

DEAR BARON GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Growth Fund (the "Fund") gained 2.47% (Institutional Shares) during the quarter. The Russell 2000 Growth Index, the small-cap benchmark against which we compare the Fund, rose 2.30%. After an extended period of steady gains, markets became more volatile this quarter, as investors evaluated the impact of rising interest rates, the potential for increased regulation of the Technology sector, the impact of higher oil prices, and the specter of a global trade war.

Table I illustrates Baron Growth Fund's performance versus its benchmark during the past ten years when stocks performed strongly. Table III illustrates the Fund's performance during more challenging markets. As you can see, the Fund has grown roughly in-line with the market during good times and significantly outperformed during more challenging markets. For example, from the near peak of the Dot-Com Bubble in 1999 to the depths of the Great Recession in 2008, when the Fund's benchmark fell by over 35% cumulatively, Baron Growth Fund increased by nearly 25%. The dramatic differential in returns over the entire 18 years illustrates the impact of not losing money in bad times (see Table III – Millennium Internet Bubble to Present)...

Table I.
Performance

Annualized for periods ended March 31, 2018

	Baron Growth Fund Retail Shares ^{1,2}	Baron Growth Fund Institutional Shares ^{1,2,3}	Russell 2000 Growth Index ¹	S&P 500 Index ¹
Three Months ⁴	2.41%	2.47%	2.30%	(0.76)%
One Year	17.91%	18.20%	18.63%	13.99%
Five Years	10.95%	11.24%	12.90%	13.31%
Ten Years	9.76%	10.01%	10.95%	9.49%
Since Inception (December 31, 1994)	13.02%	13.13%	8.16%	9.90%

We continue to focus our research efforts on identifying and analyzing high-quality businesses that are "capital light" with recurring revenue streams, large addressable markets, sustainable competitive advantages, and that are



RONALD BARON

CEO AND PORTFOLIO MANAGER

Retail Shares: BGRFX
Institutional Shares: BGRIX
R6 Shares: BGRUX

led by best-in-class managements. We invest in these businesses for the long term and expect them to achieve superior revenue and earnings growth over that period, regardless of interest rates, commodity prices or trade policies.

We believe in the disruptive potential of technology. As of March 31, approximately 20% of the Fund's assets were invested in Information Technology stocks. Demand for our businesses' products and services is robust, and we expect to continue to identify compelling new ideas in this sector.

We are pleased that the Fund generated performance modestly ahead of the market during the quarter while taking on less risk, as measured by beta. While the low beta of the Fund may be underappreciated during periods of low volatility, we believe it is a particularly attractive attribute when markets become uncertain.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail shares and Institutional shares as of September 30, 2017 was 1.30% and 1.04%, 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 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.*

¹ The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group.

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 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.

Baron Growth Fund

During the quarter, many of our largest positions performed well, including double-digit returns from 15 positions. This was partially offset by the adverse impact of higher interest rates on our real estate investments, and our lack of exposure to strong performing pharmaceutical companies.

Baron Growth Fund purchases only small-cap companies. Since the Fund holds its investments for the long term, the Fund has a significant percentage of assets invested in securities that have appreciated beyond their market capitalizations at the time of the Fund's investment. Please see Table VIII. Baron Growth Fund's median market cap is \$4.0 billion; its weighted geometric average market cap is \$6.2 billion. The Morningstar US market breakpoints for small- and mid-cap funds are \$3.2 billion and \$16.2 billion, respectively, as of March 31, 2018.

Baron Growth Fund has significantly outperformed its peers over the long term. A \$10,000 investment in Baron Growth Fund at its inception would be worth \$176,197 at March 31, 2018. This is approximately 2.8 times greater than the \$61,936 value of the same sized investment made in the Fund's benchmark, the Russell 2000 Growth Index. Those returns were achieved with almost 30% less volatility than the benchmark, an attribute that we believe is underappreciated during periods of calm markets.

Baron Growth Fund's performance also compares well against surviving mid-cap growth funds. Since inception, the Fund ranks in the top 7% of funds in the Morningstar Mid-Cap Growth Category. Baron Growth Fund ranks in the top 7% of Small-Cap Growth funds that existed in December 1994.*

Table II.
Performance Based Characteristics as of March 31, 2018

	Time Interval			
	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 3/31/2018	Millennium Internet Bubble to Present 12/31/1999 to 3/31/2018	Inception 12/31/1994 to 3/31/2018
Alpha (%)	5.05	3.00	5.06	7.06
Beta	0.58	0.76	0.64	0.68

Table III.
Performance.
Millennium to Present. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/99 to 12/31/08		Financial Panic to Present 12/31/08 to 3/31/18		Millennium Internet Bubble to Present 12/31/99 to 3/31/2018		Inception 12/31/1994 to 3/31/2018	
	Value \$10,000	Cumulative	Value \$10,000	Cumulative	Value \$10,000	Cumulative	Value \$10,000	Cumulative
Baron Growth Fund (Institutional Shares)	\$12,448	24.48%	\$38,264	282.64%	\$47,633	376.33%	\$176,197	1,661.97%
Russell 2000 Growth Index	\$ 6,476	(35.24)%	\$40,096	300.96%	\$25,965	159.65%	\$ 61,936	519.36%
S&P 500 Index	\$ 7,188	(28.12)%	\$35,604	256.04%	\$25,592	155.92%	\$ 89,858	798.58%

If you were unlucky enough to purchase Baron Growth Fund in December 1999, immediately before the Internet Bubble burst, the worst possible time, and sell at the worst possible time, amid the Financial Panic in December 2008, you would have earned 24.48%, 2.46% annualized. If instead you had invested in a passive index fund that performed similarly to the Fund's benchmark, the Russell 2000 Growth, you would have lost 35.24% of your money, a 4.71% decline per year. This represents a 7.17% per year excess return for Baron Growth Fund compared to a passive index investment (see Table III-Millennium Internet Bubble to Financial Panic).

During the recovery period from December 2008 through March 2018 (see Table III-Financial Panic to Present), one of the best periods in U.S. stock market history, Baron Growth Fund increased in value 282.64%, 15.61% annualized, a little less than the 300.96%, 16.20% annualized for its index. For the entire 18+ year period from 2000 through March 2018, however, Baron Growth Fund gained 376.33%, 8.93% annualized compared to 159.65%, 5.37% annualized for its benchmark. We think this is a compelling argument for investing with an active manager like us, who bases long-term investment decisions on intensely researching businesses' fundamentals.

* Morningstar moved Baron Growth Fund from the **Small Growth Category** effective 5/31/2011 to the **Mid-Cap Growth Category**. The Fund's investment mandate has been, and continues to be, to invest in small-cap growth stocks for the long term. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment. As a result, we provide comparative performance data for the Morningstar Mid-Cap Growth Category and the Baron-Adjusted Morningstar Small Growth Category, created to include Baron Growth Fund's Retail, Institutional, and R6 shares.

Morningstar calculates its category averages 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.

As of 3/31/2018, the **Morningstar US Fund Mid-Cap Growth Category** consisted of 613, 485, 352 and 57 funds for the 1-, 5-, 10-year and since inception (12/31/1994) periods. Morningstar ranked **Baron Growth Fund** in the 50th, 66th, 36th and 7th percentiles, respectively.

The **Baron-Adjusted Morningstar Small Growth Category** is not a Morningstar ranking. As of 3/31/2018, the **Baron-Adjusted Morningstar Small Growth Category** consisted of 687, 534, 405 and 59 share classes for the 1-, 5-, 10-year and since inception (12/31/1994) periods. **Baron Growth Fund** would have ranked in the 46th, 62nd, 55th and 7th percentiles, respectively.

Baron Growth Fund didn't make much money from the peak of the Internet Bubble December 31, 1999 through the trough of the Financial Crisis December 31, 2008 (see Table III-Millennium Internet Bubble to Financial Panic). But we did make *something*...which gave you a much better outcome than if you had invested in a passive index mirroring either the Russell 2000 Growth Index, our benchmark, or the S&P 500 Index. Both indexes lost money during that period. (See Table III.)

Due to the "magic" of compounding, \$10,000 invested in Baron Growth Fund on December 31, 1999 is worth 4.8 times that amount, or \$47,633 on March 31, 2018. Due to the losses experienced by the Russell 2000 Growth Index in the Millennium Internet Bubble to Financial Panic Years, that is 83.5% more than an investment in a passive Russell 2000 Growth Index mutual fund! We are pleased that our long-term investments in what we believe are competitively advantaged growth companies with exceptional management teams enabled us to adhere to Buffett's "don't lose money" admonition during the Millennium Internet Bubble to Financial Panic years. Of course, past performance is no guarantee of future results...even if we hope our efforts to protect the downside will continue to be successful.

Table IV.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2004	\$0.7	\$13.1	22.14%	0.97%
SS&C Technologies Holdings, Inc.	2010	1.0	11.1	32.67	0.90
IDEXX Laboratories, Inc.	2005	1.9	16.7	22.43	0.72
MSCI, Inc.	2007	1.8	13.4	18.43	0.68
Vail Resorts, Inc.	1997	0.2	9.0	5.05	0.36

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, contributed to performance. Business trends are excellent, with the company announcing that fourth quarter sales jumped approximately 50% year-over-year. We are excited about the upsell of Loopnet Premium Searcher customers to the flagship CoStar product, which we believe can contribute an incremental \$150 million to \$200 million of recurring revenue. We think CoStar has an even larger opportunity to optimize its Premium Lister product, and we expect the recent acquisition of ForRent to be meaningfully accretive. (Neal Rosenberg)

Shares of financial technology vendor **SS&C Technologies Holdings, Inc.** contributed to performance as the company announced the acquisition of DST Systems, a key player in long-only portfolio administration. SS&C has a strong M&A track record, and investors believe there will be meaningful synergies from the deal. SS&C reported solid fourth quarter earnings with a positive 2018 outlook. We believe the company will generate attractive revenue growth through market share gains, cross-sales of its expanded services portfolio, and new product introductions. (Neal Rosenberg)

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** contributed to performance. Competitive trends are strong, highlighted by instrument installed base growth of 20%, domestic lab growth more than twice that of competitor VCA, improving sales productivity, and acceleration in rapid assays. We believe the launch of its SDMA test for kidney disease and fecal antigen testing at the point of care will boost organic revenue and earnings growth over time. Margins are moving significantly higher, and we believe they can approach 30% over the next several years. (Neal Rosenberg)

Table V.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Penn National Gaming, Inc.	2008	\$2.5	\$ 2.4	-16.18%	-0.35%
Arch Capital Group Ltd. Gaming and Leisure Properties, Inc.	2002	0.4	11.7	-5.71	-0.30
Douglas Emmett, Inc.	2008	4.2	7.1	-7.79	-0.27
Red Rock Resorts, Inc.	2009	1.0	6.2	-9.85	-0.24
	2016	2.3	3.4	-12.95	-0.23

Shares of regional casino operator **Penn National Gaming, Inc.** fell on investor concerns about snowstorms and flooding across the U.S. that could potentially impact Penn's business. Although the weather-related events could hurt Penn's first quarter performance, we believe it is a one-off event and consumer visits and spending remain strong. The acquisition of Pinnacle Entertainment remains on track to close in the second half of 2018, and once completed, should be significantly accretive to Penn. (David Baron)

Arch Capital Group Ltd. is a specialty insurance and reinsurance company based in Bermuda. The company reported 10% growth in book value per share during the most recent quarter, but the stock declined as industry pricing trends remained challenging. Additionally, Freddie Mac introduced a new pilot program for distributing mortgage insurance, sparking concerns about greater competition. We continue to own the stock due to Arch's strong management team, underwriting discipline and attractive valuation. (Josh Saltman)

Shares of **Gaming and Leisure Properties, Inc.**, a gaming-related REIT, decreased in the quarter when investors sold REITs in anticipation of interest rate hikes. Amid a high-valuation environment, investors were concerned about the company's ability to complete additional accretive acquisitions and increase its dividends. We retain conviction. The company has a \$700 million credit facility at 2% interest, and its stock trades at 12.5 times forward EBITDA, which should allow buyouts to be accretive to free cash flow and dividends. (David Baron)

Baron Growth Fund

RECENT PURCHASES

We added to our position in **Houlihan Lokey, Inc.**, a global investment bank with expertise in M&A, financing, restructuring, and financial advisory services. The company purely provides advisory services, and does not do any lending, sales and trading, or research. Houlihan is widely considered to be best-in-class in financial restructurings, a countercyclical market that is deep enough to sustain the business during favorable economic cycles and permit its growth meaningfully in downturns. In corporate finance, the company targets transactions that are below \$1 billion in value. This is a large, high-volume market segment that falls below the radar of large bulge bracket competitors. We believe that Houlihan is the largest advisor in this segment but still has less than 2% market share. We expect the company to continue to expand share by adding headcount. We view the cash flow characteristics of the business favorably given its variable compensation, strong margins, and negligible capital requirements.

We also added to our position in **Denali Therapeutics Inc.**, a biotechnology company focused on neurodegenerative disorders, which includes such diseases as Parkinson's, ALS, and Alzheimer's. Denali was founded by a team of former Genentech employees, and counts Illumina's Jay Flatley and Stanford President Marc Tessier-Lavigne as board members. The company is trying to apply molecular biology and genetics to unique targets in neurology in the same way that these disciplines were applied to oncology in the past. It will marry this with novel platform technology that enables antibodies to cross the blood brain barrier and unique biomarkers that enable the company to track target engagement. The company has six "core" programs which are mostly pre-clinical or are just now entering the clinic. Denali is the Fund's first biotechnology investment since the end of 2016, and we initially purchased shares during the company's initial public offering last year. Of all the biotech investments that we could have made, we believe that the extraordinary size of the opportunity, the quality of management, and our historical interactions with two board members made this unique. We intend to keep the position size small as we learn more.

PORTFOLIO STRUCTURE AND INVESTMENT STRATEGY

Because many companies in which Baron Growth Fund invests are penalizing their current earnings with expenditures for growth, the Fund has been able to invest in them at what we believe were unusually attractive prices. *We believe this strategy is the reason the Fund has so significantly outperformed its peers and its benchmark indexes over the long term.*

Baron Growth Fund's strategy of investing for the long term is different than strategies of most other small-cap growth funds. Many funds invest top down in industries that they believe are likely to benefit in the near term from economic trends created by macro developments. Those funds on

average turn over about 66% of their portfolios annually. As a result, over the long term, in our opinion, they are likely to achieve average returns, at best. We believe, few, if any, investors are able to consistently predict unpredictable events. Further, even if they could predict the outcome of events, we think it is unlikely they would be able to predict their impact on stocks and markets.

Table VI.
Top performing stocks owned more than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Choice Hotels International, Inc.	1996	2,155.1%
IDEXX Laboratories, Inc.	2005	1,229.8
Vail Resorts, Inc.	1997	1,171.2
Arch Capital Group Ltd.	2002	897.9
Alexander's, Inc.	1999	840.4
CoStar Group, Inc.	2004	805.8

Baron Growth Fund owns stock of 36 businesses that it has owned for more than five years. These investments represent 82.9% of the Fund's assets and have earned an average annualized rate of return of 17.7% since they were purchased. This exceeds the performance of the Fund's benchmark by 5.6% per year. Most Fund investments that have been held for more than five years have realized approximately three- to seven-fold appreciation so far, and six have achieved returns in excess of nine times since their initial purchase. Seven of these investments have achieved annualized returns that exceed their benchmark by more than 10%.

Table VII.
Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Trex Company, Inc.	2014	205.8%
West Pharmaceutical Services, Inc.	2013	172.3
Moelis & Company	2015	125.3
Kinsale Capital Group, Inc.	2016	90.4
Littelfuse, Inc.	2016	85.9

We exclusively purchase small-capitalization companies that we think can double in size in a five- or six-year period. As a group, investments held for less than five years represent 16.8% of the portfolio, have earned an average annualized return of 25.5%, and have exceeded our benchmark by 13.3% annualized.

PORTFOLIO HOLDINGS

As of March 31, 2018, Baron Growth Fund held 59 investments. The top 10 holdings represented 46.3% of the Fund's net assets. These top 10 investments were purchased when they were smaller businesses and have grown dramatically since then. We believe they all continue to offer significant further appreciation potential, although we cannot guarantee that will be the case. We believe the Fund's diversified portfolio offers investors potentially better-than-market returns with less risk than the market.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Vail Resorts, Inc.	1997	\$0.2	\$ 9.0	\$471.1	7.7%
CoStar Group, Inc.	2004	0.7	13.1	326.4	5.3
Arch Capital Group Ltd.	2002	0.4	11.7	306.4	5.0
MSCI, Inc.	2007	1.8	13.4	276.5	4.5
Gartner, Inc.	2007	2.3	10.7	268.2	4.4
FactSet Research Systems, Inc.	2006	2.5	7.8	252.3	4.1
Choice Hotels International, Inc.	1996	0.4	4.6	240.9	3.9
IDEXX Laboratories, Inc.	2005	1.9	16.7	239.2	3.9
ANSYS, Inc.	2009	2.3	13.1	236.6	3.9
SS&C Technologies Holdings, Inc.	2010	1.0	11.1	218.6	3.6

Thank you for investing in Baron Growth Fund.

Thank you for joining us as fellow shareholders in Baron Growth Fund. We believe the growth prospects for the businesses in which Baron Growth Fund has invested continue to be favorable.

We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We will also continue to provide you with information that we would like to have if our roles were reversed. This is so you will be able to make an informed judgment about whether Baron Growth Fund remains an appropriate and attractive investment for your family.

Respectfully,



Ronald Baron
CEO and Portfolio Manager



Neal Rosenberg
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.

The Adviser believes that there is more potential for capital appreciation in smaller companies, but there also may be more risk. Specific risks associated with investing in smaller 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.

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 Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2000 Growth Index) is 1.00 by definition.