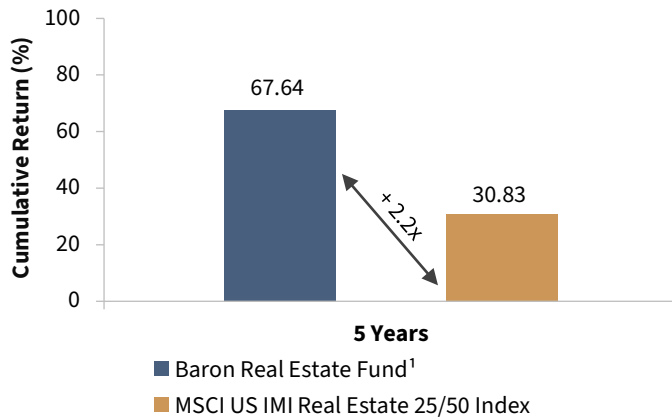


# Real Estate: The Case for Active Management

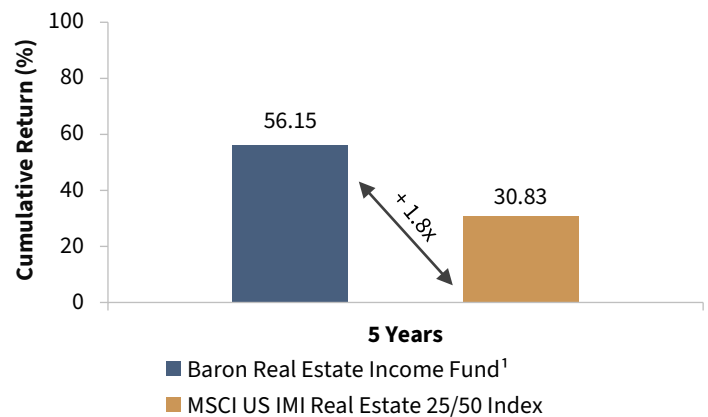
June 2025

## Our active approach has outperformed the MSCI US IMI Real Estate 25/50 Index Over the Past Five Years

### Baron Real Estate Fund® vs. MSCI US IMI Real Estate 25/50 Index



### Baron Real Estate Income Fund® vs. MSCI US IMI Real Estate 25/50 Index



Cumulative Returns as of June 30, 2025

Source: Morningstar Direct

**Note: SEC standardized performance is available on page 2.**

## As active managers, we have the flexibility to invest in the best and avoid the rest

### Active Management

- Employs bottom-up, research-intensive security selection
- Emphasizes the winners and avoids the losers
- Is discerning with sector selection, geographic exposure, balance sheet analysis, and lease duration
- Strives to exploit market mispricings
- Takes benchmark-agnostic approach

### Passive Management

- No fundamental analysis in building and managing a real estate portfolio
- Simply replicates a real estate benchmark or index
- Owns both the winners and the losers, often with inappropriate sizing vs. the prospective investment returns

## Our real estate funds are highly differentiated from our passive and actively managed peers

- Larger investment universe than actively managed REIT funds (326 real estate-related companies in the MSCI USA IMI Extended Real Estate Index versus only 114 REITs in the MSCI US REIT Index)

**Baron Real Estate Fund** Non-REIT real estate-related companies typically represent 70% to 75% and REITs 25% to 30% of net assets.

**Baron Real Estate Income Fund** REITs represent at least 75% to 80% of net assets. Non-REIT dividend-paying real estate companies that may present superior growth, income, and/or share price appreciation potential than REITs may comprise 20% to 25% of net assets.

- Less reliant on debt capital markets than traditional REIT funds (REITs must pay out at least 90% of taxable income in dividends annually)
- Take outsized portfolio allocations driven by conviction, thematic investing, and risk-adjusted returns, not benchmark considerations
- May own REITs and non-REITs not included in index
- More discerning than passive real estate funds that must own entire index, regardless of quality

<sup>1</sup> - Institutional shares. For Retail and R6 shares, visit [BaronCapitalGroup.com](https://BaronCapitalGroup.com).

# Real Estate: The Case for Active Management

## Disclosures

All information as of June 30, 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](http://BaronCapitalGroup.com). Please read them carefully before investing.*

### Baron Real Estate Fund and Baron Real Estate Income Fund Performance

As of June 30, 2025 (annualized %)<sup>1</sup>

	1 Year	3 Years	5 Years	10 Years	Since Baron Real Estate Fund Inception <sup>2</sup>	Since Baron Real Estate Income Fund Inception <sup>3</sup>
Baron Real Estate Fund <sup>1</sup>	10.58	11.15	10.89	9.19	12.96	—
Baron Real Estate Income Fund <sup>1</sup>	15.94	7.04	9.32	—	—	8.71
MSCI US IMI Real Estate 25/50 Index	9.28	2.49	5.52	—	—	4.07
MSCI USA IMI Extended Real Estate Index	13.30	13.79	12.26	9.00	11.00	—
MSCI US REIT Index	7.62	4.09	7.38	5.03	7.71	4.13
S&P 500 Index	15.16	19.71	16.64	13.65	13.85	13.76

<sup>1</sup> Institutional shares. For Retail and R6 shares, visit [BaronCapitalGroup.com](http://BaronCapitalGroup.com).

<sup>2</sup> Inception date: December 31, 2009.

<sup>3</sup> Inception date: December 29, 2017.

Performance listed in the table above is net of operating expenses. The annual expense ratio for the Institutional Shares of Baron Real Estate Fund as of April 30, 2025 was 1.05%. The annual expense ratio for the Institutional Shares of Baron Real Estate Income Fund as of April 30, 2025 was 0.90%, but the net expense ratio was 0.80% (net of the Adviser's fee waivers).

*The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser waives and/or reimburses or may waive or reimburse certain Funds' 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](http://BaronCapitalGroup.com) or call 1-800-99-BARON.*

**Baron Real Estate Income Fund's** 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.

**Risks:** In addition to general market conditions, the value of the Funds 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 Funds invest 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. **Baron Real Estate Income Fund** invests in debt securities which are affected by changes in prevailing interest rates and the perceived credit quality of the issuer.

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.

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 U.S. 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 **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 Funds 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.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).