, Opportunity, Fifth Avenue Growth, Emerging Markets, Global Advantage, International Growth, Energy and Resources, and Real Estate Funds (by contract as long as BAMCO, Inc. is the adviser to the Funds).

© 2013 Morningstar, Inc. All Rights Reserved. The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The Baron Funds' prospectuses contain this and other information about the Funds. Please read it carefully before investing. You can obtain one from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com.

T SHIRTS AND HOW TO CONTACT US: Free 2012 Baron Conference T-shirts are available, men's sizes L - 2XL. Get one and send us a picture of you or a family member wearing our T-shirt (PG only, please) and we'll display it at our next Conference. Or tell us about an unusual Baron T-shirt sighting. For your free T-shirt, call us at **800-99-BARON**. ■