DEAR BARON INTERNATIONAL GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron International Growth Fund (the "Fund") appreciated 2.03% (Institutional Shares) for the first quarter of 2018, while its principal benchmark index, the MSCI ACWI ex USA Index, declined 1.18% for the quarter. Early in the quarter, international equities continued the powerful advance of 2017, only to reverse and end the quarter with a marginal loss, as concerns regarding monetary and liquidity support, as well as the re-emergence of trade protectionism risk, deflated investor optimism. While in our year-end 2017 letter we noted the potential for a consolidation phase that could develop into a market correction, looking forward, we continue to believe international and emerging market equities likely remain poised for a sustainable period of outperformance. We believe we are positioned appropriately for a rise in market volatility, and would look to capitalize on opportunities that typically arise in such an environment. We remain optimistic that our differentiated discipline and process position us well over the long term.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BIGFX
Institutional Shares: BINIX
R6 Shares: BIGUX

Table I.
Performance†
Annualized for periods ended March 31, 2018

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[4]	1.97%	2.03%	(1.18)%	(0.63)%
One Year	26.74%	27.03%	16.53%	20.45%
Three Years	11.61%	11.89%	6.18%	7.78%
Five Years	10.80%	11.09%	5.89%	7.13%
Since Inception (December 31, 2008)	12.64%	12.92%	8.77%	9.94%

For the first quarter of 2018, we comfortably outperformed our benchmark MSCI ACWI ex USA Index. During the quarter, the dominant driver of positive relative performance was stock selection effect in the Information Technology sector, led by significant gains in **PagSeguro Digital Ltd.**, a Brazil-based payment services company which completed its initial public offering during the quarter, **Kingdee International Software Group Co. Ltd.**, a Chinese software company transitioning to cloud-based services, **Wix.com Ltd.**, an Israeli website developer and platform services provider that is using artificial intelligence as a competitive advantage, and **SMS CO., LTD.**, of Japan, which has developed a platform to drive productivity gains for nursing and elderly care providers. From a country perspective, positive stock selection effect was broad based, with notable contributions from Japan, the Netherlands, Israel, China, and Brazil.

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, 2017 was 1.41% and 1.13%, but the net annual expense ratio was 1.20% and 0.95% (restated to reflect management fee reduction from 1.00% to 0.88% and current expense 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 has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The MSCI ACWI ex USA Index Net USD measures the equity market performance of large and mid cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index Net USD measures the equity market performance of large, mid and small cap growth securities across developed and emerging markets, excluding the United States. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

2 The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Performance for the Institutional Shares prior to May 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 for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

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Partially offsetting the above, adverse stock selection effect in the Consumer Discretionary, Energy and Health Care sectors weighed modestly on relative performance. By country, stock selection effect was poor in Germany, nearly entirely driven by a substantial reversal of recent gains in longtime holding **RIB Software SE**, while India also weighed, in our view, largely due to the surprise initiation of a modest capital gains tax. We remain enthusiastic regarding the long-term appeal and reform potential of India.

Table II.

Top contributors to performance for the quarter ended March 31, 2018

	Percent Impact
PagSeguro Digital Ltd.	0.69%
KOSÉ Corporation	0.64
Kingdee International Software Group Co. Ltd.	0.63
Wix.com Ltd.	0.54
SMS CO., LTD.	0.48

PagSeguro Digital Ltd. is a Brazilian payment processor and merchant acquirer. Shares rose during PagSeguro's first quarter as a publicly traded company on news that its business is growing at a rapid rate. We believe credit card and digital payment penetration is low among the Brazil population, and PagSeguro's digital wallet and physical device form an attractive platform that should allow small merchants to accept digital currency and grow over time, in our view.

KOSÉ Corporation is one of the leading cosmetics manufacturers in Japan. The company benefited from both geopolitical events and growth initiatives. Geopolitically, the tension between Korea and China over the U.S. Army's Terminal High-Altitude Area Defense has shifted more Chinese travelers to Japan, increasing KOSÉ's sales among that group. At the company level, KOSÉ has been ramping up innovation, expanding its product mix to premium lines, and monetizing on its successful Tarte acquisition.

Shares of **Kingdee International Software Group Co. Ltd.**, an enterprise management software provider in China, rose during the quarter on solid cloud software sales. We believe Kingdee's cloud suite will provide significant value to customers seeking ways to counter rising labor costs in China, and see cloud adoption in China rapidly rising from a low base. The Chinese government is emphasizing business productivity growth via software automation; and we believe the company is on track for expansion after a management transition, a repositioned sales channel, and the recent JD.com investment.

Wix.com Ltd. is an Israeli internet company helping micro businesses build and maintain websites and streamline business operations. With over 120 million registered users and over 3 million premium users, Wix is the leader in its industry. Shares increased in the first quarter as the company continued to show rapid growth, with revenues increasing by over 40% year-over-year thanks to an increasing number of customers adopting its products. We believe Wix has a large market opportunity, strong cohort economics and brand, and an innovative culture.

SMS CO., LTD. is the leader in nursing recruitment in Japan. Shares increased on strong earnings results, including a quarterly acceleration in sales growth across all segments. The company also reported solid margins. The stock has generated attractive returns thanks to a positive re-rating and earnings growth. We think the company could benefit from wage inflation due to the dearth of qualified workers, an aging population requiring more elder care, and its position at the forefront of increasing productivity of nurses in Japan.

Table III.

Top detractors from performance for the quarter ended March 31, 2018

	Percent Impact
RIB Software SE	-0.73%
Horizon Discovery Group plc	-0.35
JM Financial Limited	-0.27
Eurofins Scientific SE	-0.27
Takeda Pharmaceutical Company Limited	-0.26

Shares of **RIB Software SE**, a software company servicing the construction industry, had an exceptionally volatile quarter. Shares had been increasing on investor expectations that its recent partnerships with Flextronic and Microsoft would produce significant growth in its underlying business. However, the company's poorly coordinated and communicated equity offering after the Microsoft partnership announcement sent shares downward. We retain conviction. RIB offers 3D modeling with time and cost management, which competitors do not provide end-to-end.

Horizon Discovery Group plc is a U.K.-based genomics company that develops cells for research and clinical uses. Shares declined on news of the resignation of CEO Darrin Disley and results for 2017 that missed previously stated guidance. We think Horizon Discovery is in the early phases of its business expansion, with an undeveloped end market that is ripe for growth. The company has secured intellectual property in the space and is building a market we believe could lead to important scientific breakthroughs.

Shares of **JM Financial Limited**, a leading non-bank financial company in India, declined in the quarter due to investor concerns about a new capital gains tax as well as rising bond yields that would potentially lead to margin headwinds for the firm. We think JM is well positioned to benefit from growing demand for real estate lending, asset restructuring, and wealth management products and services. We also expect JM to benefit from distressed asset sales by leading financial institutions that are under pressure to dispose of non-performing loans and raise equity.

Eurofins Scientific SE, an international group of laboratories providing testing services to food, pharmaceutical, and environmental industry clients, detracted from performance in the first quarter. The stock declined due to questions about underlying margins excluding acquisitions. Although we would like to see margins expand, we note that management has a successful investment track record. We continue to believe Eurofins has a strong growth outlook driven by increased outsourcing of testing by clients, greater regulation, and increased demand for safe and high-quality food.

Shares of **Takeda Pharmaceutical Company Limited**, a research- and development-driven pharma company in Japan, declined in the quarter on investor concerns about Takeda's reported interest in acquiring Shire, a large U.S.-based pharma company. Takeda is well positioned, in our view, to benefit from growing occurrences of gastrointestinal and central nervous system-related disorders. We also think Takeda has a strong management team that has improved profitability via ongoing cost-cutting initiatives and is steering the company to be more shareholder friendly.

Portfolio Structure

Table IV.
Top 10 holdings as of March 31, 2018 – Developed Countries

	Percent of Net Assets
KOSÉ Corporation	2.5%
Constellation Software, Inc.	2.4
Square Enix Holdings Co., Ltd.	2.1
Wix.com Ltd.	2.0
argenx SE	1.9
Eurofins Scientific SE	1.9
SMS CO., LTD.	1.8
Danone SA	1.8
Recruit Holdings Co., Ltd.	1.7
Mellanox Technologies Ltd.	1.7

Table V.
Top five holdings as of March 31, 2018 – Emerging and Frontier Countries

	Percent of Net Assets
Tencent Holdings, Ltd.	1.7%
PagSeguro Digital Ltd.	1.6
Sberbank of Russia PJSC	1.5
Alibaba Group Holding Limited	1.5
Bolsas y Mercados Argentinos S.A.	1.3

Exposure by Country: At the end of the first quarter of 2018, we had 64.2% of our investments in developed countries and 24.3% in emerging and frontier countries, with the remaining 11.5% in cash. We seek to maintain broad diversification by country at all times. A detailed review of the Fund's holdings by country is available at the back of this Baron Funds Quarterly Report.

Table VI.
Percentage of securities in developed markets as of March 31, 2018

	Percent of Net Assets
Japan	18.7%
France	6.8
Canada	5.1
Germany	4.8
Netherlands	4.5
United Kingdom	4.5
Israel	3.7
United States	2.8
Spain	2.5
Switzerland	2.4
Australia	2.2
Norway	1.8
Italy	1.5
Ireland	1.4
Belgium	0.9
Hong Kong	0.6

Table VII.
Percentage of securities in emerging and frontier markets as of March 31, 2018

	Percent of Net Assets
China	8.6%
India	4.8
Brazil	2.6
Argentina	2.5
Russia	2.4
Mexico	1.2
Korea	1.0
Indonesia	0.5
Panama	0.5
Nigeria	0.2

The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. As of March 31, 2018, the Fund's median market cap was $10.7 billion, and it had approximately 49.4% in large- and giant-cap companies, 31.9% in mid-cap companies, and 7.2% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the quarter, we initiated several new investments, many of which were additions to existing themes. We took starter positions in **NEXTDC Limited**, an Australia-based internet data center operator that is also benefiting from the global trend towards cloud-based software services, and **BlackBerry Limited** of Canada, both expanding our internet and artificial intelligence theme. BlackBerry has moved beyond its broadband device heritage and has evolved into an internet security platform play, with significant potential in the connected and automated driving arena. In this area, we also added to our position in **Wix.com Ltd.** during the quarter, as the company demonstrated solid progress and we remain enthusiastic regarding future potential. In the digital payments arena, we participated in the initial public offering of **PagSeguro Digital Ltd.**, a Brazilian payment services provider, which we believe has an attractive value and technology proposition particularly for merchants who have not previously been able to offer credit or debit card-based payments.

We would also like to emphasize two early-stage themes that took shape over the past quarter. For the first time since the Fund's inception, we have invested in the China SOE bank sector via an investment in **China Construction Bank Corporation**. We have gained conviction that recent improvements in asset growth, net interest margins, and credit quality are likely sustainable, leading to an acceleration in earnings growth for the first time in several years. Further, we believe recent regulatory measures suggest that we have entered a period of market share gains for the traditional deposit-taking banks, after several years of losses to non-bank financial players. In addition, in India, we have been following and researching the restructuring of Tata Sons, one of the oldest, largest and most diversified industrial entities in the country. Over the past 15 years, the group implemented a global expansion strategy that yielded sub-par results, high leverage, and a deteriorating return on capital profile. We believe that recent leadership changes at Tata Sons have potential to yield significant value creation for shareholders in the group's publicly listed entities. Last year, the former CEO of Tata Consultancy Services was promoted to Chairman at Tata Sons, while a respected veteran investment banker assumed the role of CFO. The new leadership's top priority is to divest non-core and/or loss-making entities, reduce leverage, and focus on maximizing profit in its core India businesses. Organic growth, profitability, and return on capital will form the new basis for management accountability and incentive structures at the publicly traded subsidiary level. During the quarter, we invested in two Tata Sons companies: **Tata Global Beverages Limited** and **Titan Company Limited**, a high-quality jewelry and gold retailer that we also believe could be a major beneficiary of industry disruption given the high profile default of a competitor.

During the quarter, we sold our remaining investments in **Reckitt Benckiser Group Plc** and **JUST EAT plc** of the U.K., as well as **TOTVS SA** of Brazil, **Ctrip.com International, Ltd.** of China, **Rakuten, Inc.** of Japan, and Israeli security software provider **Check Point Software Technologies Ltd.**, given concerns over deterioration in fundamentals or valuation. We have modestly reduced our exposure to software and internet holdings, which form the foundation of our internet, e-commerce, and artificial intelligence theme, after a period of material gains, by reducing existing positions in **Baidu, Inc.**, **Bitauto Holdings Limited**, **Alibaba Group Holding Limited**, **Kingdee International Software Group Co. Ltd.**, **RIB Software SE** and **Tencent Holdings, Ltd**.

Outlook

In our recent year-end letter, we suggested that the coalescence of improved global macroeconomic momentum, increased forward-looking confidence, and significant fiscal easing in the U.S. via tax cuts and deficit spending was reason to temper enthusiasm in the midst of what appeared an overshoot to the upside in global equities. While, at the time, we could not predict how far the equity uptrend might carry, we remarked that global markets were likely to experience increased volatility and a period of consolidation, if not perhaps a notable correction, as accelerating economic momentum and incremental fiscal easing would likely collide with the necessity for a greater than discounted withdrawal of liquidity.

Just after the ink had dried on our year-end letter, global equity markets began a marked correction, with a short-term spike in volatility measures driving spectacular moves in related ETF securities. At the time, many market commentators blamed the liquidation of certain ETF securities for the broader decline in equities. We believe the early-February decline likely foreshadows the consolidation phase we have expected, particularly given the high correlation of market positioning and trading-oriented strategies centered on expectations for a continued low-inflation and low-volatility environment. We don't conclude that this environment has necessarily ended; rather, for the first time since the 2008/2009 global financial crisis, we question its sustainability.

Our baseline expectation for 2018 has been that solid coincident economic and earnings momentum and rising inflation measures would necessitate incremental tightening and liquidity withdrawal by central bankers. Further, we have suggested that renewed policy tightening in China, alongside that already expected in the U.S., may represent a drag on economic growth and earnings expectations at some point this year. One quarter into the new year, we now update our baseline expectation. What has changed is two-fold. First, we have observed several signs that forward-looking, leading indicators of global economic activity may be peaking. A notable slowing of credit growth and trade flows in several countries, and a peak in developed world sovereign bond yields stand out. Second, Donald Trump has opened a Pandora's box with regard to protectionist measures, further illuminating the risk of slower growth and higher inflation. On February 5, 2018, Jerome Powell assumed the position of Federal Reserve Chairman. We believe this has particular significance, as a new Fed Chairman, under pressure to establish credibility, presents a greater risk of policy error in reacting to backward-looking data and perhaps tightening into a slowdown.

To us, all of the above supports our view that the record low volatility environment of recent years should not be expected to persist. However, a return to more normalized volatility is not necessarily a bad thing and would likely present attractive opportunities. While we believe that the recent increase in the equity risk premium is largely appropriate, we are exiting a phase of uber-optimism and we do not currently foresee a scenario worse than a broad consolidation, perhaps ending with a correction should monetary tightening proceed too far. Taking a longer-term view, we remain encouraged by the ongoing foundation of productivity-enhancing reforms in many international and EM countries, as well as a less mature phase of cyclical or secular economic expansion. As always, we continue to believe our unique forward-looking and bottom-up, fundamental approach and process position us well to identify attractive investments as they arise. Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass
Portfolio Manager

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V.P., Assistant 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 its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Non-U.S. investments may 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. This may result in greater share price volatility. Specific risks associated with investing in small and medium-sized companies include that the securities may be thinly traded and they may be more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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