

Baron Asset Fund
 Baron Growth Fund
 Baron Small Cap Fund
 Baron Opportunity Fund
 Baron Partners Fund
 Baron Fifth Avenue Growth Fund
 Baron Focused Growth Fund
 Baron International Growth Fund
 Baron Real Estate Fund
 Baron Emerging Markets Fund
 Baron Energy and Resources Fund
 Baron Global Advantage Fund
 Baron Discovery Fund

Baron Funds®

Quarterly Report

December 31, 2017

"Man, I heard this was Louis C.K.'s gig last year. I hope what happened to him doesn't happen to me...but you never know!" Chris Rock. Lunchtime entertainer. 26th annual Baron Investment Conference. Metropolitan Opera House. New York City. November 10, 2017.

On November 10, 2017, more than 5,000 Baron Funds' shareholders, institutional clients of Baron Capital, service providers to our firm, and executives of businesses in which Baron has invested attended the 26th Annual Baron Investment Conference. This meeting at the Metropolitan Opera House in New York City's Lincoln Center had a very different vibe than our first annual meeting in 1992. Our first meeting all those years ago was held at The Harmonie Club also in New York City. Then we

entertained and informed 35 guests, virtually all of whom were family and friends whom I had asked to attend as a favor. This was so I wouldn't be embarrassed if no Baron Funds' shareholders, of which there weren't many, showed up. Our lunchtime entertainers in 1992, by the way, were Beatlemania, a Beatles' cover band, and Hedda Lettuce, whom, if you met her, you wouldn't forget her.

"Disruption," as depicted by the colorful comic book "BAM!" on our 2017 conference tee-shirts, was our theme. It was chosen to reflect the accelerating pace of economic and social change that our country is now experiencing. Since disruptions upend the status quo, instinct compels most to be cautious. We "think different" as Apple once said. We believe disruptions during "electric" times like the present create exceptional investment opportunities.

The 2017 annual Baron Investment Conference was again held at New York City's Lincoln Center. For two hours beginning at 6 AM, Becky



"Ron, teasing his friend Rob Katz, CEO of Vail Resorts, on CNBC's Squawk Box live from the Annual Baron Conference on November 10th, 2017. Becky Quick, Squawk Box co-anchor, overcome with laughter, tries not to fall off her chair."

Quick, co-anchor of CNBC's Squawk Box, was on site at the Met, interviewed me and several CEOs of businesses in which Baron has invested. The picture on the cover of this letter is of me teasing my friend Rob Katz, Vail Resorts' CEO, live on Squawk. I hope Rob thought I was funny, but I'm not really sure since he later told my son David back stage that he "didn't know how or when..." but he would "definitely get back at your dad." I assume Rob was kidding, but, as an individual always concerned with what can go wrong, I will remain vigilant whenever I visit Vail. Seriously though, we consider Rob a spectacular executive, and, under his leadership, Vail has been a successful investment for Baron shareholders. Rob's accomplished this with innovative strategies, among the most important were selling a significant percentage of Vail's season ski passes at less than day rates in advance of the skiing season...and acquiring a network of ski mountains. That was in order to sell season passes to skiers who might otherwise

not have considered winter vacations at Vail, Beaver Creek, Park City, Whistler, Breckenridge, Keystone, Stowe, Tahoe and Perisher in Australia.

Beginning at 8 AM that morning, **The Charles Schwab Corp.'s** CEO Walt Bettinger; **Hyatt's** CEO Mark Hoplamazian; **Guidewire Software, Inc.'s** CEO Marcus Ryu; and, **Vail Resorts, Inc.'s** CEO Rob Katz addressed our shareholders and answered their questions, no holds barred. All those companies are important holdings of Baron Funds which have appreciated significantly since our purchases...and which, we think, under the leadership of those executives, will continue to grow substantially. The executives' presentations were streamed live and can still be watched at our web site, www.baronfunds.com...which we strongly recommend. Just click on 2017 Conference when you arrive at our site.

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