

Baron Real Estate Fund: The Case for Active Management

March 2025

Baron Real Estate Fund® is an actively managed, growth equity real estate fund designed to drive long-term capital appreciation. Managed by Jeff Kolitch since its 2009 inception, the all-cap Fund takes a unique approach by investing in both REITs and non-REIT real estate-related companies that operate within or support the real estate industry.

Unlike most real estate funds, which focus primarily on REITs, we embrace a more expansive, diversified investment process that captures opportunities across the broader real estate ecosystem.

1. More Flexible and Selective than Passive and Actively Managed Peers

Our benchmark-agnostic process allows us to focus on fundamentals and make strategic decisions around sub-industry allocation, geographic exposure, balance sheet strength, and lease duration.

- Larger investment universe than actively managed REIT funds (330 REITs and non-REIT real estate-related companies in the MSCI USA IMI Extended Real Estate Index versus only 114 REITs in the MSCI US REIT Index)
- Less reliant on debt capital markets than REIT funds (REITs must pay out at least 90% of taxable income in dividends annually)
- Outsized portfolio allocations driven by conviction, thematic investing, and risk-adjusted return potential—not benchmark considerations
- May own both REITs and non-REITs that are not included in the indexes
- More discerning than passive real estate funds, which must fully replicate their benchmark indexes regardless of quality

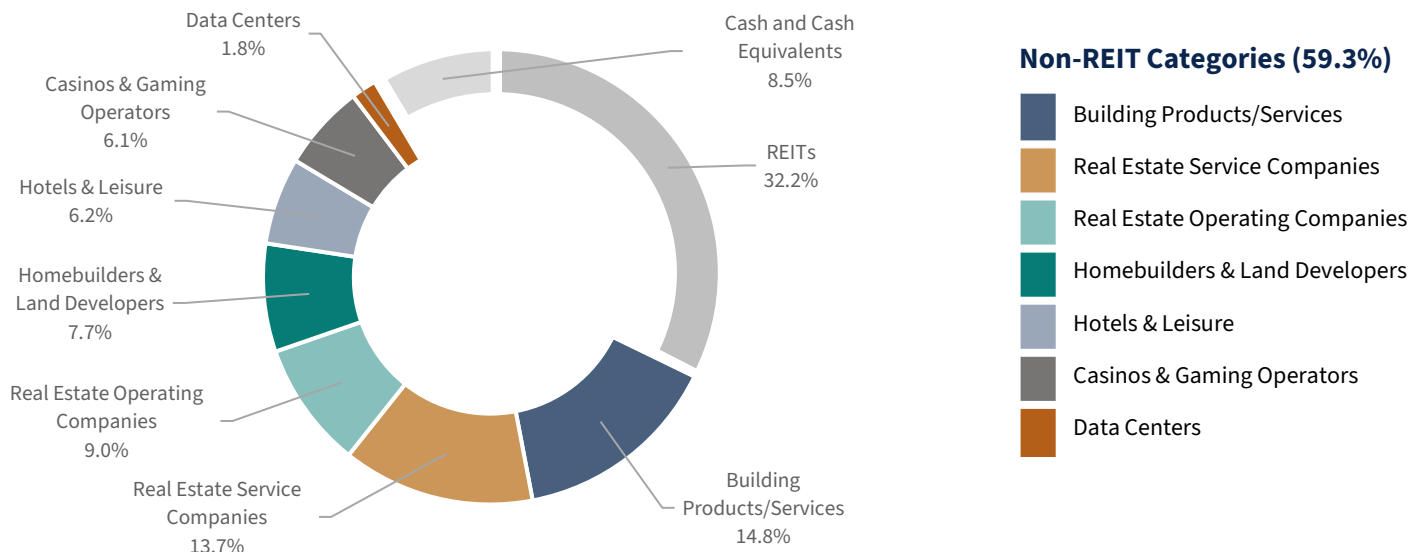
2. Targeted Exposure to Non-REIT Real Estate Opportunities

Our active approach currently emphasizes seven non-REIT real estate-related categories, accounting for nearly 60% of net assets. This broader and more balanced exposure has been a key driver of the Fund's long-term outperformance versus competitors.

Category allocations vary and are based on our research and assessment of opportunities in each category on a bottom-up basis.

Fund investments in real estate-related categories¹

as of March 31, 2025



Source: Baron Capital.

1 - Individual weights may not sum to 100% due to rounding.

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3. Long-Term Performance Powered by Unique Non-REIT Holdings

Baron Real Estate Fund's non-REIT holdings that do not overlap with the Real Estate Spliced Index²—the benchmark for the largest passive real estate ETF—have outperformed on a cumulative basis across the 3-year, 5-year, 10-year, and since inception periods.

While both unique and overlapping holdings have contributed meaningfully to long-term performance, our unique holdings have delivered stellar results, generating cumulative returns that have exceeded the benchmark by 487.11% since inception.

Cumulative Returns (%)

as of March 31, 2025

	1 Year	3 Years	5 Years	10 Years	Since Inception (12/31/2009)
Baron Real Estate Fund ³	-3.09	5.21	110.23	123.93	538.31
Baron Real Estate Fund's Unique Holdings ⁴	-11.86	10.58	159.21	133.24	704.27
Real Estate Service Companies	0.00	22.13	63.81	189.00	1,599.84
Building Products/Services	-22.50	-7.91	62.97	77.52	622.16
Hotels & Leisure	-6.54	-10.17	170.67	88.13	551.72
Data Centers	214.83	107.10	93.44	528.08	528.08
Real Estate Operating Companies	15.83	10.84	129.74	215.26	475.96
Casinos & Gaming Operators	-39.28	-37.69	130.27	43.26	217.54
Homebuilders & Land Developers	-23.75	86.59	296.01	117.50	38.70
Baron Real Estate Fund's Overlapping Holdings ⁵	9.26	-16.15	36.20	95.92	376.84
Real Estate Spliced Index ²	7.95	-8.30	49.56	46.41	217.16
Baron Real Estate Fund Excess Return vs. Index	-11.04	13.51	60.67	77.52	321.15
Unique Holdings Excess Return vs. Index	-19.81	18.88	109.65	86.83	487.11
Overlapping Holdings Excess Return vs. Index	1.31	-7.85	-13.36	49.51	159.68

Annualized Returns (%)

as of March 31, 2025

	1 Year	3 Years	5 Years	10 Years	Since Inception (12/31/2009)
Baron Real Estate Fund³	-3.09	1.71	16.02	8.40	12.93
MSCI USA IMI Extended Real Estate Index	2.45	4.79	15.39	7.73	10.76
MSCI US REIT Index	8.98	-1.77	10.04	4.01	7.94
S&P 500 Index	8.25	9.06	18.59	12.50	13.31
Real Estate Spliced Index ²	7.95	-2.85	8.38	3.89	7.86
MSCI US IMI Real Estate 25/50 Index	7.95	-2.85	8.38	—	—

Sources: Baron Capital, MSCI Inc., Morningstar Direct, and FactSet PA.

Performance listed in the table above is net of operating expenses. The annual expense ratio for the Institutional Shares as of April 26, 2024 was 1.06%.

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 may waive or reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2035, unless renewed for another 11-year term, and the Funds' 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 BaronCapitalGroup.com or call 1-800-99-BARON.

2 - The Real Estate Spliced Index reflects the performance of the MSCI US REIT Index through July 24, 2018 and the MSCI US IMI Real Estate 25/50 Index thereafter.

3 - Institutional shares. For Retail and R6 shares, visit BaronCapitalGroup.com.

4 - Baron Real Estate Fund's unique holdings are those that do not overlap with the Real Estate Spliced Index during the period presented. An ETF proxy was used to identify the Fund's unique holdings relative to the Index.

5 - Baron Real Estate Fund's overlapping holdings are those that overlap with the Real Estate Spliced Index during the period presented. An ETF proxy was used to identify the Fund's overlapping holdings relative to the Index.

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4. Consistent Outperformance Over Time

Baron Real Estate Fund has outpaced both the Real Estate Spliced Index and the Morningstar Real Estate Category over the 3-year, 5-year, 10-year, and since inception periods. We believe this consistent outperformance reflects the strength of our active approach—rooted in bottom-up, research-intensive security selection and the flexibility to invest in the winners and steer clear of the losers.

Baron Real Estate Fund vs. Real Estate Spliced Index and the Morningstar Real Estate Category

as of March 31, 2025



Sources: Baron Capital and Morningstar Direct.

The performance data quoted represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted.

Disclosures

All information as of March 31, 2025.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses 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 BaronCapitalGroup.com. Please read them carefully before investing.

Risks: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues, and economic conditions. 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 discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

For information pertaining to competitor funds, please refer to that firm's website.

Morningstar calculates the Morningstar Real Estate Category Average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. Since inception rankings include all share classes of funds in the Morningstar Real Estate Category. Performance for all share classes date back to the inception date of the oldest share class of each fund based on Morningstar's performance calculation methodology.

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6 - Institutional shares. For Retail and R6 shares, visit BaronCapitalGroup.com.

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Disclosures (continued)

The **MSCI US IMI Real Estate 25/50 Index Net (USD)** is designed to capture the large, mid and small cap segments of the U.S. equity universe. All securities in the index are classified in the Real Estate sector as per the Global Industry Classification Standard (GICS®). The index also applies certain investment limits to help ensure diversification--limits that are imposed on regulated investment companies, or RICs, under the current US Internal Revenue Code. The **MSCI USA IMI Extended Real Estate Index Net (USD)** is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The **MSCI US REIT Index Net (USD)** is designed to measure the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The **Real Estate Spliced Index** is an index that links the performance of the MSCI US REIT Index for all periods through July 24, 2018 and the MSCI US IMI Real Estate 25/50 Index for all periods thereafter. The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The MSCI Indexes and the Fund include reinvestment of dividends, net of foreign withholding taxes, while the S&P 500 Index includes reinvestment of dividends before taxes. Reinvestment of dividends positively impacts performance results. The indexes are unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

The Real Estate-Related categorization is an internal industry classification methodology used to characterize the Baron Real Estate Fund's broader universe of real estate-related businesses. These categories can be mapped to certain real-estate related GICS sub-industries as follows: **Building Products/Services** – Building Products, Construction Materials, Distributors, Electrical Components & Equipment, Forest Products, Home Furnishings, Home Improvement Retail, Homefurnishing Retail, Household Appliances, Industrial Machinery & Supplies & Components, Leisure Products, Office Services & Supplies, Security & Alarm Services, Specialty Chemicals, and Trading Companies & Distributors sub-industries; **Casinos & Gaming Operators** – Casinos & Gaming sub-industry; **Data Centers** – Data Processing & Outsourced Services, Internet Services & Infrastructure, and IT Consulting & Other Services sub-industries; **Homebuilders & Land Developers** – Diversified Metals & Mining, Homebuilding, and Real Estate Development sub-industries; **Hotels & Leisure** – Hotels Resorts & Cruise Lines and Leisure Facilities sub-industries; **Infrastructure Related** – Construction & Engineering, Electric Utilities, Industrial Conglomerates, and Oil & Gas Storage & Transportation sub-industries; **Real Estate Operating Companies** – Airport Services, Advertising, Asset Management & Custody Banks, Diversified Real Estate Activities, Movies & Entertainment, Real Estate Operating Companies, and Reinsurance sub-industries; **Real Estate Service Companies** – Application Software, Diversified Capital Markets, Diversified Support Services, Insurance Brokers, Interactive Media & Services, Internet Services & Infrastructure, Internet Software & Services, Property & Casualty Insurance, Real Estate Services, and Research & Consulting Services sub-industries; **REITs** – Diversified REITs, Health Care REITs, Hotel & Resort REITs, Industrial REITs, Mortgage REITs, Office REITs, Multi-Family Residential REITs, Single-Family Residential REITs, Retail REITs, Telecom Tower REITs, Data Center REITs, Timber REITs, Self-Storage REITs, and Other Specialized REITs sub-industries; **Senior Housing Operators & Health Care Facilities** – Health Care Facilities sub-industry; and **Tower Operators & Wireless Telecommunication Services** – Integrated Telecommunication Services and Wireless Telecommunication Services sub-industries.

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