## DEAR BARON HEALTH CARE FUND SHAREHOLDER:

### PERFORMANCE

In the quarter ended September 30, 2022, Baron Health Care Fund (the "Fund") declined 6.01% (Institutional Shares), compared with the 4.72% decline for the Russell 3000 Health Care Index (the "Benchmark") and the 4.88% decline for the S&P 500 Index. Since inception (April 30, 2018), the Fund increased 12.50% on an annualized basis compared with the 10.03% gain for the Benchmark and the 9.02% gain for the S&P 500 Index.

NEAL KAUFMAN

PORTFOLIO MANAGER

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

**Table I.**
**Performance**
**Annualized for periods ended September 30, 2022**

| | 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)% | (6.01)% | (4.72)% | (4.88)% |
| Nine Months[3] | (23.99)% | (23.82)% | (15.81)% | (23.87)% |
| One Year | (22.46)% | (22.25)% | (9.77)% | (15.47)% |
| Three Years | 15.10% | 15.40% | 11.05% | 8.16% |
| Since Inception (April 30, 2018) | 12.21% | 12.50% | 10.03% | 9.02% |

The Fund underperformed the Russell 3000 Health Care Index by 129 basis points (Institutional Shares) primarily due to disappointing stock selection.

Favorable stock selection in health care equipment together with cash exposure in a down market and higher exposure to outperforming health care distributors added the most value. Strength in health care equipment was driven by **ShockWave Medical, Inc.**, a provider of intravascular lithotripsy for the minimally invasive treatment of arterial plaque. ShockWave was the top contributor as the company is successfully navigating hospital staffing shortages and other challenges and continues to see robust uptake of its coronary product. Venous thromboembolism treatment (VTE) pioneer **Inari Medical, Inc.** and fiber optic sensors manufacturer **Opsens Inc.** also performed well in the sub-industry. Inari was the second largest contributor given the VTE treatment space is still in the very early days of converting to device-based interventions, and we believe Inari is well positioned to benefit. The company also held an Investor Day where they unveiled products to enter several new addressable markets. Opsens shares increased after the company received FDA approval of SavvyWire, its new guidewire for transcatheter aortic heart valve replacement procedures.

Investments in biotechnology, life sciences tools & services, and pharmaceuticals were mostly responsible for the relative shortfall during the quarter. Within biotechnology, underperformance of **Moderna, Inc.** and lower exposure to this better performing sub-industry weighed the most on relative performance. Shares of Moderna, a leader in the emerging field of mRNA-based vaccines and therapeutics, declined due to increasing uncertainty around what a booster market could look like as COVID shifts away from pandemic status and becomes an increasingly commercial market rather than government funded. Weakness in life sciences tools & services was largely due to the underperformance of **Bio-Techne Corporation**, a leading developer and manufacturer of life sciences reagents, instruments, and services for the life sciences research, diagnostics, and bioprocessing markets. Bio-Techne was the top detractor due to short-term headwinds related to the more pronounced impact of summer vacations, COVID lockdowns in China, foreign currency fluctuations, and some pull forward of sales into the prior quarter ahead of a price increase. Recent addition **Danaher Corporation** also underperformed for the period held. We initiated a position after the company announced plans to separate

*Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2021 was 1.17% and 0.89%, 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 Baron Fund expenses pursuant to a contract expiring on August 29, 2033, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.*

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 trade mark 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 indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact 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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its Environmental & Applied business segment. Following the spin-off, we believe Danaher will have a more attractive business consisting of 80% recurring revenue, high single-digit organic revenue growth, and double-digit earnings per share growth. Adverse stock selection in pharmaceuticals came from U.K.-based veterinary drugs manufacturer **Dechra Pharmaceuticals PLC** and diversified global pharmaceutical company **AstraZeneca PLC**. Dechra was the second largest detractor as animal health stocks are being impacted by challenging comparisons following a surge in business activity during the pandemic, while AstraZeneca's shares were hurt by the broader flight out of European stocks and the decline in the British Pound that started late in the quarter.

Our strategy is to identify competitively advantaged growth companies that we can own for years. Many of the stocks that underperformed this past quarter are stocks we have owned since the Fund's inception and have owned in other Baron Funds for even longer. We think those stocks are now well positioned to outperform over the long term.

Similar to the other Baron Funds, we remain focused on finding businesses we believe have open-ended 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 approximately 19% of GDP in 2021 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, 2022**

| | Percent Impact |
|---|---|
| ShockWave Medical, Inc. | 0.30% |
| Inari Medical, Inc. | 0.16 |
| MaxCyte, Inc. | 0.14 |
| McKesson Corporation | 0.10 |
| Cytokinetics, Inc. | 0.10 |

**ShockWave Medical, Inc.** provides intravascular lithotripsy for the minimally invasive treatment of arterial plaque. Shares increased during the quarter as the company has demonstrated it is successfully navigating hospital staffing shortages and other challenges and continues to see robust uptake of its coronary product. We think ShockWave has a differentiated technology serving a significant unmet need in arterial disease with potential to expand into treatment of heart valves.

**Inari Medical, Inc.** makes catheter-based devices to remove clots from venous thromboembolism (VTE). VTE is the third most common vascular condition in the U.S. after heart attacks and strokes and if left untreated can be fatal. Shares held up well for the quarter. The company held an Investor Day where it unveiled products to enter several new addressable markets. The VTE treatment space is still in the early days of converting to device-based interventions, and we believe Inari is well positioned to benefit.

**MaxCyte, Inc.** is a life sciences tools company offering an electroporation platform in the cell and gene therapy space. Similar to other earlier stage tools companies, MaxCyte shares saw a steep sell-off in the first half of 2022, followed by a slight rebound in the third quarter. Although it will take time to realize, we believe the company has built up a significant pipeline of clinical programs with potential sales-based payments if successfully commercialized.

**McKesson Corporation** is a leading distributor of pharmaceuticals and medical supplies. The company also provides prescription technology solutions that connect pharmacies, providers, payers, and biopharmaceutical customers. The stock price rose on solid financial results as its business is less exposed to current macroeconomic headwinds. We continue to have conviction that McKesson can grow earnings per share by an average of 12% to 14% annually and think the stock is still reasonably valued.

**Cytokinetics, Inc.** is a biotechnology company developing novel drugs for cardiovascular disease, starting with heart failure and hypertrophic cardiomyopathy. Shares increased largely due to pull through from this summer's positive results in the Phase 2 trial of its drug aficamten and the market perception of Cytokinetics as a desirable M&A target. We will be closely monitoring the upcoming commercial approval of lead asset omecamtiv mecarbil and results from the commercial launch of Bristol Myers' mavacamten, a competitor of aficamten.

**Table III.**
**Top detractors from performance for the quarter ended September 30, 2022**

| | Percent Impact |
|---|---|
| Bio-Techne Corporation | –0.81% |
| Dechra Pharmaceuticals PLC | –0.80 |
| AstraZeneca PLC | –0.70 |
| AbbVie Inc. | –0.41 |
| Thermo Fisher Scientific Inc. | –0.33 |

**Bio-Techne Corporation** is a leading developer and manufacturer of reagents, instruments, and services for the life sciences research, diagnostics, and bioprocessing markets. Short-term headwinds, including COVID-related lockdowns in China, foreign currency fluctuations, and some pull forward of sales into the prior quarter ahead of a price increase, pressured shares. We view these headwinds as temporary and continue to have conviction that Bio-Techne can generate strong long-term growth.

**Dechra Pharmaceuticals PLC** is a U.K.-based global specialist veterinary pharmaceuticals company. Shares fell along with most animal health stocks on investor expectations that growth, which soared during the pandemic, is returning to more normalized levels. High-multiple stocks like Dechra were particularly punished given higher interest rates and a more challenging global macroeconomic environment. We remain investors. Dechra continues to perform well, including the closure of two significant acquisitions, which enhances its existing portfolio and novel product pipeline.

**AstraZeneca PLC** is a global pharmaceutical company focused on oncology, respiratory, cardiovascular, and metabolism drugs. Despite incremental positive news flow, shares were hurt by the broader flight out of European stocks and the decline in the British Pound that started late in the quarter. We retain conviction in AstraZeneca given its best-in-class growth profile combined with its strong pipeline and commercial launch characteristics. We highlight breast cancer drugs Enhertu and Dato-DXd as two promising near-term opportunities.

**AbbVie Inc.** is a drug developer best known for Humira, an immunosuppressant that is the best selling drug of all time. Given outsized key product risk (patent cliff and generic launches beginning in 2023), AbbVie has broadened its pipeline, highlighted by its Allergan acquisition. Shares fell on results that missed consensus and indications that legacy franchises were outperforming newer product launches, calling into question AbbVie's long-term strategy. With promising assets in the pipeline and its robust cash flow profile, we believe AbbVie will grow well into the future.

**Thermo Fisher Scientific Inc.** is the world's largest life sciences tools company. Shares fell due to the rotation out of life sciences tools stocks, driven by concerns about a possible global recession, foreign currency exposure, COVID-related lockdowns in China, and reduced levels of biotechnology funding. We continue to believe Thermo Fisher has a strong long-term growth outlook given a large and growing addressable market coupled with its industry-leading scale, commercial infrastructure, e-commerce platform, supply-chain capabilities, and R&D 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 from 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 compound earnings at double-digit rates over the long term. We define high-growth stocks as companies we expect to generate mid-teens 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 continue to emphasize earnings compounders due to ongoing market uncertainty while maintaining more modest exposure to biotechnology and high-growth companies.

The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of September 30, 2022, the Fund held 48 stocks. This compares with 496 stocks in the Benchmark. International stocks represented 14.0% of the Fund's net assets. The Fund's 10 largest holdings represented 45.7% of net assets. Compared with the Benchmark, the Fund was overweight in life sciences tools & services, health care distributors, and managed health care, and most underweight in pharmaceuticals, biotechnology, health care services, health care equipment, and health care facilities. The market cap range of the investments in the Fund was $207 million to $472 billion with a weighted average market cap of $139 billion. This compared with the Benchmark's weighted average market cap of $176 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, value-based health care, Medicare Advantage, 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, 2022**

| | 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 | $472.4 | $18.2 | 9.7% |
| Eli Lilly and Company | 2021 | 187.4 | 307.2 | 10.6 | 5.7 |
| Thermo Fisher Scientific Inc. | 2019 | 117.4 | 198.7 | 9.0 | 4.8 |
| Bio-Techne Corporation | 2018 | 5.7 | 11.1 | 7.9 | 4.2 |
| AstraZeneca PLC | 2021 | 188.4 | 169.9 | 7.4 | 3.9 |
| Humana Inc. | 2019 | 35.0 | 61.4 | 7.4 | 3.9 |
| argenx SE | 2018 | 2.8 | 19.4 | 6.7 | 3.6 |
| McKesson Corporation | 2021 | 34.2 | 48.8 | 6.7 | 3.6 |
| AbbVie Inc. | 2022 | 240.2 | 237.3 | 6.5 | 3.5 |
| Elevance Health, Inc. | 2022 | 111.2 | 109.0 | 5.3 | 2.8 |

**Table V.**
**Fund investments in GICS sub-industries as of September 30, 2022**

| | Percent of Net Assets |
|---|---|
| Pharmaceuticals | 18.1% |
| Life Sciences Tools & Services | 17.0 |
| Managed Health Care | 16.5 |
| Biotechnology | 15.2 |
| Health Care Equipment | 14.6 |
| Health Care Distributors | 3.6 |
| Health Care Technology | 1.2 |
| Specialized REITs | 0.8 |
| Cash and Cash Equivalents | 13.0 |
| Total | 100.0%* |

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

## RECENT ACTIVITY

During the third quarter, we established seven new positions and exited five positions. In this time of high inflation and rising interest rates, we are particularly focused on investing in companies with pricing power, robust balance sheets, and strong cash flows. Below we discuss some of our top net purchases and sales.

**Table VI.**
**Top net purchases for the quarter ended September 30, 2022**

| | Quarter End Market Cap (billions) | Amount Purchased (millions) |
|---|---|---|
| Humana Inc. | $ 61.4 | $3.3 |
| Alnylam Pharmaceuticals, Inc. | 24.0 | 2.2 |
| Danaher Corporation | 187.9 | 2.0 |
| Repligen Corporation | 10.4 | 1.4 |
| Intuitive Surgical, Inc. | 66.9 | 1.2 |

We added to our position in **Humana Inc.**, a managed health care company which we believe is benefiting from favorable secular trends, including the aging of the population, increasing adoption of Medicare Advantage over traditional Medicare, and the shift to value-based health care. Humana has two businesses, a health plan business and a health care services business. The health plan business is focused on the Medicare Advantage (MA) program, a government program under which the Center for Medicare & Medicaid Services (CMS) contracts with private sector health insurance companies to provide health insurance benefits in exchange for contractual payments from CMS. Overall Medicare enrollment is growing as the baby boomer generation ages into the Medicare program and MA is growing faster than traditional Medicare because MA companies provide additional benefits like dental, vision, and hearing coverage at no extra cost. These trends should continue to drive growth in MA enrollment for many years. Humana is a strong number two player in MA after UnitedHealth and has typically grown its MA business faster than the market.

In Humana's health care services business, which is branded CenterWell, the company provides pharmacy services, home care services, and operates primary care clinics. Humana is one of the largest senior-focused, value-based primary care organizations and is also the largest home health organization in the country. Humana's health care services business is higher margin and faster growing than the health plan business and should help drive margin expansion and earnings growth for the consolidated business. At a recent Investor Day, management provided a 2025 adjusted EPS growth target of $37, representing a 14% CAGR from 2022.

We initiated a position in **Alnylam Pharmaceuticals, Inc.**, a commercial stage biopharmaceutical company which pioneered a new class of innovative medicines based on RNA interference (RNAi). This class of medicines acts by silencing the messenger RNA that encodes for the proteins that can cause disease, thereby preventing these disease-causing proteins from being made. Alnylam's validated platform has demonstrated a higher probability of success in drug development versus the industry overall with five medicines approved in less than four years. During the quarter, the company reported positive results from its Apollo-B Phase 3 study of Patisiran in patients with ATTR Amyloidosis with Cardiomyopathy, a rare, progressively debilitating, and fatal disease caused by misfolded TTR proteins which accumulate as amyloid deposits in the heart, nerves, and GI tract. Alnylam also has multiple other late-stage medicines in the pipeline including a new blood pressure drug in Phase 2 studies that can potentially be delivered as a twice-yearly shot. Alnylam has an extensive intellectual property estate with fundamental RNAi technology, delivery, and product-specific protection, and is in a position to achieve sustainable profitability within the next few years.

We initiated a position in **Danaher Corporation**. After announcing its intent to spin off its Environmental and Applied Solutions business, Danaher will become a pure play life sciences and diagnostics company. In the life sciences business, Danaher supplies instruments for lab research, genomics services, and bioproduction tools. We are particularly interested in Danaher's market-leading position and broad portfolio within bioprocessing, which addresses a biologics market that is growing double digits and which we expect to benefit in the near term from a wave of biosimilars entering the market after key patents expire. In the diagnostics business, Danaher offers instruments to run clinical tests in large core labs, hospitals, pathology labs, and at the point of care. Its systems for nucleic acid testing have benefitted in particular from COVID testing, and we think molecular testing at the point of care can continue to drive growth in the diagnostics business. After the separation, we believe Danaher will be a business with 80% recurring revenue and targeting high single-digit organic revenue growth and double-digit EPS growth.

We established a new position in **Repligen Corporation**, a life sciences tools supplier to the bioprocessing industry. Repligen offers a broad portfolio of products, including upstream cell culture and downstream chromatography and filtration. The company 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 history of innovation, including the introduction of novel filters and development of in-line process analytics. We believe the company is well positioned to benefit from the biosimilar wave that is expected after key biologic patents expire starting in 2023. Management has established a long-term goal of $2 billion in revenues by 2027/2028 which would imply close to 20% annual growth.

We added to our position in **Intuitive Surgical, Inc.**, a medical device company which sells the da Vinci robotic surgical system. The stock declined during the quarter due to a slowdown in systems sales. Hospitals are cutting capex budgets due to higher inflation, higher interest rates, supply-chain challenges, and staffing shortages. Although there is risk that systems sales could remain under pressure in the near term, we think solid procedure volume results can continue. We think the long-term outlook for Intuitive is positive based on our view that the company has a long runway to convert more procedures to robotic procedures. During the quarter, the company announced a $1 billion accelerated share repurchase program, which we view as a positive signal about the valuation and business prospects.

**Table VII.**
**Top net sales for the quarter ended September 30, 2022**

| | Amount Sold (millions) |
|---|---|
| Novo Nordisk A/S | $5.2 |
| The Cooper Companies, Inc. | 3.3 |
| Teleflex Incorporated | 2.5 |
| Inari Medical, Inc. | 1.7 |
| Dechra Pharmaceuticals PLC | 1.6 |

We recognized tax losses in **Novo Nordisk A/S**, **The Cooper Companies, Inc.**, **Teleflex Incorporated**, **Inari Medical, Inc.**, and **Dechra Pharmaceuticals PLC**.

## Outlook

Life sciences tools stocks have underperformed this year due to concerns about peaking COVID-related revenues, the weak funding environment for their biotechnology customers, exposure to economic weakness in Europe, exposure to foreign currencies, and the impact of COVID lockdowns in China. Valuations in the group have reached levels we have not seen in many years. We think many of these companies are good long-term investments because they have secular growth, pricing power, recurring revenues, high margins, and low capital intensity. Our investments in the life sciences tools space include, among others, **Bio-Techne Corporation**, **Thermo Fisher Scientific Inc.**, **ICON Plc**, **Mettler-Toledo International, Inc.**, **Danaher Corporation**, and **West Pharmaceutical Services, Inc.**

Medical device companies continue to experience a challenging environment due to nursing and staffing shortages resulting in constraints on procedure volumes. We think these are temporary issues, and over the long term, medical device companies will see increasing demand driven by an aging global population and a higher disease burden from chronic diseases. We have significant investments in companies with innovative devices for sleep apnea, diabetes, heart valve replacement, and blood clot removal, among other areas. For the most part, our investments are in companies addressing non-elective procedures which makes them less likely to be deferred in a recession.

While lower health care utilization has been a headwind for medical device companies, it has been a tailwind for managed care companies. In addition, managed care companies have pricing power and will benefit from rising interest rates given their large investment portfolios. In fiscal 2023, companies that participate in the Medicare Advantage program will receive the highest rate increase in the last decade. Companies like **UnitedHealth Group Incorporated**, **Elevance Health, Inc.**, and **Humana Inc.** have growing health care services businesses, enabling them to capture more of the overall spending in health care. We continue to think the outlook for these companies is positive.

In pharmaceuticals, our largest investment is in **Eli Lilly and Company**. Lilly's new diabetes drug Mounjaro is off to a strong start. In addition, Mounjaro may be approved for obesity next year. In clinical trials, Mounjaro delivered up to 22.5% average weight loss in adults with obesity and has the potential to be a top-selling drug. Lilly also has a drug in development for Alzheimer's disease in the same class as Lecanemab, a drug being developed by Biogen and Eisai that slowed the rate of cognitive decline in a late-stage clinical trial. Lilly is not facing any significant near-term patent expirations and we think the company should be able to grow revenue and earnings at attractive rates through the end of the decade and beyond.

During the quarter, Congress passed the Inflation Reduction Act (IRA), which includes three relevant provisions for the biopharmaceutical industry. The IRA: (1) caps out-of-pocket spending for Medicare Part D enrollees at $2,000; (2) requires biopharmaceutical companies to pay rebates to Medicare if prices for drugs used by Medicare beneficiaries rise faster than inflation; and (3) requires the federal government to negotiate prices for drugs with the highest total Medicare spending starting in 2026. There are many open questions about how the IRA will be implemented and what its impact will be on the industry. The near-term earnings impact on companies will be limited because Medicare price negotiation doesn't start until 2026 and many of the drugs that will initially be subject to price negotiation are drugs that lose patent protection anyway. Some people have argued that the IRA will result in a shift in R&D spending away from small molecules and in favor of biologics because the IRA gives biologics 13 years of no price negotiation whereas small molecules only have 9 years. It seems likely that there will be attempts to amend the law and there could also be legal challenges.

Overall, despite some near-term headwinds, our long-term outlook for Health Care remains bullish. Following the sell-off in growth stocks, valuations are reasonable and in many cases outright cheap. Innovation in the sector and the themes in which we have been investing are very much intact. We believe the Fund includes 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
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 1-800-99BARON or visiting www.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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