Dear Baron Global Advantage Fund Shareholder:

Performance

Baron Global Advantage Fund (the "Fund") continued to perform very well in both absolute and relative terms. The Fund returned 6.9% (Institutional Shares) in the first quarter, which compared favorably to a gain of 0.7% for the MSCI ACWI Growth Index and a *loss* of 1.0% for the MSCI ACWI Index, the Fund's benchmarks.

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

	Baron Global Advantage Fund Retail Shares[1,2]	Baron Global Advantage Fund Institutional Shares[1,2]	MSCI ACWI Growth Index[1]	MSCI ACWI Index[1]
Three Months[3]	6.81%	6.88%	0.67%	(0.96)%
One Year	36.54%	36.85%	19.98%	14.85%
Three Years	14.82%	15.08%	9.56%	8.12%
Five Years	15.73%	15.96%	10.83%	9.20%
Since Inception (April 30, 2012)	14.29%	14.53%	10.91%	9.78%

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX
R6 Shares: BGLUX

Stock selection continued to be very strong with **Amazon, argenx, PagSeguro Digital, Alibaba**, and **TAL Education** each contributing over 50 basis points each to absolute returns. We had an additional 10 investments that contributed over 25 basis points each and five more that added 20 basis points or better. Eight of our holdings appreciated over 30% during the quarter, another five increased over 20%, and yet another 10 rose over 10%. A pretty remarkable feat in what was a broadly flat market environment. All in all, 33 of the Fund's holdings contributed positively to returns in the first quarter. **Naspers, Take-Two Interactive**, and **JM Financial** were the only significant detractors. All three had a big positive year in 2017.

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2017 was 1.95% and 1.59%, respectively, but the net annual expense ratio is 1.15% and 0.90% (restated to reflect management fee reduction from 1.00% to 0.85% and current 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 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 indexes are unmanaged. The MSCI ACWI indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes reflected in US dollars. The MSCI ACWI Growth Index Net USD measures the equity market performance of large and mid cap growth securities across developed and emerging markets. The MSCI ACWI Index Net USD measures the equity market performance of large and mid cap securities across developed and emerging markets. The indexes and the Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

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

3 Not annualized.

* Morningstar calculates the **Morningstar US Fund World Large Stock Category** Average using the Morningstar 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. As of 3/31/2018, the category consisted of 873, 717, 591 and 522 share classes for the 1-, 3-, 5-year and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund Institutional** Share Class in the 1st, 2nd, 1st and 3rd percentiles, respectively.

As of 3/31/2018, the category consisted of 717, 591 and 717 share classes for the 3-year, 5-year and overall periods. respectively. Morningstar has awarded **Baron Global Advantage Fund Institutional** Share Class 5 stars, 5 stars, and 5 stars for its 3-year, 5-year, and overall performance, respectively.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

BARON FUNDS 1987

Baron Global Advantage Fund

According to Morningstar*, for the period ended March 31, 2018, the Baron Global Advantage Fund ranked in the top 1% for all World Large Stock Funds for its 1-year performance. The Fund ranked in the top 2% for its 3-year performance, the top 1% for its 5-year performance, and top 3% since its inception. The Fund has also been awarded a *5-star Morningstar rating for its 3-year, 5-year, and overall performance*.

Since its inception on April 30, 2012, the Baron Global Advantage Fund has returned 123.1% (Institutional Shares) cumulatively, compared to 84.5% for the MSCI ACWI Growth Index, and 73.7% for the MSCI ACWI Index – the Fund's benchmarks. Over this time period, the Baron Global Advantage Fund has outperformed the Morningstar World Large Stock Category Average by 48.2%. Over the last five years, the Fund has outperformed the MSCI ACWI Growth Index by 5.1% per year, and the MSCI ACWI Index by 6.8% per year.

The number one question we get externally is on what to do with the FAANG stocks now. We offer our take in some detail in the Baron Fifth Avenue Growth Fund's letter, where Amazon, Alibaba, Google, and Facebook are featured more prominently, but the gist of it is this: **Data is the new oil**. It is the energy that underpins almost all of the innovations in the digitization age. Between our browser history, our shopping habits, the news we follow, how we interact with one another–they have the data on the planet! Now think about this through the lens of Machine Learning and AI. These companies have been spending billions of dollars year after year collecting, indexing, analyzing data–gleaning insights not only into our preferences, behavior, and desires, but into human nature itself. And now, they will be able to do it at scale. That's a game changer. While not competing against each other directly, these companies have been in an arms race for talent for years, and none of the four are slowing down. Amazon is leading the world in R&D spending, followed by Google, with Facebook not too far behind, and Alibaba playing catchup, but accelerating like no one else. We think their competitive advantages today are already nearly insurmountable, and they are rising. The long-term outlook is so compelling, in our view that we are willing to live with the short-term risk, with the caveat that managing position sizes well, vis-à-vis the opportunity set available to us, and risks we are taking in the rest of the portfolio will play a relevant part.

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

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	$700.7	1.40%
argenx SE	2.6	0.89
PagSeguro Digital Ltd.	12.1	0.87
Alibaba Group Holding Limited	470.1	0.57
TAL Education Group	21.1	0.55

Amazon.com, Inc. continued to lead the way, with shares rising 24% even in the face of the relentless assault from our Commander-in-Chief, which would be comical, if it wasn't so sad. Amazon continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com is a prime example of the benefits of the network effect (pun intended). Paid Prime membership has exceeded 100 million households globally. While penetration of e-commerce is rising rapidly, Amazon continues to increase its total addressable market at an unprecedented pace. Health care spending in the U.S. is over $3 trillion annually, with $450 billion spent on prescription drugs and another $200 billion spent on medical devices. We think Amazon's opportunity here could be significant over time. In the meantime, AWS remains the runaway leader in the vast, and still rapidly growing, cloud infrastructure market by a wide margin. There were so many nuggets in Jeff Bezos' recently released annual shareholder letter. As always, we believe it is a must read, and it can be viewed here: https://www.sec.gov/Archives/edgar/data/1018724/000119312518121161/d456916dex991.htm

Amazon remains one of our highest conviction investment ideas, and we think a good bet to become the most valuable company on earth sometime in the future.

Based in Breda, Netherlands, **argenx SE** is a clinical-stage biotechnology company focused on research and development of human monoclonal antibodies for the treatment of cancer and oncological, autoimmune, and inflammatory diseases. We think the shares appreciated 27%, largely due to increased investor awareness of argenx's platform, as there was little fundamental news flow during the first quarter. Our research was validated late last year with a publication of a Phase 2 clinical trial for ARGX-113 for several autoimmune diseases, which showed efficacy for treating myasthenia gravis patients. We believe once commercialized, the product will help patients manage their disease significantly better and spare them the burden of current treatment paradigms. We expect to get updates from the lead asset in two new disease states, immune thrombocytopenic purpura (ITP) and pemphigus vulgaris (PV), updates on the development of ARGX-113 in subcutaneous form (currently intravenous), and competitor data read outs from UCB, Momenta, and Syntimmune. Additionally, this June, at the annual ASCO event, we expect updates on argenx's acute myelogenous leukemia discovery efforts.

We participated in an initial public offering of **PagSeguro Digital Ltd.** PagSeguro is a digital payment processor in Brazil, focused on serving small- and micro-sized merchants, enabling them to accept forms of credit, debit, and digital currency transactions. The shares rose 56% during the first quarter. We believe that PagSeguro has the potential to enable digital commerce for a large and underserved part of the population. For a majority of its merchant customers, PagSeguro's simple product offering – an internet-enabled payment device along with a mobile wallet – allows the merchant to instantly accept credit transactions without the need of a bank account. We believe that PagSeguro's platform, advertised widely across the country given the media relationships of a strong corporate parent, has the potential to dramatically lower transaction costs for these small merchants. Over time, we expect PagSeguro to gain significant market share from the bank-controlled incumbent payment processors who continue to underservice this growing merchant community.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba owns and operates the two largest online shopping platforms in China, Taobao and Tmall. It also owns 33% of Ant Financial, whose brand Alipay is the largest third-party online payment provider in China. Shares of Alibaba rose 6% in the first quarter despite the increased rhetoric regarding a trade war with China. Of course, Alibaba neither manufactures anything, nor exports anything to the U.S., however the economic relations between the two countries seem to have a psychological effect on the price of the shares most of the time. The company benefits from strong mobile and advertising growth (750 million mobile internet users in China with a growing $5 trillion annual mobile payment volume), which drives positive optionality beyond core e-commerce. We expect continued rapid growth in all areas, combined with a high reinvestment rate in newer market segments, such as groceries, logistics, and cloud computing. We continue to be optimistic about Alibaba's long-term prospects, and it remains a high conviction investment idea.

TAL Education Group is a leading Chinese K-12 tutoring company, operating more than 550 learning centers in over 35 cities across China. Shares of TAL rose 25% during the quarter after the company reported north of 80% enrollment growth, which led to 65% revenue growth over last year. TAL has an enviable business model – consumers pay for classes/ tuition in advance, providing strong visibility and creating negative working capital. This enables the company to continually invest in sales and marketing, while maintaining a strong profitability profile. The company enjoys a premium brand, built on reputation for excellence in math and science, leading to significant repeat customers and pricing power. The strength of TAL's brand in premium tutoring is driving continued market share gains over smaller, lesser-known competitors. The private education market in China is highly fragmented. Even though TAL has grown enrollments six-fold in the last five years, it is still less than 5% penetrated into its addressable market, leaving plenty of room for future growth.

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

	Quarter End Market Cap (billions)	Percent Impact
Naspers Limited	$107.4	–1.13%
Take-Two Interactive Software, Inc.	11.2	–0.31
JM Financial Limited	1.7	–0.31
Facebook, Inc.	464.2	–0.16
Cboe Global Markets, Inc.	12.9	–0.16

Based in Cape Town, South Africa, **Naspers Limited** is a $110 billion conglomerate with holdings in internet services, television, and digital media, as well as other technology assets. Chinese internet powerhouse, *Tencent Holdings*, in which Naspers holds a 32% ownership stake, is the crown jewel of these holdings. Among the company's other impressive investments are a sizable stake in India's e-commerce leader Flipkart, 29% holding in Russian publicly traded internet company Mail.ru, as well as 140 additional internet assets to which Mr. Market is currently assigning no value, as Naspers is trading at a 40% discount to its stake in the publicly traded Tencent. The stock declined 13% during the quarter as Tencent announced a new multi-year investment cycle and, concurrently, Naspers reduced its stake in Tencent from 34% to 32%, raising over $10 billion in the process but putting more pressure on Tencent's stock, which in turn, put pressure on Naspers' own shares. We are optimistic about Tencent's opportunities, but moreover, we believe that Naspers can win in many different ways, and the presence of unusually large positive optionality is what gives us continued conviction in this investment.

Take-Two Interactive Software, Inc. is a leading video game publisher whose key game franchises include Grand Theft Auto, NBA 2K, and Red Dead Redemption. The shares declined 11% during the covered period due to the company's quarterly earnings report that failed to live up to investors' lofty expectations. In addition, there is some concern that Fortnite, a new video game from a different publisher, is taking away time from Take-Two's core games. We retain conviction in the company and believe that Take-Two has an excellent management team, continues to benefit from the shift to higher-margin digital revenue, has great intellectual property that continues to perform well, and has an exciting game release slate later this year and into 2019.

Shares of **JM Financial Limited** declined 19% in the first quarter. As a leading non-bank financial company (NBFC) in India, the company is well-positioned to benefit from growing demand for real estate lending, distressed assets, and brokerage services. The underperformance this quarter was driven by concerns over rising bond yields, leading to potential margin headwinds for NBFCs broadly. Additionally, mid-cap stocks in India saw profit taking after performing particularly well in 2017. We retain conviction in JM Financial due to its exceptional management team, robust growth outlook (mid-teens book value growth) over at least the next five years, and conservative risk management framework.

Shares of **Facebook, Inc.**, the world's largest social network, declined 9% during the quarter as the company had to deal with the fallout of negative publicity from the Cambridge Analytica debacle. We believe that Facebook continues to be the only game in town in "social" and remains the largest beneficiary of consumer engagement. The company utilizes its leadership position in mobile to provide global advertisers targeted marketing capabilities at scale, which we believe will remain unaffected in the long term by recent privacy concerns and regulatory risks.

Cboe Global Markets, Inc. operates financial marketplaces for trading options, futures, equities, and FX. The company reported good financial results for the most recent quarter and strong volume growth so far this year. However, the stock underperformed, declining 8%, as a spike in market volatility made certain trading strategies unprofitable for Cboe's customers and cast doubt on the growth prospects for the company's VIX franchise, which represents about a quarter of total revenue. We continue to hold the stock because we believe that any volume weakness for VIX products will be short lived, and, if not, will simply be replaced by different trading strategies, and that the company will benefit from other growth opportunities.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the highest roles in determining the size of each individual investment. Sector or country weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view."

The top 10 positions represented 41.7% of the Fund, and the top 20 were 64.1%. 95.6% of the Fund's assets are invested in stocks in the Information Technology, Consumer Discretionary, Financials and Health Care sectors, as classified by GICS, with over half of the assets invested in companies that are domiciled outside of the U.S.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Naspers Limited	$107.4	$5.3	7.4%
Amazon.com, Inc.	700.7	3.6	5.0
Alibaba Group Holding Limited	470.1	3.5	4.9
Housing Development Finance Corporation Limited	46.9	3.0	4.2
Constellation Software, Inc.	14.4	2.9	4.0
Alphabet Inc.	719.1	2.8	4.0
EPAM Systems, Inc.	6.1	2.7	3.7
argenx SE	2.6	2.1	3.0
Activision Blizzard, Inc.	51.2	2.1	2.9
KEYENCE CORPORATION	75.2	1.9	2.6

Exposure By Country

Table V.
Percentage of securities by country as of March 31, 2018

	Percent of Net Assets
United States	43.3%
China	13.4
India	9.4
South Africa	7.4
Netherlands	4.8
Japan	4.3
Canada	4.0
Israel	3.4
Argentina	3.3
Brazil	2.1
Taiwan	1.9

Recent Activity

During the quarter, we initiated six new investments and added to 33 existing positions, as we put the Fund's inflows to work. We also closed out four investments. We exited the quarter with 45 holdings.

Table VI.
Top net purchases for the quarter ended March 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Naspers Limited	$107.4	3.2
Activision Blizzard, Inc.	51.2	2.2
Constellation Software, Inc.	14.4	1.6
Housing Development Finance Corporation Limited	46.9	1.5
Alphabet Inc.	719.1	1.2

We added to our already significant investment in **Naspers Limited** this quarter, as we continue to be excited by its portfolio of assets, which we believe is meaningfully mispriced by the market. This is one of our highest conviction long-term investment ideas.

We initiated a position in **Activision Blizzard, Inc.**, a leading video game publisher whose key game franchises include Call of Duty, Destiny, World of Warcraft, Overwatch, and Candy Crush. While there is some concern that the popularity of Fortnite (a new video game from a different publisher) will impact near-term performance, we believe that Activision Blizzard has the opportunity to consistently grow revenues, continue to expand margins, and effectively allocate capital for years to come. We believe the company has an excellent management team and stands to be a major beneficiary from a number of tailwinds benefiting the video game industry, including the shift to higher-margin digital revenue, mobile gaming, in-game advertising, eSports, and international expansion.

We exercised our "non-dilution right" and essentially restored **Constellation Software, Inc.** to its original weighting in the Fund. Constellation is a holding company that specializes in developing, managing, and acquiring mission-critical, enterprise-planning software used in a variety of business verticals. Chairman and President Mark Leonard has architected the acquisitive "own-for-life" growth strategy beyond the original vertical (transit software) to include many niche verticals and geographies. We think of the company as a mini Berkshire Hathaway and of Mark as a true disciple of Warren Buffett. After showing discipline and success deploying capital to acquire small businesses in new verticals, we believe Constellation could harness a suite of best practices to improve the performance of its acquisition targets, while simultaneously leveraging the deep vertical knowledge of its new managers to exploit growth opportunities. As cloud computing has lowered the cost of operation for new software firms, Constellation's pipeline of acquisition opportunities has expanded from 10,000 to over 30,000 globally over the last five years. We believe this pipeline has the potential to grow at a double-digit rate, as the company expands its full-time business development staff, and more aggressively markets itself to business owners and advisory brokers. The Constellation management team has cultivated a strong culture where patience, discipline, and integrity matter most. Accounting policies are extremely conservative by industry standards, and the majority of manager compensation is escrowed in Constellation shares that vest over a three-to-five-year period, encouraging long-term thinking and management. Over two-thirds of Constellation's revenue is recurring – in the form of maintenance fees and other recurring service work–and we believe that Constellation can gradually increase its prices over time. Constellation's business model generates high incremental operating margins and substantial free cash flow.

Incorporated in 1977 as the first specialized mortgage company, **Housing Development Finance Corporation Limited (HDFC Ltd.)** is India's largest and most reputable lender. Today, the company is a $47 billion financial conglomerate with prospering mortgage origination, asset management, life insurance, and real estate businesses. At roughly 20% of the market, it is the largest housing finance company in the country, with gross loans in excess of $45 billion. We think the backdrop is particularly favorable, as India's 9% penetration rate of mortgages as a percent of nominal GDP is one of the lowest in the world. It is 20% in Thailand, 22% in China, 32% in Malaysia, mid 60s in the U.S. and U.K. and 90% in Denmark. Recent government support towards housing through meaningful tax incentives and partnerships with the private sector has made housing significantly more affordable, which combined with rising annual incomes will likely accelerate the demand for mortgages. HDFC Ltd.'s mortgage book has been growing consistently between 16% and 18%, and we expect this growth to rise over the next few years. As the only AAA rated private mortgage issuer in India, HDFC Ltd. has a significant funding advantage over its competitors. This allows the company to issue loans at both lower rates and higher profit margins. The company enjoys the best cost-to-income ratio (approximately 7% compared to 13% to 16% for its peers) due to its scale and distribution advantages, and we think its management team (whom we met over half a dozen times in the last two years) is second to none! There is also positive optionality from the recently spun out Life Insurance business and the announced IPO of the Asset Management business.

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Alphabet continues to benefit from the growth in online advertising, which accrues to Google search, YouTube, and Google's advertising network. The shift to mobile and online video advertising has been particularly beneficial to the business. We remain highly convicted in the merits of this investment as, in our opinion, Google possesses the greatest collection of human intellectual capital anywhere in the world and is the undisputed front-runner in the areas of AI, Autonomous Driving (via Waymo), Life Sciences (via Calico), not to mention its core revenue and profit producing assets like the search engine and YouTube videos. We take further comfort in observing that Alphabet is not resting on its laurels, which is evidenced by continued aggressive spending on R&D, which, at $17 billion last year, was the second highest in the world, after Amazon.

Table VII.
Top net sales for the quarter ended March 31, 2018

	Market Cap When Sold (billions)	Amount Sold (millions)
Expedia Group, Inc.	$16.2	0.6
JUST EAT plc	4.8	0.6
MongoDB, Inc.	2.0	0.4

We exited our position in **Expedia Group, Inc.** in the quarter based on less conviction in the company's ability to meet growth strategy going forward. The company's decision to accelerate investments into calendar 2018 were focused on a few areas accelerating the rate at which Expedia adds new hotel properties to its network in Europe, accelerating their technology migration to the cloud, and its decision to increase brand marketing spending on HomeAway, its vacation rental marketplace. While the company expects these investments to adversely impact profitability this year, it believes they should provide the company with a more sustainable growth rate going forward. We are more skeptical about its execution based on the two most recent quarters, but recognize that if the company is able to execute, the company could be under valued at current levels.

We sold our position in **JUST EAT plc** during the quarter on a combination of valuation and the company's decision to invest significant capital in building out its delivery capabilities in key markets. We've been excited about JUST EAT's high-margin marketplace business since we invested in the company at its IPO, but some of those profits are now being reinvested in a delivery capability that we believe entails higher execution risk, lower returns, and that could be an indication of increasing encroachment by competitors. We remain interested in owning this business at a lower price or when the return profile of these new investments becomes clearer.

MongoDB, Inc. is one of the leading vendors in the NoSQL database market, providing a general-purpose database platform. The company offers a modern database architecture and a solution that combines open source with proprietary layers which enables data storage with the high performance, scalability, flexibility, and reliability required in today's rapidly changing digital world. We were only able to purchase a small position before the stock "ran away" from us. We chose to exit after the price of the shares exceeded our estimate of its intrinsic value.

OUTLOOK

Last year proved to be especially rewarding for global growth investors and many of our companies have performed exceedingly well, with the Fund returning almost 50%. With another strong quarter in the books, it has undeniably been a favorable environment for the way in which we invest. While we observe a noticeable pick up in volatility, and are repeatedly told by talking heads that, with each passing day, a pullback or a correction becomes more likely, we continue to do what we do and see favorable fundamentals for most of our investments (Facebook's short-term outlook is noticeably more cloudy). Valuations, though not cheap, remain reasonable in our view, especially when compared to available alternatives. Moreover, the outlook for 2018 remains optimistic, driven by a reduction in corporate tax rates in the U.S. and an improved backdrop for Financials, Energy, and Industrials companies globally. More relevant to our portfolio, e-commerce growth and spending on digital transformations are actually accelerating, with spending on cloud computing growing more than 60%, and even faster than that in Asia. The digitization phenomenon that we believe will continue for years to come is starting to reach inflection points in many new areas where not only media and retail, but health care, transportation, and consumer banking are in the midst of full blown disruptions. We believe this should continue to favor many of the companies in which we are invested.

Every day we live and invest in a world full of uncertainty. Fed policy, China's economy, energy prices, politics, terrorism–these are all serious challenges with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We believe that our process is the right one and that it will enable us to make good investment decisions over time.

Our goal remains to maximize long-term returns without taking significant risks of permanent loss of capital. We focus on identifying and investing in what we believe are unique companies with sustainable competitive advantages that have the ability to compound capital at high rates of return for extended periods of time. We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.

Sincerely,

Alex Umansky
Portfolio Manager

Baron Global Advantage Fund

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.

Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. 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, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. The Fund may not achieve its objectives. 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 managers 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Global Advantage Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.