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

June 30, 2017

Baron Funds®

Quarterly Report

"I felt exactly how you would feel if you were getting ready to launch and knew you were sitting on top of two million parts…all built by the lowest cost bidder on a government contract." John Glenn, pioneer astronaut, U.S. Senator and first American to orbit Earth. 1962.

That was John Glenn's answer when asked what went through his mind while waiting to be launched into space aboard an Atlas rocket 55 years ago. Glenn's apprehension was what we all feel when using critical infrastructure that may have been built with substandard parts, inferior materials or construction practices that cut corners. We don't invest in businesses that purchase exclusively from low cost bidders and skimp on consequential spending to boost short-term profits. Conversely, we don't invest with business managers whom we consider profligate. Managers of our portfolio companies believe their businesses will benefit over the long term by demanding premium quality from their suppliers, even if it costs more.

Despite Tesla's requirements for precision engineering, quality materials, and functional design resulting in minimal waste, it often obtains better pricing for outsourced parts than its competitors. We believe its parts vendors try to accommodate this unique and fast growing company because they think Tesla's engineering skills and designs will make them better suppliers! Further, since Tesla can insource production, it has the advantage of knowing exactly what a product should cost and how to produce it. Mary T. Barra, General Motors' CEO who has been trained as an engineer, has instructed her supply chain to "use Tesla suppliers…even if they cost more!" Her rationale is that despite incurring higher costs to build a car, maintenance and warranty costs will be lower; car safety will be improved; and GM's reputation will be enhanced.

We think "quality" is as important in real estate and services businesses as it is in manufacturing.

Mike, a good friend of mine, recently left his position as CEO of a large publicly owned real estate investment trust. He has since founded a privately owned real estate development company. My friend's first project is in an up and coming, downtown New York City neighborhood. It is a $180 million total cost apartment project built on land that cost $57 million. When Mike sought equity partner financing, one investor who agreed to invest, after studying Mike's plans, told my friend to "spend more." If he did, that investor said he would invest more. Mike until then had been trying to keep his costs as low as possible to earn as high a return on investment as possible. After receiving that advice and thinking about it overnight, my friend called his architect. "I want to spend $3-5 million more," Mike told the designer. Architecture, windows, lighting, materials and finishes were all upgraded…as were kitchens and bathrooms. Although Mike says it is not yet obvious his increased costs will be reflected in higher initial rents, he is confident his building will rent up faster than neighboring buildings, will stay occupied longer and, ultimately, will command those higher rents he desires.

RONALD BARON
CEO AND CHIEF INVESTMENT OFFICER

There *is* a difference when you "build to own" versus "build to sell." When we were building our house which began to run significantly over budget, I complained to the contractor. He responded by showing me all the places where we could save money by using lower quality materials or finishes which wouldn't be noticed by a casual observer. "We are not planning to ever sell our home," I told him. "Please don't try to save us money on what you can't see. That's where we want to *spend* money to improve the quality of our house. We just want to know in advance what things will cost. We don't want to be surprised." I then told him my family lived in a rental apartment in New York for almost 20 years so we could invest in our business. "There's a big difference between a rental and a co-op in New York," my wife told me. "It's in the walls." When we finally did purchase a co-op in 1996, I told Judy she was right. I told our builder that story to be certain he understood we wanted the quality of our home to be at least the quality level of our apartment.

TABLE OF CONTENTS

BARON FUNDS 1987

Businesses in which Baron mutual funds invest are rarely businesses that sell undifferentiated commodities and which, as a result, must be the low-cost provider to survive. We are anxious for our portfolio companies to invest in their businesses even if it penalizes their current profits or costs more than expected to achieve the highest quality that is appropriate. This is since we think such capital investments will be worthwhile in the long term.

Footnote to John Glenn story which began this letter.

On May 25, 1961, President John F. Kennedy announced to a joint session of Congress that the U.S. "should commit itself to achieving the goal, before the decade is out, of landing a man on the Moon and returning him safely to Earth." In 1966, with NASA preparing for its first moon landing, the space agency's budget represented 4.4% of annual United States' federal spending. In 2017, NASA's budget represents 0.47% of annual federal spending! Until three years ago, no new spacecraft had been designed, built, and flown since the 1960s. This is because building a new spacecraft means developing innovative technologies which always takes our government longer and costs more than anticipated! In 2010 our government decided instead to outsource the development of new spacecraft and related technology to the commercial space flight industry. Government executives believed private companies could likely build a higher quality product for lower cost! I for one am certain this was a good decision. Boeing and Elon Musk's SpaceX were awarded contracts to design, build, and fly new spacecraft to ferry U.S. astronauts to the International Space Station (ISS). American astronauts are presently being flown to the ISS aboard Russian rockets from the 1960s until Boeing or SpaceX spacecraft are available!!!! The cost of commercial flights to the ISS will be a fraction of the cost of previous government flights, in part because rockets will be reusable. The rockets will also be significantly more reliable.

"This was a really interesting conversation. Most investors are only interested in news and current sales and earnings. You were asking about fundamentals, scaling, and events that would play out over years. Few investors I meet have those time frames. Most zone out in any conversation that goes beyond a year or two. I am blown away by this meeting." Dr. Ion Yadigaroglu. Founder and Principal. Capricorn Investment Group. June 20, 2017.

As part of our ongoing effort to gain further insight into Tesla's prospects, we recently met with Dr. Ion Yadigaroglu, a venture capitalist. Ion is an engineer with a doctorate in physics from Stanford. Ion has been programming since he was eight years old! Ion's dad is a prominent nuclear scientist. So much for Ion's creds. When Ion studied at Stanford graduate school, his roommate founded eBay. Ion's $1,300 investment in the eBay startup became worth millions. In 1992, at the dawn of the Internet, Ion met Elon Musk. Elon had come to Palo Alto to research battery technologies in Stanford's labs. Elon dropped out after only six days! Further, while at Stanford, Ion was the teaching instructor for JB Straubel, Tesla's CTO and chief engineer. Ion believes JB and his team are better at battery technology than anyone else. It was lucky for Ion that he met both Elon and JB. Ion invested in Tesla when it was just beginning, and so far has made a lot more than he did in eBay. After meeting Ion, we concluded it was lucky for Elon and JB they met Ion as well.

Our meeting with Dr. Yadigaroglu is one example of Baron Funds' differentiated primary research approach. Few institutional investors have met with Elon and JB. Fewer still, we're guessing, have met with the co-founder's teaching instructor at Stanford. We believe fewer and fewer in the investment industry are performing even the most basic research on businesses. There is a reason for this. During the past 15 years, boosted by virtually instantaneous communications, computer algorithms, and the increasing popularity of ETFs, securities trading

Table I. Performance of Baron Funds Since Inception (Institutional Shares) Through June 30, 2017. We strive to beat the passive benchmarks... and our peers.

Fund	Morningstar Category	Primary Benchmark	Since Inception Morningstar Ranking	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Annualized Morningstar Category Return Since Fund Inception	Inception Date
Baron Asset Fund	US Fund Mid-Cap Growth	Russell Midcap Growth Index	Top 10%	11.49%	9.89%	9.42%	6/12/1987
Baron Growth Fund	Baron-Adjusted Morningstar Small Growth	Russell 2000 Growth Index	Top 1%	13.05%	7.83%	10.21%	12/31/1994
	US Fund Mid-Cap Growth		Top 5%			9.77%	
Baron Small Cap Fund	US Fund Small Growth	Russell 2000 Growth Index	Top 10%	9.91%	5.79%	7.53%	9/30/1997
Baron Opportunity Fund	US Fund Mid-Cap Growth	Russell 3000 Growth Index	Top 41%	5.76%	3.43%	5.07%	2/29/2000
Baron Partners Fund	US Fund Mid-Cap Growth	Russell Midcap Growth Index	Top 1%	13.09%(1)	9.48%	9.18%	1/31/1992
Baron Fifth Avenue Growth Fund	US Fund Large Growth	Russell 1000 Growth Index	Top 53%	8.15%	9.00%	8.27%	4/30/2004
Baron Focused Growth Fund	US Fund Mid-Cap Growth	Russell 2500 Growth Index	Top 9%	11.01%(1)	7.63%	8.45%	5/31/1996
Baron International Growth Fund	US Fund Foreign Large Growth	MSCI ACWI ex USA IMI Growth Index	Top 5%	11.84%	9.39%	9.23%	12/31/2008
Baron Real Estate Fund	US Fund Real Estate	MSCI USA IMI Extended Real Estate Index	Top 3%	15.59%	13.54%	12.15%	12/31/2009
Baron Emerging Markets Fund	US Fund Diversified Emerging Mkts	MSCI EM IMI Growth Index	Top 1%	4.85%	1.71%	0.57%	12/31/2010
Baron Energy and Resources Fund	US Fund Equity Energy	S&P North American Natural Resources Sector Index	Top 55%	(4.29)%	(0.98)%	(4.75)%	12/30/2011
Baron Global Advantage Fund	US Fund World Large Stock	MSCI ACWI Growth Index	Top 9%	11.55%	9.86%	9.17%	4/30/2012
Baron Discovery Fund	US Fund Small Growth	Russell 2000 Growth Index	Top 1%	15.60%	8.95%	7.77%	9/30/2013

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.

volumes have multiplied exponentially. As computers and software have replaced traders and marketplaces, brokerage commission revenues have fallen dramatically. Brokerage commissions historically have been used to pay for investment research. Ergo, investment research budgets have been cut significantly; there are now far fewer financial analysts; and "price discovery" and markets have become less efficient.

We believe the fewer people who do research, the more valuable the fundamental research we conduct and the more likely it is that we will continue to outperform. This is although we cannot guarantee that we will. One Tesla executive with whom I speak regularly recently remarked to me, "It is amazing to me how little most people know about Tesla."

One of my golf friends recently remarked, "I love to play poker with people who think the game is all about luck." My friend wins so often and so much, he thought he was going to be asked to leave his game. One of our mutual friends who plays in that game marvels how this individual "knows" what cards are in his hand without seeing them. "It's about mathematics and 'reading the table,' studying how your opponents bet their hands," my friend explained to me. Which is just like world championship bridge. Teams that compete in bridge study books several inches thick on "conventions" and practice diligently. Based on my observation, people who earn lots of "masters points" don't earn them because they are lucky.

Just like anything else, the harder you "work," the "luckier" you get. We think the same goes for investors who earn returns significantly greater than those of the market over the long term.

We don't think Baron Funds' top-ranking performance over the long term is due to luck.

Since their inceptions:

1. **98.76%** of Baron mutual fund assets have *outperformed their benchmark indexes*; 2. **97.48%** of Baron mutual fund assets have outperformed their peers and rank in the *top 10% of their Morningstar categories*; and 3. **64.85%** of Baron mutual fund assets have outperformed their peers and rank in the *top 5% of their Morningstar categories.*

"There's something amazing about America's democracy. It's got a gyroscope and just when you think it's going to go off the cliff, it rights itself." Princeton Physics Professor Albert Einstein. Refugee from Germany. Letter to his son. 1953.

I don't often watch television. Sports programming anytime and CNBC's "Squawk Box" and MSNBC's "Morning Joe" during my 6 AM daily workouts are the exceptions. Regardless, my wife recently insisted we watch Albert Einstein's film biography in National Geographic's "Genius" series.

I found Einstein's life story inspiring, in part, because I have long considered him a hero. In fact, for many years I have had a framed letter written by Professor Einstein on May 31, 1940 displayed on a wall in my office. In that letter, Professor Einstein solicited donations to save Jewish scholars in "war-torn" Europe. "Large Jewish centers of our rich traditions, Germany, Austria, Poland with its more than three million Jews, and now Holland and Belgium, have ruthlessly been destroyed…" he wrote during the Holocaust. "… little thought is given to the harsh fate of the most brilliant refugee Hebrew scholars in critical distress. Many of these brilliant men have already lost their lives. The few…barely able to escape from lands of persecution and terror have lost everything they possessed and are now faced with extinction unless we help them at once…"

Soon after watching the "Genius" portrayal of Professor Einstein, I read about another letter the physicist had written in 1953, this one to his son. Einstein had come to America from Germany in 1933, the year Hitler took power, and despaired in the 1950s of McCarthyism in America. "I've seen this happen before. It's like

Table II. Performance of Baron Funds Net of Fees and Expenses Last Fifteen Years

Fund	1-year returns	5-year returns	10-year returns	15-year returns	Annual expense ratio
Baron Asset Fund	24.85%	15.81%	7.69%	9.50%	1.04%(2)
Baron Growth Fund	20.05%	13.43%	7.61%	9.70%	1.05%(2)
Baron Small Cap Fund	25.11%	13.11%	7.31%	9.41%	1.06%(2)
Baron Opportunity Fund†	28.34%	12.04%	7.95%	13.03%	1.13%(2)
Baron Partners Fund	33.43%	18.58%	8.33%	11.87%	1.52%(3)(4)
Baron Fifth Avenue Growth Fund	29.03%	15.49%	7.53%	N/A	0.85%(2)(5)
Baron Focused Growth Fund	20.00%	11.83%	7.09%	11.99%	1.13%/1.10%(3)(6)
Baron International Growth Fund	19.06%	9.58%	N/A	N/A	1.36%/1.10%(3)(7)
Baron Real Estate Fund	18.41%	14.43%	N/A	N/A	1.07%(3)
Baron Emerging Markets Fund	18.50%	8.91%	N/A	N/A	1.13%(3)
Baron Energy and Resources Fund†	(1.75)%	(2.06)%	N/A	N/A	1.46%/1.10%(3)(8)
Baron Global Advantage Fund†	30.19%	13.92%	N/A	N/A	3.55%/1.10%(3)(9)
Baron Discovery Fund†	43.85%	N/A	N/A	N/A	1.49%/1.10%(2)(10)

(2) As of 9/30/2016.
(3) As of 12/31/2016.
(4) Comprised of operating expenses of 1.09% and interest expenses of 0.43%.
(5) Restated to reflect current management fees.
(6) Annual expense ratio was 1.13%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(7) Annual expense ratio was 1.36%, but the net annual expense ratio was 1.10% (restated to reflect current fee waivers).
(8) Annual expense ratio was 1.46%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(9) Annual expense ratio was 3.55%, but the net annual expense ratio was 1.10% (restated to reflect current fee waivers).
(10) Annual expense ratio was 1.49%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
† 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.

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.

Nazi Germany, it's like the Communists. There's something amazing about America's democracy. It's got a gyroscope and just when you think this country is going off a cliff, it rights itself." According to Walter Issacson, Einstein's biographer, Einstein was then referring to the election of President Eisenhower, McCarthyism disappearing and the rise of journalism with television newscaster Edward R. Murrow.

People often ask me how I can be so optimistic about America, its economy, and financial markets in such unsettled times as today's. I tell them about all the wars, including a Civil War, recessions, financial panics, depressions, terror, political crises, and social unrest that America has endured since 1776 and about the growth of our economy through it all. As importantly, I point to our country's religious and personal freedoms and equal opportunities for all, the reasons our ancestors came to America, and for which many of our young men and women have given their lives. With low-cost capital for businesses readily available, low-cost energy and new technology, as General Electric used to say in the 1950s "bringing good things to life," we think American businesses' growth prospects and opportunities have never been stronger. This is despite traditional business models for "hoteliers, retailers, money managers, taxi cab companies, long haul truckers, newspaper publishers, shopping mall owners, advertisers, traditional auto manufacturers and energy businesses, to name a few," that *Grant's Interest Rate Observer* recently listed as being "disrupted"…which we think provides even more opportunities!

Although Washington is presently chaotic, the President has surrounded himself with several incredibly capable and talented advisers like Secretary of State Rex Tillerson, Defense Secretary General Jim Mattis, National Security Advisor General H.R. McMaster, U.N. Ambassador Nikki Haley, Director of National Economic Advisors Gary Cohn, Fed Chairman Janet Yellen, and among the most prominent, successful, and talented business executives in our nation. If programs and regulations now being considered don't work, we're certain that Einstein's "gyroscope" will become operable; our country will "right itself;" and our government will implement policies with broader appeal.

Finally, I thank goodness that in the early 1900s, my grandparents, who were then children who did not speak English, courageously emigrated to America from Poland and Russia, just like the grandparents of many of my friends. This was to escape religious persecution. One of my grandfathers found work in a wax candle factory in Brooklyn and ultimately became its foreman; the other became a peddler of shoes from a street cart. The peddler and his wife, my grandmother, and their children, including my mom, lived in a two room flat in a tenement on Manhattan's lower east side. They shared a bathtub with two other families. They could take baths only on Fridays. Their apartment was so cold in winters that every evening they went to a library to stay warm. Fortunately for me this engendered a lifelong love of books for my mom, my aunt, and my uncle. My grandparents were right and lucky to come to America. I think it would not be possible for them to imagine how fortunate their grandchildren and the grandchildren of *their* friends, have become. How could I possibly not be optimistic?

26th Annual Baron Investment Conference. November 10, 2017. Metropolitan Opera House. Lincoln Center. New York City.

We hope you will be able to attend our 26th annual investment conference on November 10. The meetings have grown from fewer than 35 attendees at our first meeting in 1992 at New York City's Harmonie Club to more than 5,000 at New York City's Met last year. Our meetings are intended to allow you to meet and question executives of businesses in which Baron Funds has invested. We will again have some pretty special speakers this year… whom we think you will be pleased are managing businesses in which your savings have been invested! We also intend for these meetings to give you an opportunity to meet and question Baron portfolio managers and analysts, our client services representatives, Linda and me. We are there to discuss our investments, process and any other topics on your mind….no questions are off limits…all day long. Finally, the entertainment at lunch and at the end of the day as usual, will be incredibly cool. Also, as usual, it will be at our expense, not yours. And, as usual, it will be a surprise. To register please go to www.BaronFunds.com/register.

We hope we will see you at The Met on November 10. For those of you who can't attend, you will be able to watch our meeting streamed live on the Baron Funds website…everything but the entertainment, that is (we are contractually prevented from streaming entertainment). You can get a sense of our meeting by watching CNBC's Squawk Box that morning from 6 AM to 8:30 AM (Eastern Standard Time). Becky Quick will first interview me and then the two of us will interview several executives with whom we have invested and with whom we expect Baron Funds to make a lot more money…although we obviously can't promise that.

We like to say that "we invest in people." When you attend our annual conferences or watch us on CNBC or visit us at our website, we believe you will gain a better understanding of the businesses in which we have invested; of the individuals who lead those businesses; and of the character and talent of the individuals with whom I work. In the end, we think it's all about people. It is why I expect to never stop "working."

Thank you again for joining us as fellow shareholders in Baron Funds.

We will continue to work hard to justify your confidence in us.

See you in November.

Respectfully,

Ronald Baron
CEO and Chief Investment Officer
July 15, 2017

P.S.
While they last…if you're a shareholder and would like a complimentary Baron Funds' "Exceptional Takes Time", 1776 American Flag 2016 Conference t-shirt, please email us at info@baronfunds.com. Sizes S-2XL are available. Great for when you're working out…sleeping…on the beach…or out on the town! (Looks great belted as a dress!)

P.P.S. Don't forget to send your photo wearing our t-shirt if you'd like it posted on our website in our Conference t-shirt gallery.

The discussion of market trends and companies are not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current 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 any time based on market and other conditions, and we have no obligation to update them.

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 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Portfolio holdings as a percentage of net assets as of June 30, 2017 for securities mentioned are as follows: **Tesla, Inc.** – Baron Opportunity Fund (5.6%), Baron Partners Fund (16.5%*), Baron Fifth Avenue Growth Fund (1.0%), Baron Focused Growth Fund (17.4%), Baron Energy and Resources Fund (6.7%), Baron Global Advantage Fund (1.3%).

---

*% of Long Positions.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The **Morningstar US Fund Mid-Cap Growth Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth category. 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 June 30, 2017, the category consisted of 626, 502 and 370 funds for the 1-, 5-, and 10-year periods. Morningstar ranked **Baron Asset Fund** Institutional Share Class in the 7th, 8th, 30th and 10th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (6/12/1987) periods (consisted of 21 funds (share classes)). Morningstar ranked **Baron Growth Fund** Institutional Share Class in the 32nd, 33rd, 32nd and 5th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (12/31/1994) periods (consisted of 64 funds (share classes)). Morningstar ranked **Baron Opportunity Fund** Institutional Share Class in the 3rd, 60th, 26th and 41st percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (2/29/2000) periods (consisted of 161 funds (share classes)). Morningstar ranked **Baron Partners Fund** Institutional Share Class in the 2nd, 1st, 18th and 1st percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (1/31/1992) periods (consisted of 30 funds (share classes)). Morningstar ranked **Baron Focused Growth Fund** Institutional Share Class in the 33rd, 65th, 47th and 9th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (5/31/1996) periods (consisted of 84 funds (share classes)).

The **Morningstar US Fund Small Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Small Growth category. 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 June 30, 2017, the category consisted of 678, 533 and 398 funds for the 1-, 5- and 10-year time periods. Morningstar ranked **Baron Small Cap Fund** Institutional Share Class in the 28th, 43rd, 47th and 10th percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (9/30/1997) periods (consisted of 121 funds (share classes)). Morningstar ranked **Baron Discovery Fund** Institutional Share Class in the 1st and 1st percentiles, respectively, in the category for the 1-year and since inception (9/30/2013) periods (consisted of 573 funds (share classes)).

Morningstar moved **Baron Growth Fund** from the Small Growth Category effective May 31, 2011 to the Mid-Cap Growth Category. The Fund's investment mandate has been and continues to be investing in small cap growth stocks for the long run. While the ranking information contained herein may be based on performance measurements from Morningstar, Baron created a new Morningstar Small Growth Category to include Baron Growth Fund Retail and Institutional shares. We intend to continue to provide comparative performance data for the Small Growth Category because we strongly disagree with Morningstar's reclassification of the Fund. 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 of June 30, 2017, the Baron-Adjusted Morningstar Small Growth Category consisted of 683, 539, 402 and 59 funds (share classes) for the 1-, 5-, 10-year and Since Inception (12/31/1994) periods. The number of funds in the Category may vary depending on the date that Baron made the calculation. The Baron-Adjusted Morningstar Small Growth Category Average is not weighted and represents the straight average of annualized returns of each of the funds in the Category. **Baron Growth Fund Institutional** Share Class ranked in the 77th, 36th, 38th and 1st percentiles, respectively.

The **Morningstar US Fund Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Large Growth category. 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 June 30, 2017, the category consisted of 1,424, 1,152 and 803 funds for the 1-, 5- and 10-year time periods. Morningstar ranked **Baron Fifth Avenue Growth Fund** Institutional Share Class in the 4th, 18th, 53rd and 53rd percentiles, respectively, in the category for the 1-, 5-, 10-year and since inception (2/29/2000) periods (consisted of 639 funds (share classes)).

The **Morningstar US Fund Foreign Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Foreign Large Growth category. 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 June 30, 2017, the category consisted of 400 and 275 funds for the 1- and 5- year periods. Morningstar ranked **Baron International Growth Fund** Institutional Share Class in the 32nd, 25th, and 5th percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2008) periods (consisted of 237 funds (share classes)).

The **Morningstar US Fund Real Estate Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Real Estate category. 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 June 30, 2017, the category consisted of 258 and 201 funds for the 1- and 5- year periods. Morningstar ranked **Baron Real Estate Fund** Institutional Share Class in the 2nd, 1st, and 3rd percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2009) periods (consisted of 161 funds (share classes)).

The **Morningstar US Fund Diversified Emerging Markets Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Diversified Emerging Markets category. 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 June 30, 2017, the category consisted of 814 and 436 funds for the 1- and 5-year periods. Morningstar ranked **Baron Emerging Markets Fund** Institutional Share Class in the 67th, 3rd and 1st percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/31/2010) periods (consisted of 322 funds (share classes)).

The **Morningstar US Fund Equity Energy Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Equity Energy category. 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 June 30, 2017, the category consisted of 112 and 80 funds for the 1- and 5-year periods. Morningstar ranked **Baron Energy and Resources Fund** Institutional Share Class in the 19th, 43rd and 54th percentiles, respectively, in the category for the 1-year, 5-year, and since inception (12/30/2011) periods (consisted of 77 funds (share classes)).

The **Morningstar US Fund World Large Stock Average** is not weighted and represents the straight average of annualized returns of each of the funds in the World Large Stock category. 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 June 30, 2017, the category consisted of 864 and 590 funds for the 1- and 5-year periods. Morningstar ranked **Baron Global Advantage Fund** Institutional Share Class in the 3rd , 5th and 9th percentiles, respectively, in the category for the 1-year and since inception (4/30/2012) periods (consisted of 559 funds (share classes)).

Index performance is not fund performance; one cannot invest directly into an index.

Definitions (provided by BAMCO, Inc.): **The Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell 2000® Growth Index** is an unmanaged index that measures the performance of small-sized U.S. companies that are classified as growth. The **Russell 2500™ Growth Index** measures the performance of small to medium-sized companies that are classified as growth. **The Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The **Russell Midcap® Growth Index** is an unmanaged index of those Russell Midcap medium-sized companies that are classified as growth companies. **MSCI ACWI Growth Index** is unmanaged free float-adjusted market capitalization weighted index designed to measure the performance of large- and mid-cap securities classified as growth in the developed and emerging markets. The **MSCI USA IMI Extended Real Estate Index** 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. The **MSCI EM (Emerging Markets) IMI Growth Index Net USD** is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities in the emerging markets. The MSCI EM IMI Growth Index Net screens for growth-style securities. The index returns reflect the reinvestment of dividends and other earnings, which positively impact performance results. **MSCI ACWI ex USA IMI Growth Index Net USD** is an unmanaged, free float-adjusted market capitalization weighted index. It measures the performance of large, mid, and small-cap growth securities across developed and developing markets, excluding the U.S. **S&P North American Natural Resources Sector Index** is a modified capitalization-weighted equity index of U.S.- traded natural resources-related stocks, including mining, energy, paper and forest products, and plantation owning companies.

About Risk: The value of investments in equity securities is subject to unpredictable declines in the value of individual securities and periods of below average performance in individual securities and the equity market as a whole. Growth stocks are generally more sensitive to market movements than other types of stocks primarily because their stock prices are based heavily on future expectations. If our assessment of the prospects for a company's growth is wrong, or if our judgment of how other investors will value the company's growth is wrong, then the price of the company's stock may fall or not appreciate as we expect.

Major league baseball players can be divided into three groups based on experience: rookies, prime players, and post-peak. *Rookies* (let's exclude Aaron Judge for purposes of this discussion) are learning. If they don't crash and burn, their growth will likely be strong and fast, but they are relatively untested in the competitive big leagues. *Post-peak players* have typically been through their growth. While they have managed to stay on major league rosters, they tend to sit on the bench a bit more, play first base, or for American leaguers, play DH. They still have talent, but they have slowed down a bit. *Prime players* tend to have more experience than their rookie teammates and are at peak strength, quickness, and mental fitness: still growing, but before they slow down.

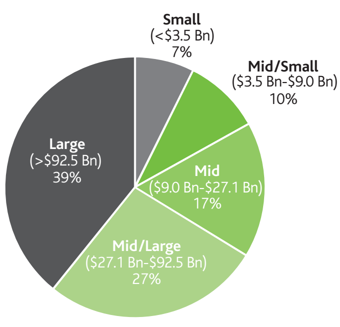
As in baseball, the equity investment universe is divided into groups. Market capitalization is perhaps the most commonly used criteria for breaking the broader stock universe into subgroups. There is little question that a $100 billion company belongs in the large-cap bucket and a $100 million company belongs in the small one. As for mid caps, things are not so straightforward. There isn't a universal criteria that defines the mid-cap domain. In the U.S., a $3 billion company may be considered small cap by some investors, mid cap by others, and small-to-mid-cap by someone else. Outside of the U.S., a $3 billion company is actually viewed as a large cap in some regions.

Russell Investments, which dominates the U.S. index market, defines the U.S. mid-cap domain from $9.0 billion to $27.1 billion as of June 30, 2017. Morningstar, the popular investment research firm, uses a different methodology and considers U.S. companies in the $4.3 to $20.8 billion range to be mid cap, a significant difference from Russell's definition. For non-U.S. companies, MSCI's and Morningstar's ranges vary depending on the region. For example, in the Asia ex-Japan region, according to Morningstar, the mid-cap range was $752 million to $2.78 billion as of June 30, 2017.

The Definition of Mid Caps Varies Significantly in the U.S....

Russell 3000 Index Market Cap by Russell Breakpoints

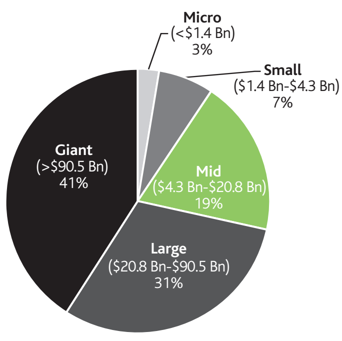
as of 6/30/2017



Source: FactSet, BNY Melon.

Russell 3000 Index Market Cap by Morningstar Breakpoints

as of 6/30/2017



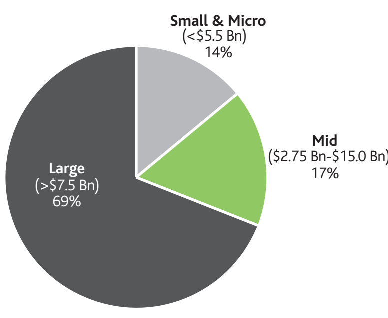
Source: FactSet, BNY Melon, Morningstar.

LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

... and Abroad

MSCI ACWI Ex-United States IMI Market Cap by MSCI Breakpoints

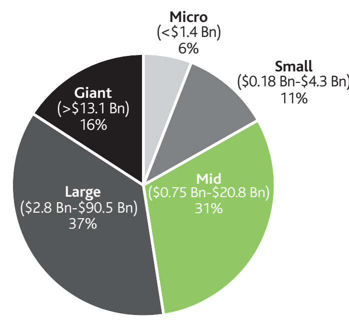
as of 6/30/2017



Source: MSCI.

MSCI ACWI Ex-United States IMI Market Cap by Morningstar Breakpoints

as of 6/30/2017



Source: FactSet, Morningstar, MSCI.

While it is not always easy to numerically define mid caps, most investors would agree that mid-cap companies are the ones which tend to have developed beyond their initial, usually riskier, start-up phase, but have not yet reached the more mature stage of their life cycle.

Perhaps due to the lack of a clear definition for what a mid cap is, it is easier for some investors to opt for only small and large caps. Recent data from Morningstar shows that, indeed, U.S. mutual fund and ETF investors have allocated less to mid caps relative to the portion of the overall market that is represented by mid-cap stocks. As of June 30, 2017, mid-cap stocks accounted for 19.8% of the total market capitalization of all publicly traded stocks in the U.S. while the mid-cap mutual funds and ETFs, as classified by Morningstar, represented 13.6% of all fund total net assets.

Notes: The breakdowns of the Russell 3000 Index were done using Russell's and Morningstar's breakpoints as of 6/30/2017, as specified in brackets on the chart. The breakdowns of the MSCI ACWI Ex-United States IMI were done using MSCI Global's and Morningstar's breakpoints as of 5/31/2017 and 6/30/2017, respectively. MSCI provides different market cap levels for companies in developed and emerging markets as follows: for developed markets, small <$5.5Bn, mid $5.5Bn - $15Bn, and large >$15Bn; for emerging markets, small <$2.75Bn, mid $2.75Bn - $7.5Bn, and large >$7.5Bn. Morningstar provides market cap levels via a flexible system for seven style zones based on their assigned country (Middle East and Africa stocks are included in the Europe style zone). Within each zone, the market cap of each stock is converted to a common currency, the stocks are organized in descending order by size, and the cumulative capitalization as a percentage of total sample capitalization is calculated for each stock. Giant-cap stocks are defined as the group that accounts for the top 40% of the capitalization of the style zone; large-cap stocks represent the next 30%; mid-cap stocks represent the next 20%; small-cap stocks represent the next 7%; and micro-cap stocks represent the balance.

U.S. Fund Investors Have Allocated Less to Mid Caps

% of Total
U.S. Fund Assets

	Value	Blend	Growth	Total
Large	16.3%	40.0%	20.0%	76.2%
Mid	3.6%	5.9%	4.1%	13.6%
Small	2.1%	5.0%	3.0%	10.2%

% of Total
U.S. Equity Market Capitalization*

	Value	Blend	Growth	Total
Large	22.2%	23.0%	24.8%	69.9%
Mid	6.2%	7.0%	6.7%	19.8%
Small	3.2%	3.5%	3.5%	10.2%

Source: Morningstar Direct, BAMCO, Inc., FactSet.

* *Percentages represent the aggregate market capitalization of the companies classified in each style box by Morningstar versus the total market capitalization of U.S. publicly traded stocks. As of 6/30/2017, the total market capitalization of U.S. publicly traded stocks was approximately $27.1 trillion.*

See bottom of page for style box definition.

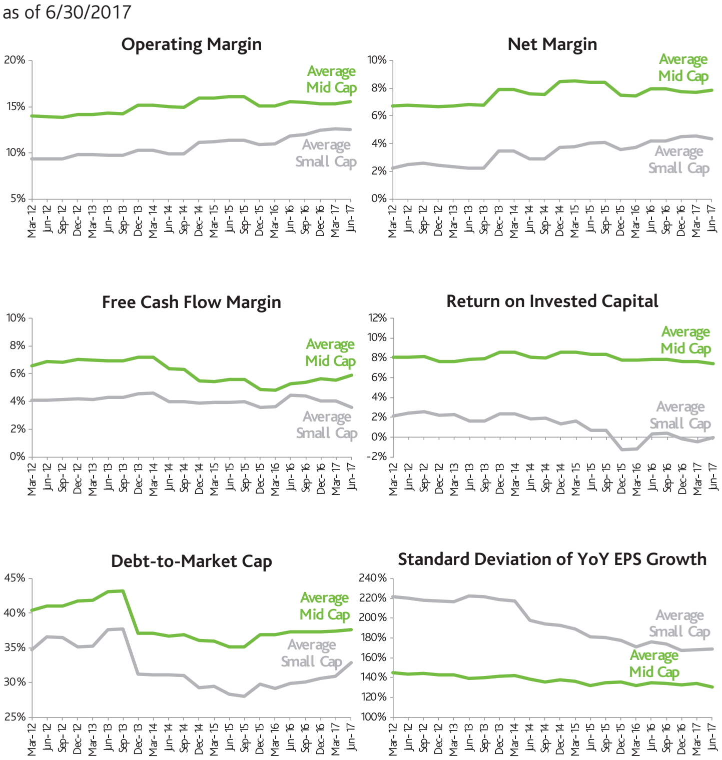
Whatever the reasons for this may be, we believe that investors could miss out by not allocating more to mid caps. In our opinion, just as rookies, prime, and post-peak players have a place on every baseball team, all three equity classes have a place in a typical investor portfolio. Mid caps have strengths versus small and large caps and can serve different purposes depending on investors' objectives and risk tolerance.

When compared to small caps, mid-cap companies typically have stronger balance sheets and operating metrics, readier access to capital at lower costs, and higher returns on invested capital.

Mid Caps Tend to Have Higher Quality Fundamentals than Small Caps

Select Fundamentals: Mid Caps vs. Small Caps

as of 6/30/2017



Sources: FactSet PA – Compustat and FactSet.

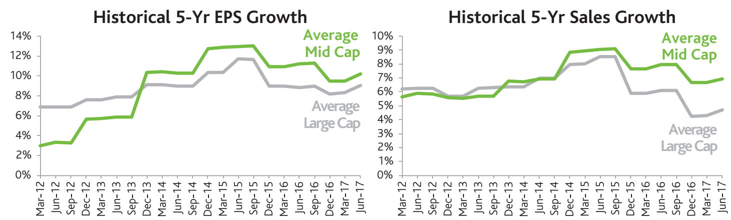
Note: The average mid-cap stock is represented by the simple average of all stocks in the Russell Midcap Index. The average small-cap stock is represented by the simple average of all stocks in the Russell 2000 Index.

When compared to large-cap companies, mid caps tend to be more nimble, deploy resources more quickly, and have more avenues for rapid, sustained growth.

Mid Caps Tend To Have Higher Growth Characteristics vs. Large Caps

Select Fundamentals: Mid Caps vs. Large Caps

as of 6/30/2017



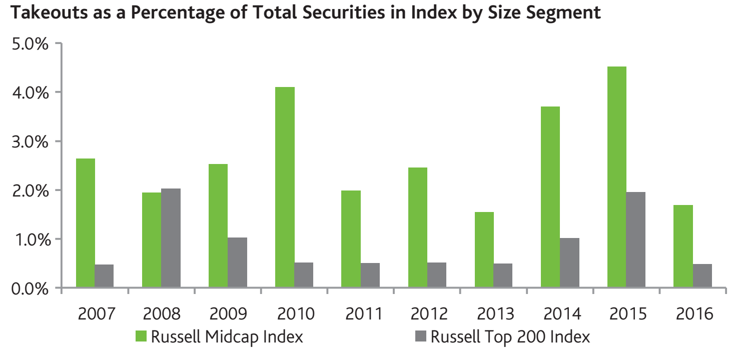
Sources: FactSet PA – Compustat and FactSet.

Note: The average mid-cap stock is represented by the simple average of all stocks in the Russell Midcap Index. The average large-cap stock is represented by the simple average of all stocks in the Russell Top 200 Index.

A mid-cap company is also more likely than a large-cap company to be targeted for acquisition. Over the past 10 calendar years, on average 2.7% of the companies in the Russell Mid Cap Index were acquired, compared to 0.9% of the companies in the Russell Top 200 Index. The chart below shows each year's activity.

Mid Caps Are More Likely to be Acquired than Large Caps

Takeouts as a Percentage of Total Securities in Index by Size Segment



Sources: FactSet, BAMCO, Inc.

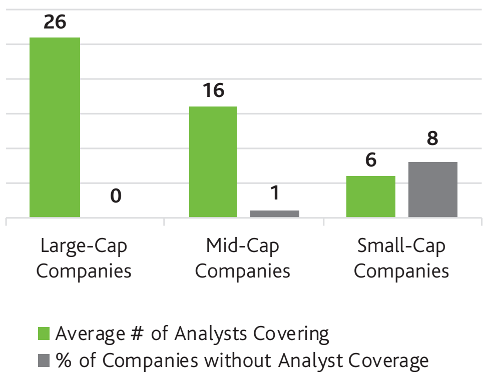
Morningstar style box:
Morningstar classifies funds as being large-cap, mid-cap, or small-cap based on the market capitalization of the fund's stock holdings; and as value, blend, or growth based on the value-growth orientation of the stock holdings. The nine possible combinations of these characteristics correspond to the nine squares of the Morningstar Style Box – size is displayed along the vertical axis and style is displayed along the horizontal axis.

In addition, many mid-cap stocks are not extensively covered on Wall Street, especially when compared to large-cap stocks. For instance, while 44 sell-side analysts cover Apple, Inc., and 44 follow Alphabet, Inc., only 11 analysts currently cover Gartner, Inc., a large holding in several of our portfolios. This relative lack of coverage gives us the opportunity to identify and invest in companies with what we believe are favorable long-term growth prospects at attractive valuations.

Analyst Coverage Decreases with Size

Analyst Coverage of U.S. Public Companies

as of 6/30/2017



Source: FactSet Estimates.

The strong fundamental characteristics of mid caps have translated into solid relative performance versus smaller and larger stocks over the long term. The table below shows that the Russell Midcap Index has outperformed the Russell Top 200 Index (large caps) and the Russell 2000 Index (small caps) the majority of the time over 1-, 3-, 5-, and 10-year periods. Moreover, as the investment horizon increases from one to 10 years, the Russell Midcap Index outperformed the Russell Top 200 Index 72% of the time and outperformed the Russell 2000 Index 100% of the time.

Mid Caps Have Outperformed Small and Large Caps Most of the Time

Rolling Monthly Returns for the Period 12/31/1978 – 6/30/2017

	% of Time Mid Caps Outperformed				Average Annualized Outperformance			
	1-Yr Rolling Returns	3-Yr Rolling Returns	5-Yr Rolling Returns	10-Yr Rolling Returns	1-Yr Rolling Returns	3-Yr Rolling Returns	5-Yr Rolling Returns	10-Yr Rolling Returns
Russell Midcap Index vs. Russell Top 200 Index	56%	58%	66%	72%	2.05%	1.63%	1.62%	1.75%
Russell Midcap Index vs. Russell 2000 Index	66%	75%	89%	100%	1.58%	2.20%	2.33%	2.47%

Sources: FactSet, BAMCO, Inc.

In addition to delivering higher absolute performance most of the time, mid-cap stocks have delivered strong risk-adjusted returns. The Sharpe Ratio is a common metric for risk-adjusted returns. It measures excess return over the risk-free rate per unit of risk. The higher the Sharpe Ratio, the better a fund's risk-adjusted performance. The table and chart below show that mid caps have had better Sharpe Ratios than large and small caps the majority of the time over rolling 3-, 5- and 10-year periods.

Mid Caps Have Delivered Higher Sharpe Ratios Most of the Time

% of Time Mid Caps Had a Higher Sharpe Ratio

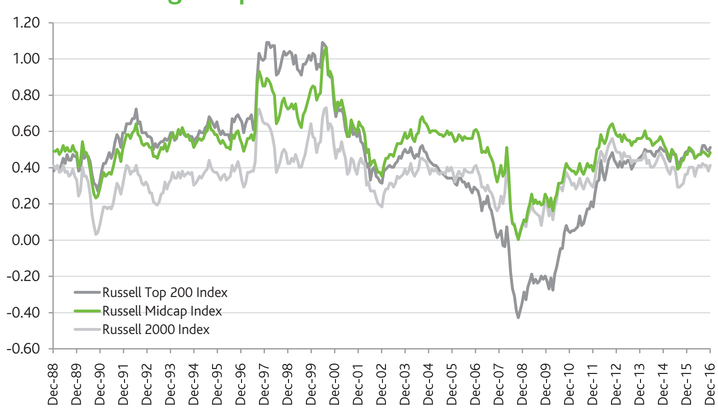
12/31/1978 – 6/30/2017

	3-Yr Rolling Observations	5-yr Rolling Observations	10-Yr Rolling Observations
vs. Large Caps	52%	56%	61%
vs. Small Caps	81%	95%	99%

Source: Morningstar Direct.

Note: Mid Caps are represented by the Russell Midcap Index; Large Caps are represented by the Russell Top 200 Index; Small Caps are represented by the Russell 2000 Index.

10-Year Rolling Sharpe Ratios

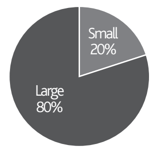


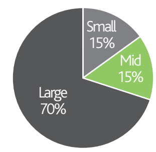
Source: Morningstar Direct.

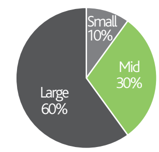
Based on the above results, it is reasonable to infer that adding mid-cap exposure to an equity allocation portfolio should be beneficial over medium and long terms. In the analysis below, we created three different combinations of equity asset classes using the small, mid, and large Russell indexes. We added, and then increased, the allocation to mid-cap stocks. We measured the five- and 10-year Sharpe Ratios at the end of each of the past 10 calendar years. Our analysis shows that on average, having a higher allocation to mid caps produced better risk-adjusted returns. This is not only because of the high Sharpe Ratios of mid caps but also because of the diversification benefit that their addition brings.

Adding Mid-Cap Exposure Has Resulted in Higher Risk-Adjusted Returns

Historical Risk-Adjusted Returns For Different Equity Class Combinations







Period Ending	Return-to-Standard Deviation	**Combination 1:** No Mid Caps	**Combination 2:** Some Mid Caps	**Combination 3:** More Mid Caps
6/30/2017	5 Years	1.14	1.15	1.16
	10 Years	0.34	0.34	0.34
12/31/2016	5 Years	1.11	1.12	1.12
	10 Years	0.33	0.33	0.34
12/31/2015	5 Years	0.76	0.76	0.76
	10 Years	0.34	0.35	0.35
12/31/2014	5 Years	0.91	0.93	0.94
	10 Years	0.36	0.37	0.38
12/31/2013	5 Years	0.89	0.91	0.93
	10 Years	0.35	0.37	0.39
12/31/2012	5 Years	0.07	0.08	0.08
	10 Years	0.34	0.36	0.38
12/31/2011	5 Years	-0.01	0.00	0.01
	10 Years	0.13	0.15	0.18
12/31/2010	5 Years	0.10	0.11	0.12
	10 Years	0.07	0.10	0.12
12/31/2009	5 Years	0.01	0.03	0.04
	10 Years	-0.04	-0.01	0.02
12/31/2008	5 Years	-0.10	-0.09	-0.08
	10 Years	-0.06	-0.03	-0.01
12/31/2007	5 Years	0.93	0.99	1.05
	10 Years	0.30	0.34	0.38
Average	**5 Years**	**0.53**	**0.54**	**0.56**
	10 Years	**0.22**	**0.24**	**0.26**

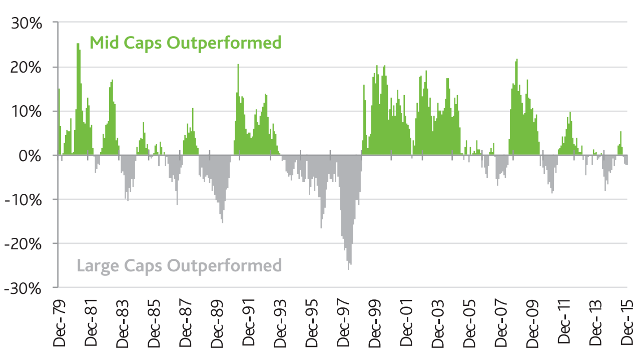
Sources: FactSet, BAMCO, Inc.

During the past few years, the benefit of having a mid-cap allocation has not been as strong as in prior periods. This is because over the last few years mid caps have underperformed both small and large caps. However, the performance of each equity class has been cyclical, as the charts below show. We believe that this is not likely to change in the future, and, while we cannot predict when, we think that mid caps will outperform large and small caps again at some point.

The Performance of Mid Caps Has Been Cyclical

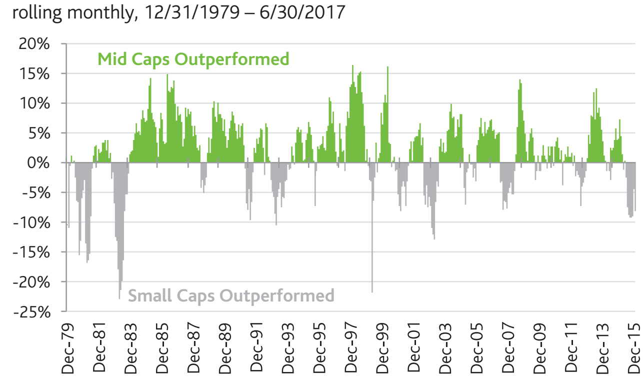
One-Year Excess Returns of Russell Midcap Index vs. Russell Top 200 Index

rolling monthly, 12/31/1979 – 6/30/2017



One-Year Excess Returns of Russell Midcap Index vs. Russell 2000 Index

rolling monthly, 12/31/1979 – 6/30/2017



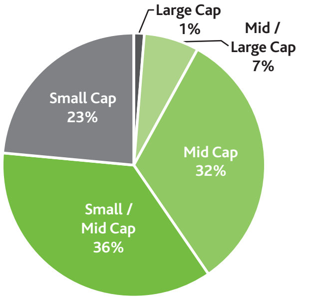
Mid-Cap Investing at Baron

Baron Capital has been investing in mid-cap companies ever since the Firm was established in 1982. We have recognized the opportunity for stock pickers in this space and we have uncovered many attractive mid-cap stocks. A substantial portion of our Funds' assets are currently invested in mid caps, as shown in the charts below.

The Baron Funds Have a Significant Allocation to Mid Caps

% Of Assets of All U.S. Equity Baron Funds* by Russell Market Cap Segment**

as of 6/30/2017

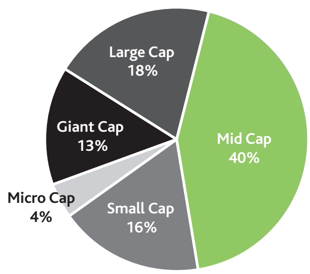


Sources: BNY Mellon, BAMCO, Inc.

** Funds include: Baron Discovery Fund, Baron Growth Fund, Baron Small Cap Fund, Baron Asset Fund, Baron Focused Growth Fund, Baron Partners Fund, Baron Opportunity Fund, Baron Fifth Avenue Growth Fund, Baron Energy and Resources Fund, Baron Real Estate Fund.*

% Of Assets of All International & Global Equity Baron Funds* by Morningstar Market Cap Segment***

as of 6/30/2017



Sources: Morningstar, BAMCO, Inc.

** Funds include: Baron International Growth Fund, Baron Emerging Markets Fund, Baron Global Advantage Fund.*

*** Russell 3000 Index Break Points as of 6/30/17, in billions: Large Capitalization $92.49 & Above, Medium/Large Cap. $27.14-$92.49, Medium Cap. $9.02-$27.14, Medium/Small Cap. $3.45-$9.02, Small Cap. $3.45 & below.*

**** Morningstar breakpoints as of 6/30/17: Market cap levels are provided by Morningstar which uses a flexible system that isn't adversely affected by overall movements in the market. Stocks are divided into seven style zones based on their assigned country (Middle East and Africa stocks are included in the Europe style zone). Within each zone, the market cap of each stock is converted to a common currency, the stocks are organized in descending order by size, and the cumulative capitalization as a percentage of total sample capitalization is calculated for each stock. Giant-cap stocks are defined as the group that accounts for the top 40% of the capitalization of the style zone; large-cap stocks represent the next 30%; mid-cap stocks represent the next 20%; small-cap stocks represent the next 7%; and micro-cap stocks represent the balance.*

Some of the Baron Funds, like Baron Partners Fund and Baron Opportunity Fund, can invest across the entire market capitalization spectrum and allocate to mid-cap stocks directly.

ServiceNow, Inc. is an example in Baron Opportunity Fund. The company provides SaaS-based solutions that allow customers to manage workflows in their IT service management and IT operations management environments. When we first looked at the company, we saw that it had a well-established, competitively-advantaged service management solution and was beginning to expand its product line-up. In our opinion, it was well positioned in an industry with large secular growth opportunities with reasonable risk. In the last three years, the ServiceNow was able to significantly increase the number of its customers and broaden its product offerings. The business has been growing at over 30% a year, turning more than 20% of its revenues into free cash flow. We first purchased the stock in 2015, and as of June 30, 2017 our total investment has returned over 56%. The Fund's benchmark, the Russell 3000 Growth Index, has returned only 28% for the same period. We expect the company to continue to grow faster than the market, especially as it integrates AI into its existing solutions.

Our small-cap funds can purchase only small-cap stocks but they too have a portion of their assets invested in mid caps. We hold on to our winners even when they grow beyond the small-cap range if we believe the company still meets our investment criteria. Selling an investment just because it reaches a larger market cap does not make sense to us when we know the company really well.

Arch Capital Group Ltd., one of the top holdings in Baron Growth Fund, is a great example. Arch is a specialty insurance and reinsurance company with a successful track record across several insurance cycles. Ron first purchased the stock in 2002, when its market capitalization was $0.4 billion. By 2006, its capitalization had grown more than 10 times, and it was clearly not a small-cap stock any longer. Our continuous research of the business over these four years had given us a deep understanding and high conviction in the company. We were seeing significant potential for further appreciation, so we decided to continue holding our investment. As of June 30, 2017, Arch Capital's market capitalization had exceeded $12 billion, nearly 30 times more than when we first invested. We continue to believe that the company excels in underwriting specialized policies and can nimbly shift its business mix to the most profitable lines. Furthermore, Arch has a compensation system that rewards long-term profitability rather than short-term premium growth which resonates with Baron's investment philosophy. We believe that Arch has the potential to grow much bigger in the future and we retain our high conviction in it.

Baron Asset Fund is our product dedicated to investing in mid caps. The Fund was launched in 1987 and has been managed by one of our most experienced managers, Andrew Peck, since 2003. Like all Baron Funds, Baron Asset Fund's goals are to deliver above average performance and outperform its primary benchmark, the Russell Midcap Growth Index, over the long term. Of course, it may not achieve those goals.

Stocks are added to the portfolio one at a time, as a result of deep bottom-up fundamental research. We purchase stocks with the intention of owning them for an extended period of time. The portfolio manager looks for businesses that we believe have significant growth potential, strong competitive advantages, and exceptional management. The stocks of these businesses have to be, in our view, attractively priced. These four criteria have always been the basis of Baron's investment philosophy, and we believe that applying them in a consistent and disciplined way has played a major part in our long-term success.

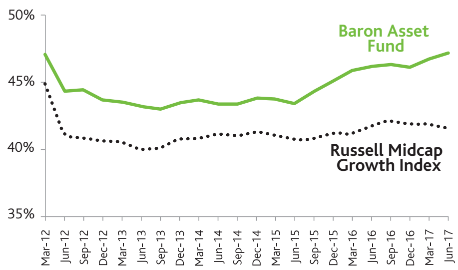
Through his broad experience, Andrew has been able to refine the specific qualities and characteristics he looks for in an investment. Equally importantly, he has learned to avoid certain types of companies, although he hasn't always gotten it right.

Letter from Linda

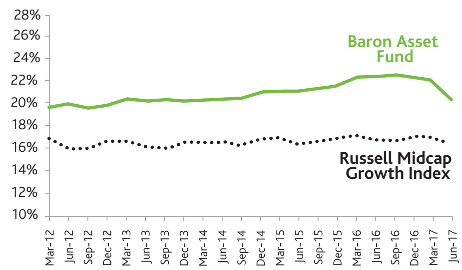
Baron Asset Fund favors companies that have high margins, returns on invested capital, sales growth, and earnings growth. As a result, the fundamental characteristics of the Fund's holdings have, for the most part, been favorable when compared to those of the Russell Midcap Growth Index, as shown in the charts below.

Baron Asset Fund Invests in High Quality Mid-Cap Businesses

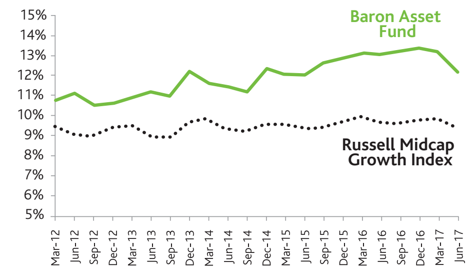
Gross Margin



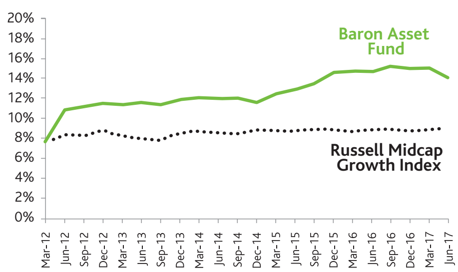
Operating Margin



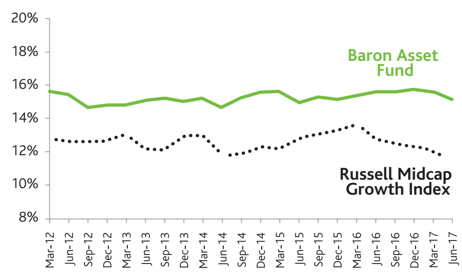
Net Margin



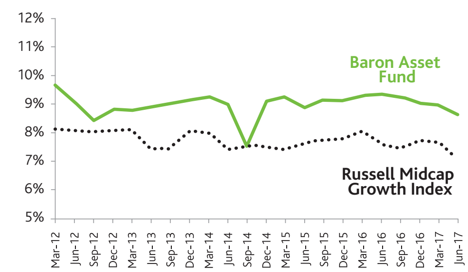
Free Cash Flow Margin



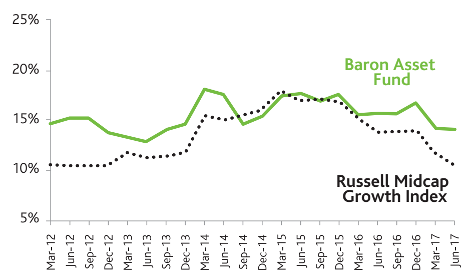
Return on Invested Capital



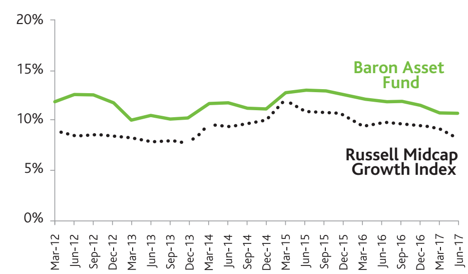
Return on Assets



Historical 5-Yr EPS Growth



Historical 5-Yr Sales Growth

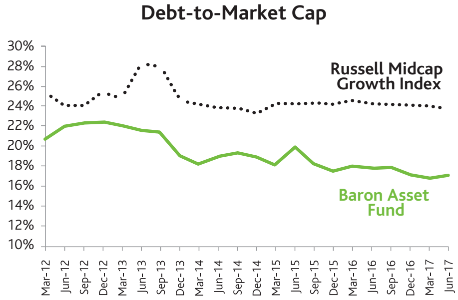


Sources: FactSet PA – Compustat and FactSet.

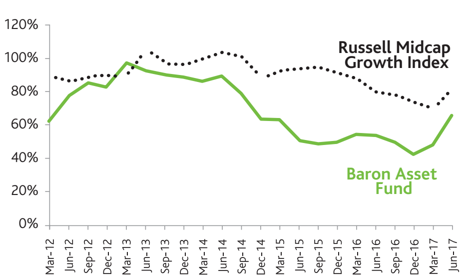
Note: The calculations for Baron Asset Fund and for the Russell Midcap Growth Index are on a weighted-average basis.

At the same time, Andrew tends to avoid companies that have low earnings visibility or are dependent on government funding and regulation. He prefers to invest in companies with recurring revenues and stable earnings growth, low leverage, low/moderate volatility, and high barriers to entry.

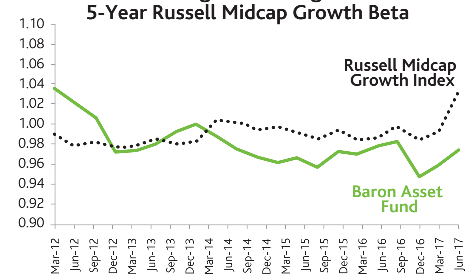
Debt-to-Market Cap



St. Dev. of YoY EPS Growth



Weighted Average 5-Year Russell Midcap Growth Beta



Sources: FactSet PA – Compustat and FactSet.

Note: The calculations for Baron Asset Fund and for the Russell Midcap Growth Index are on a weighted-average basis.

Over time, this fundamental approach, combined with skilled stock selection and long-term disciplined investing, has generated strong absolute and relative results for Baron Asset Fund.

Baron Asset Fund Has Generated Strong Results

Baron Asset Fund – Annualized Performance

as of 6/30/2017

	Baron Asset Fund Returns	Russell Midcap Growth Index Returns	**Baron Asset Fund Excess Returns**	Excess Return From Stock Specific Effect
Year-to-date (not annualized)	18.67%	11.40%	**7.27%**	3.74%
1 Yr	24.85%	17.05%	**7.80%**	7.15%
3 Yrs	10.03%	7.83%	**2.20%**	1.67%
5 Yrs	15.81%	14.19%	**1.62%**	2.39%
10 Yrs	7.69%	7.87%	**-0.18%**	3.48%
Since Inception (6/12/1987)	11.49%	9.89%	**1.60%**	N/A

Source: FactSet PA, MSCI, BAMCO, Inc.

The Annual expense ratio for the Institutional Shares as of June 30, 2017 for Baron Asset Fund was 1.04%. Fund returns and excess returns vs. primary benchmark are based on the Fund's Institutional Share class performance. ***Stock specific effects*** *are the result of the Funds' factor-based performance attributions versus its benchmark.* ***Factor-based performance attribution*** *is the process of attributing excess performance to different factors or groups of factors using a multi-factor model (in this case the MSCI Barra USE3-L model, see the next page for more information). It allows for the assessment of sources of returns based on several return components, including style return and industry return. The proportion of excess return that is not attributed to these components or common factors (industries and styles) is attributed to company-specific sources or events. In this letter, this is referred to as "Excess Return From Stock Specific Effect". The calculations above are transaction-based and are produced from the underlying security-level data.*

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.

In addition, the Fund has generated strong risk-adjusted returns and has delivered a higher Sharpe Ratio versus its primary benchmark and versus the category average as shown below.

Sharpe Ratios

as of 6/30/2017

	Baron Asset Fund	Russell Midcap Growth Index	US Fund Mid-Cap Growth (Morningstar category average)
3 Yrs	0.82	0.65	0.53
5 Yrs	1.38	1.29	1.10
10 Yrs	0.41	0.41	0.33

Source: FactSet SPAR.

We are pleased with Baron Asset Fund's performance. However, success has not been achieved evenly over time. Since its inception, the Fund has, for the most part, performed better in gradual uptrends and down markets and lagged when the market is spiking high. Overall, the Fund generally tends to capture more of the market's upside than its downside, as shown by the statistics below.

Baron Asset Fund Has Attractive Up/Down Capture Ratios

Baron Asset Fund – Upside and Downside Capture Ratios vs. Russell Midcap Growth Index

as of 6/30/2017

	3 Years	**5 Years**	**10 Years**	**Since Inception (6/12/1987)**
Upside Capture	108.5%	106.3%	98.7%	92.5%
Downside Capture	96.4%	100.0%	99.1%	83.9%
Upside/Downside Capture Ratio	1.13	1.06	1.00	1.10

Source: Morningstar Direct.

Going back to baseball, a team relying only on its rookies and post-peak players can probably win some games, but that team is unlikely to be successful over the long baseball season without its prime players. Similarly, an investor portfolio that relies only on small and large cap funds may perform well over certain periods of time, but may not be the best solution for strong risk-adjusted returns over the long term without dedicated mid-cap exposure.

Sincerely,

Linda S. Martinson
Chairman, President, and COO
July 15, 2017

The discussion of market trends and companies are not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current 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 any time based on market and other conditions, and we have no obligation to update them.

There is more potential for capital appreciation in mid-sized companies, but there also may be more risk. Specific risks associated with investing in mid-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.

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 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Portfolio holdings as a percentage of net assets as of June 30, 2017 for securities mentioned are as follows: **Apple, Inc.** – Baron Fifth Avenue Growth Fund (3.0%); **Alphabet, Inc.** – Baron Opportunity Fund (4.2%), Baron Fifth Avenue Growth Fund (6.3%), Baron Global Advantage Fund (4.3%); **Gartner, Inc.** – Baron Asset Fund (6.6%), Baron Growth Fund (4.8%), Baron Small Cap Fund (5.0%), Baron Opportunity Fund (5.1%), Baron Partners Fund (4.3%*); **ServiceNow, Inc.** – Baron Opportunity Fund (2.4%); **Arch Capital Group Ltd.** – Baron Asset Fund (4.1%), Baron Growth Fund (5.7%), Baron Partners Fund (9.2%*), Baron Focused Growth Fund (5.0%), Baron International Growth Fund (2.0%).

*% of Long Positions.

Portfolio holdings may change over time.

The Fund may not achieve its objectives. Current and future portfolio holdings are subject to risk.

Index performance is not fund performance; one cannot invest directly into an index.

Definitions (provided by BAMCO, Inc.): **Russell 3000® Index** measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. **Russell Top 200 Index** is a market capitalization weighted index of the largest 200 companies in the Russell 3000. The Russell Top 200 Index is a benchmark index for U.S.-based large-cap stocks; the average member has a market cap above $100 billion. The index is reconstituted annually to account for new members and growing companies. **Russell 2000® Index** measures the performance of small-sized U.S. companies. **MSCI ACWI ex USA Index** measures the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the U.S.

Sharpe Ratio is a risk-adjusted performance statistic that measures reward per unit of risk. The higher the Sharpe ratio, the better a fund's risk adjusted performance.

Upside Capture explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

Downside Capture measures how well a fund performs in time periods where the benchmark's returns are less than zero.

Standard Deviation (Std. Dev) measures the degree to which a fund's performance has varied from its average performance over a particular time period. The greater the standard deviation, the greater a fund's volatility (risk).

Operating Margin is calculated as Operating Income divided by Sales, multiplied by 100. Operating Income is calculated as Sales minus Cost of Goods Sold minus SG&A (Selling, General & Administrative) Expenses minus Other Operating Expenses.

Return on Invested Capital (ROIC) is calculated as Net Income divided by Average Invested Capital multiplied by 100. Average Invested Capital is calculated as the sum of Long-Term Invested Capital including Minority Interest and Total Short-Term Debt.

Earnings per share growth (EPS) is defined as the percentage change in normalized earnings per share over the previous 12 month period to the latest year end. It gives a good picture of the rate at which a company has grown its profitability.

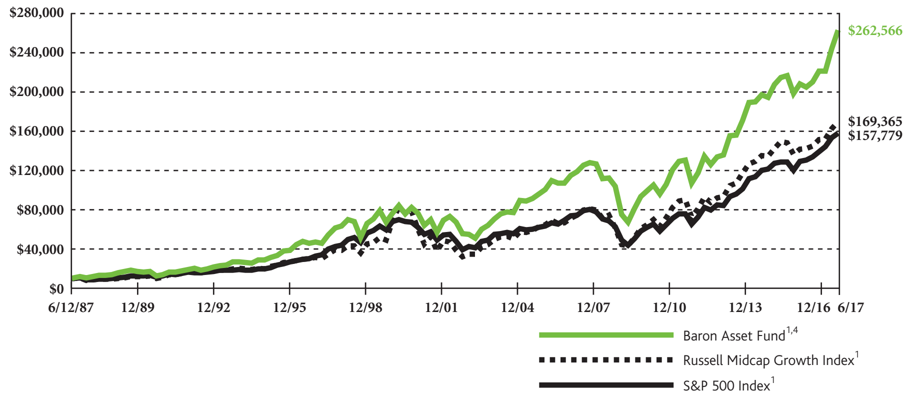
Debt to Market Capitalization is calculated as Total Debt divided by market cap, multiplied by 100. Total Debt is calculated as the sum of Total Short-Term Debt and Total Long-Term Debt. If Total Short-Term Debt is not available, zero will be substituted.

Beta measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition.

MSCI Barra's USE3-L model: The Barra U.S. Equity Model 3 – Long (USE3-L) is a multi-factor regression model that decomposes local excess stock returns into a systematic component (due to factors) and a stock-specific component. The model covers about 10,500 stocks in the U.S. A factor is any characteristic of a stock (such as its size or its forecasted earnings growth) that explains its risk and expected return. The equity factor set in USE3-L includes 55 industry factors and 13 style factors (momentum, volatility, size, trading activity, value, earnings yield, dividend yield, growth, leverage, currency sensitivity, earnings variation, size non-linearity, and non-estimation universe). Factor returns can be estimated on a daily, weekly, or monthly basis.

Baron Asset Fund

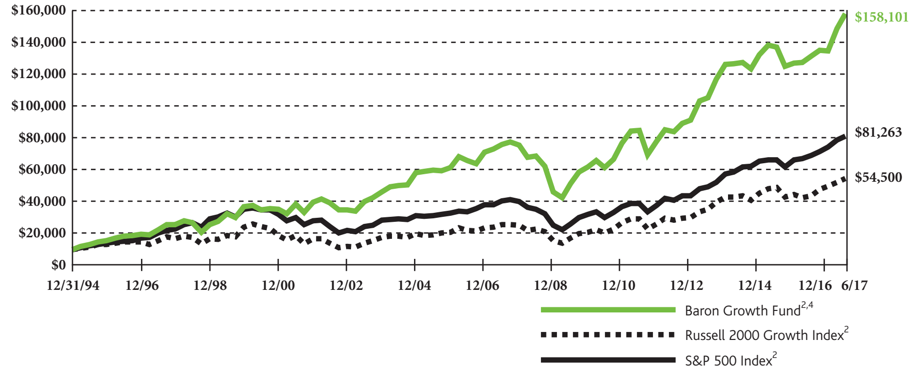
Comparison of the change in value of $10,000 investment in Baron Asset Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Asset Fund's annualized returns as of June 30, 2017: 1-year, 24.85%; 3-year, 10.03%; 5-year, 15.81%; 10-year, 7.69%; and Since Inception, 11.49%.

Baron Growth Fund

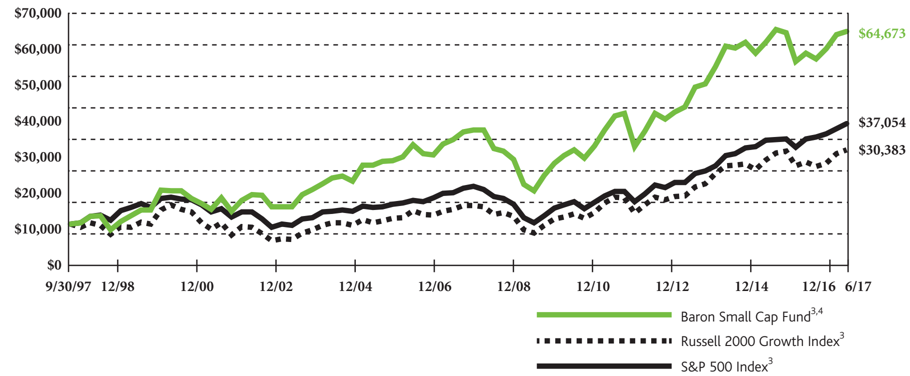
Comparison of the change in value of $10,000 investment in Baron Growth Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Growth Fund's annualized returns as of June 30, 2017: 1-year, 20.05%; 3-year, 7.42%; 5-year, 13.43%; 10-year, 7.61%; and Since Inception, 13.05%.

Baron Small Cap Fund

Comparison of the change in value of $10,000 investment in Baron Small Cap Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Small Cap Fund's annualized returns as of June 30, 2017: 1-year, 25.11%; 3-year, 6.66%; 5-year, 13.11%; 10-year, 7.31%; and Since Inception, 9.91%.

1 The indexes are unmanaged. The Russell Midcap® Growth Index measures the performance of medium-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 Baron Asset Fund are with dividends, which positively impact the performance results.

2 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 Baron Growth Fund are with dividends, which positively impact the performance results.

3 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 Baron Small Cap Fund are with dividends, which positively impact the performance results.

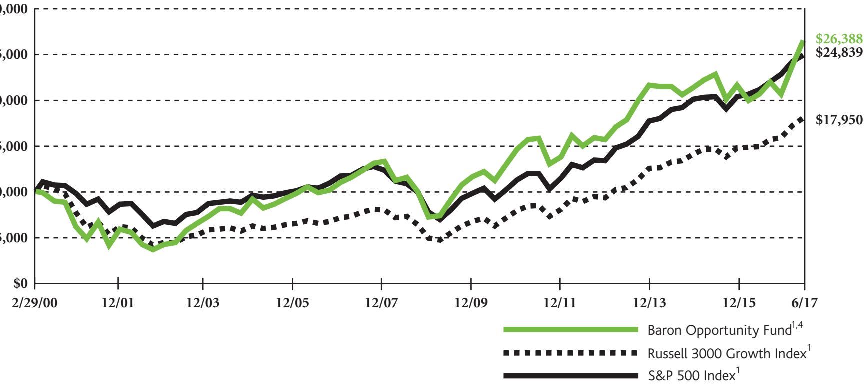
4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

† 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.

Baron Funds Performance

Baron Opportunity Fund

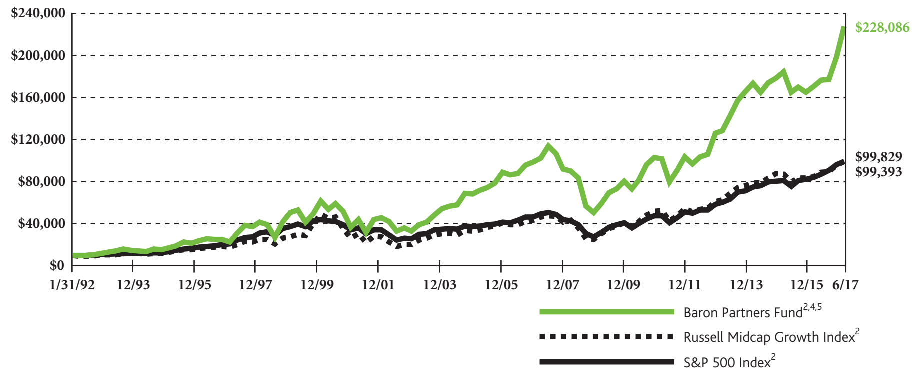
Comparison of the change in value of $10,000 investment in Baron Opportunity Fund (Institutional Shares)† in relation to the Russell 3000 Growth Index and the S&P 500 Index



Baron Opportunity Fund's annualized returns as of June 30, 2017: 1-year, 28.34%; 3-year, 7.19%; 5-year, 12.04%; 10-year, 7.95%; and Since Inception, 5.76%.

Baron Partners Fund

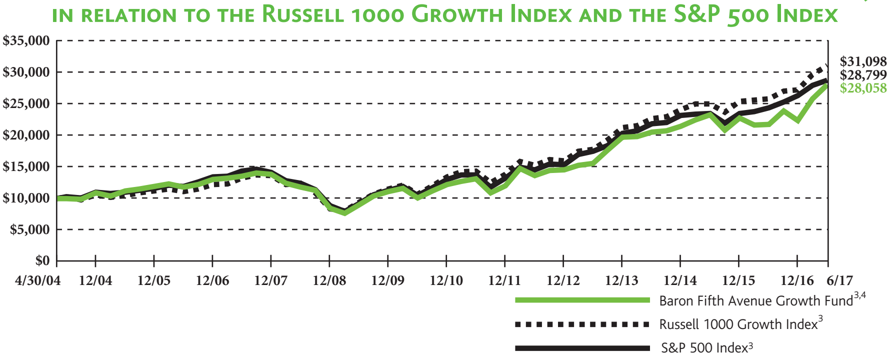
Comparison of the change in value of $10,000 investment in Baron Partners Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Partners Fund's annualized returns as of June 30, 2017: 1-year, 33.43%; 3-year, 9.51%; 5-year, 18.58%; 10-year, 8.33%; and Since Inception, 13.09%.

Baron Fifth Avenue Growth Fund

Comparison of the change in value of $10,000 investment in Baron Fifth Avenue Growth Fund (Institutional Shares)† in relation to the Russell 1000 Growth Index and the S&P 500 Index



Baron Fifth Avenue Growth Fund's annualized returns as of June 30, 2017: 1-year, 29.03%; 3-year, 10.83%; 5-year, 15.49%; 10-year, 7.53% and Since Inception, 8.15%.

---

1 The indexes are unmanaged. The Russell 3000® Growth Index measures the performance of those companies classified as growth among the largest 3,000 U.S. companies and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Opportunity Fund are with dividends, which positively impact the performance results.

2 The indexes are unmanaged. The Russell Midcap® Growth Index measures the performance of medium-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 Baron Partners Fund are with dividends, which positively impact the performance results.

3 The indexes are unmanaged. The Russell 1000® Growth Index measures the performance of large-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 Baron Fifth Avenue Growth Fund are with dividends, which positively impact the performance results.

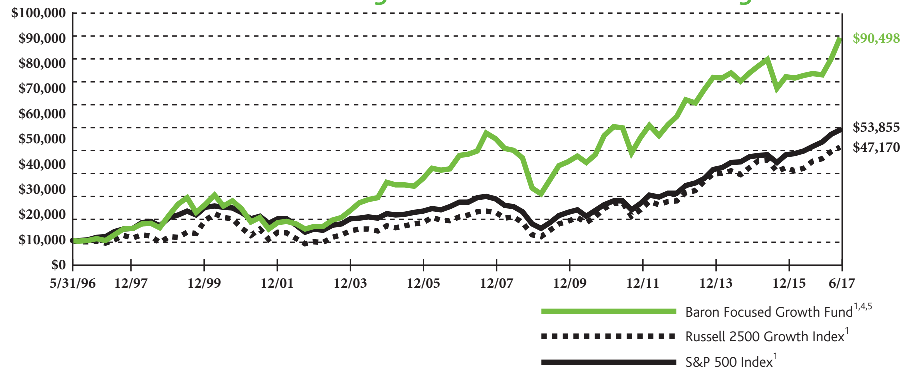
4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

5 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

† 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.

Baron Focused Growth Fund

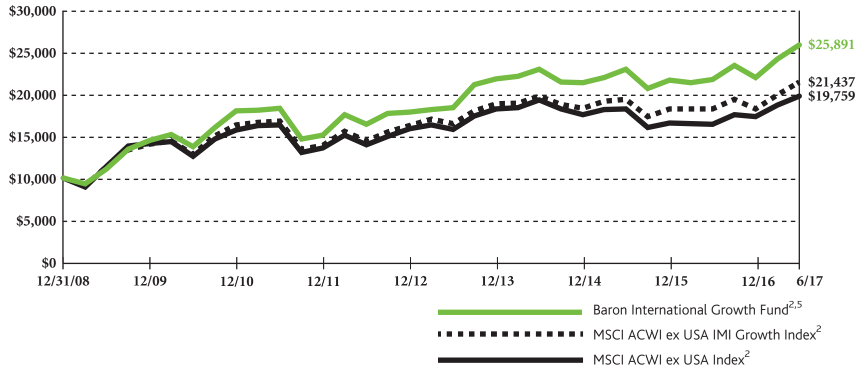
Comparison of the change in value of $10,000 investment in Baron Focused Growth Fund (Institutional Shares)† in relation to the Russell 2500 Growth Index and the S&P 500 Index



Baron Focused Growth Fund's annualized returns as of June 30, 2017: 1-year, 20.00%; 3-year, 5.77%; 5-year, 11.83%; 10-year, 7.09%; and Since Inception, 11.01%.

Baron International Growth Fund

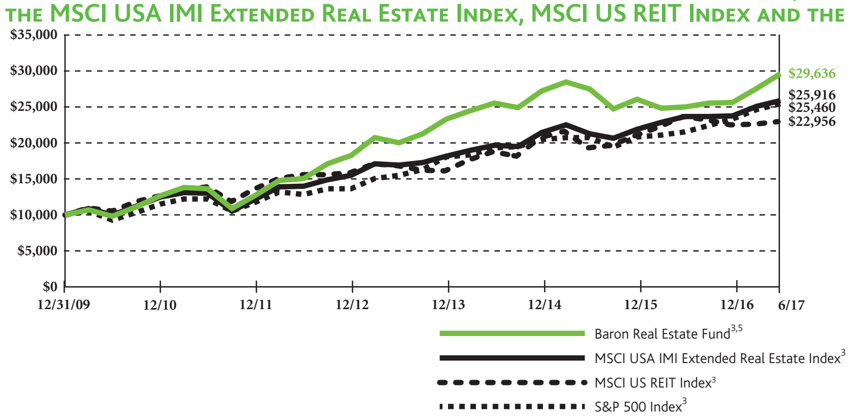
Comparison of the change in value of $10,000 investment in Baron International Growth Fund (Institutional Shares)† in relation to the MSCI ACWI ex USA IMI Growth Index and the MSCI ACWI ex USA Index



Baron International Growth Fund's annualized returns as of June 30, 2017: 1-year, 19.06%; 3-year, 4.03%; 5-year, 9.58%; and Since Inception, 11.84%.

Baron Real Estate Fund

Comparison of the change in value of $10,000 investment in Baron Real Estate Fund (Institutional Shares) in relation to the MSCI USA IMI Extended Real Estate Index, MSCI US REIT Index and the S&P 500 Index



Baron Real Estate Fund's annualized returns as of June 30, 2017: 1-year, 18.41%; 3-year, 5.09%; 5-year, 14.43%; and Since Inception, 15.59%.

1 The indexes are unmanaged. The Russell 2500™ Growth Index measures the performance of small to medium-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 Baron Focused Growth Fund are with dividends, which positively impact the performance results.

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

3 The indexes are unmanaged. The MSCI USA IMI Extended Real Estate Index 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. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US 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. 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 indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The indexes and Baron Real Estate Fund are with dividends, which positively impact performance results.

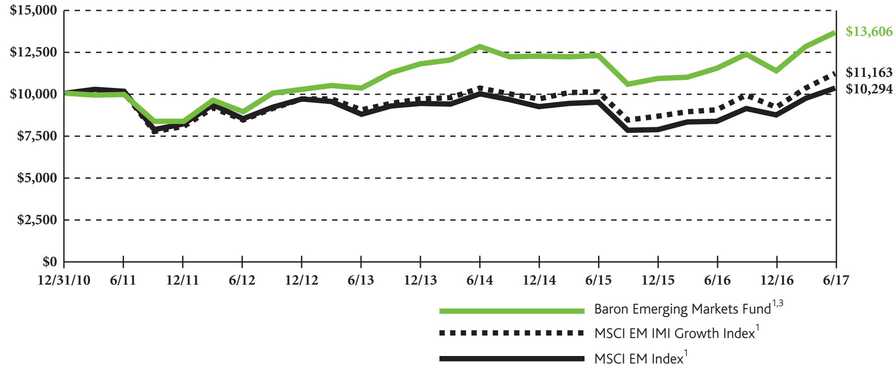
4 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

5 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

† 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.

Baron Emerging Markets Fund

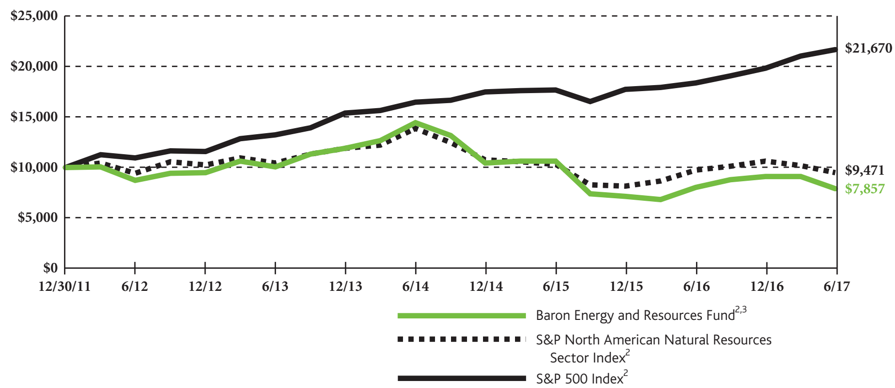
Comparison of the change in value of $10,000 investment in Baron Emerging Markets Fund (Institutional Shares) in relation to the MSCI EM IMI Growth Index and the MSCI EM Index



Baron Emerging Markets Fund's annualized returns as of June 30, 2017: 1-year, 18.50%; 3-year, 2.16%; 5-year, 8.91%; and Since Inception, 4.85%.

Baron Energy and Resources Fund

Comparison of the change in value of $10,000 investment in Baron Energy and Resources Fund (Institutional Shares) in relation to the S&P North American Natural Resources Sector Index and the S&P 500 Index



Baron Energy and Resources Fund's annualized returns as of June 30, 2017: 1-year, (1.75)%; 3-year, (18.32)%; 5-year, (2.06)%; and Since Inception (4.29)%.

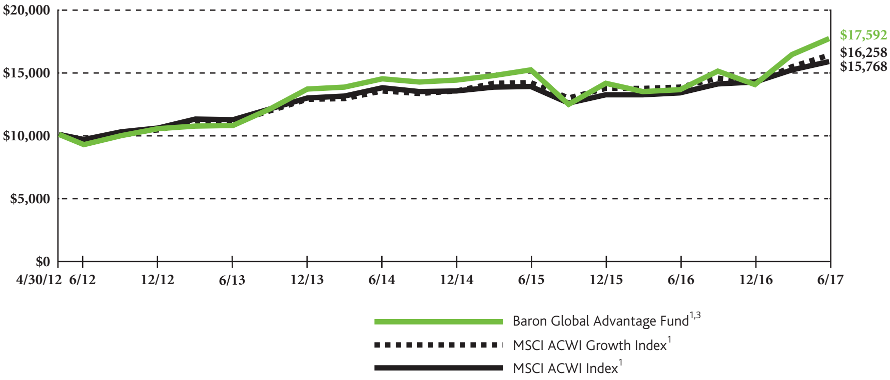
1 The MSCI EM (Emerging Markets) IMI Growth Index Net USD is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities exhibiting overall growth characteristics across 23 Emerging Markets countries. MSCI EM (Emerging Markets) Index Net USD is designed to measure equity market performance of large and mid-cap securities across 23 Emerging Markets countries. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results.

2 The S&P indexes cited are unmanaged. The S&P 500 North American Natural Resources Sector Index measures the performance of U.S.-traded natural resources-related stocks, including mining, energy, paper and forest products, and plantation owning companies. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The indexes and Baron Energy and Resources Fund are with dividends, which positively impact the performance results.

3 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Global Advantage Fund

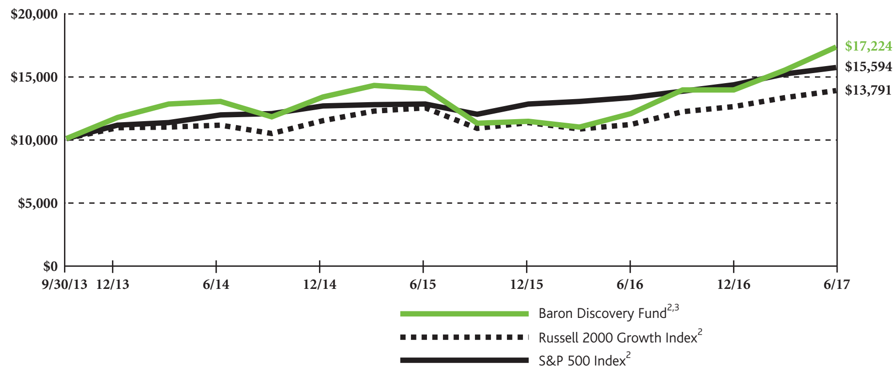
Comparison of the change in value of $10,000 investment in Baron Global Advantage Fund (Institutional Shares) in relation to the MSCI ACWI Growth Index and the MSCI ACWI Index



Baron Global Advantage Fund's annualized returns as of June 30, 2017: 1-year, 30.19%; 3-year, 6.88%; 5-year, 13.92%; and Since Inception, 11.55%.

Baron Discovery Fund

Comparison of the change in value of $10,000 investment in Baron Discovery Fund (Institutional Shares) in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Discovery Fund's annualized returns as of June 30, 2017: 1-year, 43.85%; 3-year, 10.0%; and Since Inception, 15.60%.

1 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 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 Baron Discovery Fund are with dividends, which positively impact the performance results.

3 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Dear Baron Asset Fund Shareholder:

Performance

Baron Asset Fund (the "Fund") just celebrated its 30th anniversary – making it one of the older mutual funds still in existence. We believe the primary reason for the Fund's longevity has been the consistent application of its straightforward investment approach. We purchase businesses that we believe will benefit from long-lived secular growth trends, which possess sustainable competitive advantages that are run by outstanding management teams. And, we make these investments with the intention of owning them for a much longer time frame than the typical investor.

We believe this consistent approach has resulted in attractive returns for our shareholders during the past three decades. We are pleased that the Fund's recent performance has been particularly strong, leading Morningstar, Inc., the well-known research firm covering the mutual fund industry, to award the Fund (Institutional Shares) its highest five star rating.*

The Fund continued its excellent start to the year. The Fund (Institutional Shares) gained 7.71% during the quarter, bringing its year-to-date performance to 18.67%. The Russell Midcap Growth Index (the "Index") gained 4.21% during the quarter, and the S&P 500 Index gained 3.09%.

ANDREW PECK

PORTFOLIO MANAGER

Retail Shares: BARAX
Institutional Shares: BARIX
R6 Shares: BARUX

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron Asset Fund Retail Shares[1,2]	Baron Asset Fund Institutional Shares[1,2,3]	Russell Midcap Growth Index[1]	S&P 500 Index[1]
Three Months[5]	7.64%	7.71%	4.21%	3.09%
Six Months[5]	18.48%	18.67%	11.40%	9.34%
One Year	24.48%	24.85%	17.05%	17.90%
Three Years	9.73%	10.03%	7.83%	9.61%
Five Years	15.49%	15.81%	14.19%	14.63%
Ten Years	7.46%	7.69%	7.87%	7.18%
Fifteen Years	9.35%	9.50%	10.34%	8.34%
Since Inception (June 12, 1987)	11.41%	11.49%	9.89%[4]	9.61%

An important component of the Fund's good performance was attributable to its investments in the Information Technology (IT) and Health Care sectors. The Fund has approximately 45% of its assets in these two sectors, which were the two best-performing sectors in the Index, and the Fund outperformed the Index returns in both of these key sectors. The strength in IT was broad-based across the Fund's investments. **Gartner, Inc.**, the leading research firm covering the IT space, and the Fund's largest holding, performed well, as the market's view of Gartner's recent acquisition of CEB, Inc. grew more favorable. The Fund's software investments also gained as their earnings results shed greater visibility on the size of their addressable markets and the pace at which they are gaining market share. Notable performers included **Guidewire Software, Inc.**, which targets the insurance industry, and **ANSYS, Inc.**, which sells product simulation software across many different industries. In addition, **Zillow Group, Inc.** and **CoStar Group, Inc.,** both of which are internet services firms focused on different areas of the real estate information market, were also standout performers.

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, 2016 was 1.31% 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 Midcap® Growth Index measures the performance of medium-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 For the period June 30, 1987 to June 30, 2017.
5 Not annualized.
* For the period ended 6/30/2017, in the **Morningstar US Fund Mid-Cap Growth Category**, Baron Asset Fund was awarded 4-star Morningstar Rating for the 3-year period and 5-star Morningstar Rating for the 5-year period. Ratings are based on risk-adjusted returns with 576 and 502 funds, respectively, in the category. 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.

BARON FUNDS
1987

In Health Care, the Fund's investments did well, despite the ongoing uncertainty about the fate of the Affordable Care Act and the possibility of new restrictions on drug pricing, which impacted many companies in the sector. The Fund has long been cautious about making outsized investments in Health Care companies that can be meaningfully impacted by sudden, and frequently unforeseen, changes in the regulatory landscape. The investments that did best included **Mettler-Toledo International, Inc.**, a global manufacturer of sophisticated weighing devices, **The Cooper Companies, Inc.**, a global manufacturer of contact lenses, and **West Pharmaceutical Services, Inc.**, which makes packaging devices for many of the largest pharmaceutical and biotechnology firms.

Consumer Discretionary was another sector that helped the Fund's performance. The sector was one of the poor performers in the Index, partly because of the poor performance of many traditional retailers. As Amazon.com, Inc. has continued to disrupt the retail universe, the large majority of retailers' stocks have suffered. The Fund benefited from having relatively little exposure to these retailers. However, the few retail investments the Fund did hold, including **Tractor Supply Co.** and **Advance Auto Parts, Inc.**, did not perform well. We exited both these investments during the quarter. In contrast, the Fund's investments in the two leading online travel agencies, **The Priceline Group, Inc.** and **Expedia, Inc.**, both did well, as internet-based agencies continued to take market share from traditional travel booking channels.

There were few investments that detracted meaningfully from the Fund's absolute performance. In addition to the retailers mentioned above, companies with direct or indirect exposure to energy prices, which fell during the quarter, generally suffered. These included industrial distributor **Fastenal Co.** and fuel credit card processor **FleetCor Technologies, Inc.**

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Year Acquired	Percent Impact
Mettler-Toledo International, Inc.	2008	1.02%
Gartner, Inc.	2007	0.90
Guidewire Software, Inc.	2013	0.57
Zillow Group, Inc.	2015	0.50
CoStar Group, Inc.	2016	0.42

Mettler-Toledo International, Inc. is the world's largest provider of weighing instruments used in laboratory, industrial, and food retailing operations. Mettler's shares gained after the company reported its best quarterly financial results in years, highlighted by a sharp acceleration in organic revenue growth to 11%. Sales were strong across several product segments and geographies, particularly in Mettler's Product Inspection business and its China operations. We continue to believe Mettler is an exceptionally well-managed business that should be able to compound its earnings at attractive rates.

Gartner, Inc. is the leading provider of syndicated IT research. Gartner's shares gained as it reported various forward-looking financial metrics that pointed to continued acceleration in the company's revenues, earnings, and free cash flow. We expect to see positive trends in those metrics as a result of easing comparisons, improved productivity, and sales tactics that have been fine-tuned to match current macroeconomic conditions. In addition, Gartner completed its acquisition of CEB, Inc. during the quarter. We believe this merger will prove to be synergistic and accretive to earnings. In our view, Gartner's best-in-class management team will be able to accelerate growth at CEB into the double digits while also extracting significant cost savings.

Guidewire Software, Inc. is a software platform sold to property and casualty insurers. The company's shares gained after it reported solid quarterly earnings results. Guidewire enjoys near-perfect customer retention rates, a growing installed base of users, and accelerating adoption by its insurance customers. We believe that Guidewire will benefit as the insurance industry is in the early stages of a widespread replacement cycle of its core software operating systems. Furthermore, Guidewire has tripled its addressable market through new products and cloud-based delivery capabilities. The company recently announced a landmark deal to become State Farm's sole core systems provider. We believe State Farm will serve as an outstanding reference customer for other large carriers, leading to additional large sales.

Zillow Group, Inc. operates online real estate sites, including Zillow.com, which offers information on homes for sale and rent; Zillow Mortgage Marketplace, which enables home buyers to get online mortgage quotes; and StreetEasy, New York City's leading real estate site. Shares rose on strong quarterly results coupled with a robust outlook for the full year 2017. We expect Zillow to benefit from recent product launches including auction-based pricing for certain listings on its sites. As the dominant U.S.-based online real estate company, we think Zillow is well positioned to grow its share of the $8 billion real estate advertising market.

CoStar Group, Inc. is a real estate information and marketing services company. Shares rose on strong quarterly results, which demonstrated solid business trends. Revenues grew 13%, while bookings, a forward-looking metric, grew 17%. We are excited about the company's plan to discontinue its LoopNet Premium Searcher product, and to upsell its customers to its flagship CoStar information product. We believe this transition could eventually contribute an incremental $150 to 200 million of recurring revenue with almost no added cost. We also see an opportunity to optimize its Premium Lister product, which will potentially impact results favorably next year.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Year Acquired	Percent Impact
Fastenal Co.	2006	–0.21%
The Middleby Corp.	2013	–0.12
FleetCor Technologies, Inc.	2012	–0.10
Advance Auto Parts, Inc.	2016	–0.08
Nielsen Holdings plc	2011	–0.06

Fastenal Co. is one of the largest distributors of various industrial supplies. Fastenal detracted from performance following the stock's strong move over the past nine months, despite its improving sales and earnings outlook. Shares fell over concerns that continued weakness among some of its energy market customers could impact Fastenal. In addition, some investors are concerned that Amazon.com could eventually attempt to enter Fastenal's market. We reduced our position during the quarter.

The Middleby Corp. is a leading manufacturer of equipment used to cook and process food. Shares detracted from performance after the company reported negative organic growth in the first quarter. Middleby indicated that it expects growth to resume in the second half of 2017. Nevertheless, the stock is being pressured by uncertainty regarding the strength of its sales pick-up and correlation to a weak restaurant industry. We continue to own Middleby, as the company's products are a key component in revenue growth and cost cutting at its restaurant customers, and it also has a strong track record of creating value by making acquisitions.

FleetCor Technologies, Inc. provides payment processing services to vehicle fleets and fuel retailers. Although the company reported solid financial results and raised its full-year earnings guidance, shares detracted because of weaker oil prices and a report by a short seller of allegedly abusive fee practices. We believe the report contains factual inaccuracies and the negative allegations are exaggerated. We expect the negative market sentiment to abate and strong earnings growth to persist.

Advance Auto Parts, Inc. is one of the largest retailers of automotive aftermarket parts. Shares fell on disappointing first quarter earnings results and negative industry sentiment. Soft consumer demand and weather drove negative same-store sales and margins compressed. In addition, concerns about increased online competition pressured the broader auto parts retail sector. We sold our position because we expect industry headwinds to persist, and we have decreased confidence in management's ability to accelerate revenue growth and improve profitability. We believe the turnaround plan will take longer than originally expected.

Nielsen Holdings plc is a global information and measurement company that helps its clients gain an understanding of consumer behavior. The decline in its share price was driven primarily by weakness in its domestic Buy segment, which compiles data about consumers' shopping patterns. The segment was weak as a result of changing consumer purchasing trends, and increased competition and cost-cutting faced by Nielsen's clients. We retain conviction that Nielsen's core Watch and Buy franchises have dominant market positions, and that the company is investing appropriately to better serve its clients.

Portfolio Structure

At June 30, 2017, Baron Asset Fund held 55 positions. The Fund's 10 largest holdings represented 42.8% of assets, and the 20 largest represented 64.0% of assets. The Fund's largest weighting was in the Information Technology (IT) sector at 22.9% of assets. This sector includes software companies, IT consulting firms, and data processing firms. The Fund also held 22.9% of its assets in the Health Care sector, which includes investments in life sciences companies, health care equipment and supplies companies, and health care distributors. The Fund held 16.6% of its assets in the Financials sector, which includes investments in insurance companies, investment brokers and financial exchanges. The Fund also had significant weightings in Industrials at 15.5% of assets and Consumer Discretionary at 12.4% of assets.

Table IV.
Top 10 holdings as of June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Gartner, Inc.	2007	$2.9	$11.2	$191.4	6.6%
IDEXX Laboratories, Inc.	2006	2.5	14.2	181.0	6.3
Mettler-Toledo International, Inc.	2008	2.4	15.2	147.1	5.1
Vail Resorts, Inc.	1997	0.2	8.1	147.1	5.1
Arch Capital Group Ltd.	2003	0.9	11.5	118.9	4.1
Verisk Analytics, Inc.	2009	4.0	13.9	109.7	3.8
The Charles Schwab Corp.	1992	1.0	57.4	105.3	3.6
Guidewire Software, Inc.	2013	2.8	5.1	83.8	2.9
SBA Communications Corp.	2007	3.8	16.4	79.6	2.8
FactSet Research Systems, Inc.	2006	2.5	6.6	72.3	2.5

Recent Activity

During the past quarter, the Fund established three new positions and added to four others. The Fund also sold four positions and reduced its holdings in seven others.

Table V.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (millions)
TransUnion	$ 7.8	$24.3
CDW Corporation	9.8	19.6
Expedia, Inc.	22.5	11.6
Align Technology, Inc.	12.1	11.5
BWX Technologies, Inc.	4.8	7.9

TransUnion is a consumer information services company that's best known for compiling credit scores on the majority of Americans. The company provides data and analytics to businesses for marketing, lending decisions, identity verification, debt collection, and risk management. Individuals use the company's services to view their credit profiles, manage their personal information, and protect against identity theft. TransUnion has over 40 petabytes of information on over one billion consumers that it collects primarily on a contributory basis from 90,000 data sources, including financial institutions, private databases, and public records.

TransUnion began almost 50 years ago as a provider of regional credit reporting services and today is one of three consumer credit bureaus in the U.S. with operations in over 30 countries across North America, Africa, Latin America, and Asia. For many years, TransUnion was run by a family that didn't sufficiently invest in the company. In 2012, the current management team was brought in by new owners to reinvigorate growth. The company has since migrated to a new technology platform, introduced new products and services, and made several acquisitions to expand in new markets. Revenue growth has accelerated, margins have expanded, product diversification has improved, and financial leverage has meaningfully declined over the last five years.

We invested in TransUnion during the quarter because we believe the company has a long runway for growth, meaningful competitive advantages, and a strong management team. Revenue growth is being driven by new product innovation, expansion into less-penetrated vertical markets (such as health care, insurance, rental screening, and government), and a favorable environment for consumer lending activity. The company owns credit bureaus in other countries where the development of consumer credit from low levels should drive outsized growth going forward. We believe that the company's margins should continue expanding because of inherent operating leverage and efficiency gains from the new technology platform. TransUnion operates in an oligopolistic industry where access to consumer data, differentiated data sets, and government regulation are significant barriers to entry. We believe management has meaningfully improved the company over the last five years and expect a continuation of strong operational execution and capital allocation.

Table VI.
Top net sales for the quarter ended June 30, 2017

	Amount Sold (millions)
Mobileye N.V.	$17.6
Fastenal Co.	17.6
Tractor Supply Co.	14.1
CDK Global, Inc.	13.4
Advance Auto Parts, Inc.	11.3

We exited our position in **Mobileye N.V.** because we expected the company would soon complete its previously announced sale to Intel Corp. We reduced our position in **Fastenal Co.** because of concerns surrounding weakness among its energy market customers, coupled with concerns that Amazon.com could eventually attempt to enter the company's market. We exited our position in retailers **Tractor Supply Co.** and **Advance Auto Parts, Inc.** because of similar concerns about the impact that e-commerce competitors may have on those businesses. After the shares of **CDK Global, Inc.** reached our price objective, we exited our position in the company because we had more attractive investment ideas.

Outlook

We remain optimistic about the environment for U.S. equities. Employment and housing trends continue to improve, and there have been additional indications that the industrial economy is following suit. We think that our portfolio of what we believe are well-managed, competitively advantaged, fast growing companies will continue to perform well in this environment, although we cannot guarantee that they will.

We continue to believe that high-quality, mid-sized growth stocks represent a compelling long-term investment opportunity. During the past 30 years, mid-cap growth stocks, as a category, have outperformed small-cap and large-cap growth stocks. However, mid-caps have underperformed large-cap growth stocks during the past five years. We are hopeful that this trend will reverse, presenting an attractive investment opportunity for the mid-cap growth asset class again.

Thank you for investing in Baron Asset Fund.

Our entire Firm and our research department, in particular, are committed to justifying your ongoing confidence and support. I remain a significant investor in the Fund alongside you.

Sincerely,

Andrew Peck
Portfolio Manager
July 15, 2017

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 mid-sized companies, but there also may be more risk. Specific risks associated with investing in mid-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.

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

DEAR BARON GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Growth Fund (the "Fund") had a strong second quarter, building on our excellent start to the year. The Fund rose 6.06% (Institutional Shares) in the quarter. The Russell 2000 Growth Index, the small-cap benchmark against which we compare the Fund rose 4.39%. For the first half, the Fund has risen 17.10%, or 7.13% more than the benchmark. Our investments continued to parlay sustainable competitive advantages and favorable secular trends into attractive revenue and earnings growth rates. Performance benefited from double-digit returns in many of our largest positions as well as the acquisition of two portfolio investments, Panera Bread and Nord Anglia.

Table I.
Performance
Annualized for periods ended June 30, 2017

	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]	5.99%	6.06%	4.39%	3.09%
Six Months[4]	16.94%	17.10%	9.97%	9.34%
One Year	19.72%	20.05%	24.40%	17.90%
Three Years	7.14%	7.42%	7.64%	9.61%
Five Years	13.14%	13.43%	13.98%	14.63%
Ten Years	7.38%	7.61%	7.82%	7.18%
Fifteen Years	9.55%	9.70%	9.55%	8.34%
Since Inception (December 31,1994)	12.95%	13.05%	7.83%	9.76%

After the 2016 election, top-down investors purchased stocks in sectors they believed would benefit from Trump programs. Cyclicals did well. Less economically sensitive stocks did not perform as well. Real Estate and fast growing Information Technology (IT) investments also did not fare well. This reversed early in 2017, when high-quality growth companies trading at unusually attractive prices experienced strong demand as the administration's ability to pass legislation became less certain. This trend continued through most of the second quarter. Investors again favored secular growth stocks able to generate attractive growth regardless of fiscal policy, monetary policy, stimulus spending, interest rates, or geopolitical conditions, as they realized it was going to be difficult to predict any of these variables on a consistent basis.

RONALD BARON
CEO AND PORTFOLIO MANAGER

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

Our Firm is a bottom-up, fundamental, long-term investor in what we believe are fast growing, competitively advantaged, well-managed businesses. We are not trying to beat our benchmark in the short term by making macro judgments or trying to rebalance our portfolio based on what is in vogue. We invest only in growth businesses that we think can double in value about every five or six years. This compares to the stock market and economy which have doubled in value about every 11 years since 1960. Virtually all the businesses in which Baron Growth Fund has invested are incurring significant expenses to become much larger businesses. These expenditures can be on organic growth, such as hiring more sales staff, developing new products, starting up new manufacturing plants, providing additional client services, investing in new databases, integrating acquisitions or producing new products at lower gross margins than will be achieved at scale. Based on our analysis, more than 80% of the businesses in the Fund are currently penalizing their profits to reinvest in their businesses. Investments can also be made through acquisition, such as FactSet's recent acquisitions of Portware, Bisam, and IDMS. *In total, more than 65% of Baron Growth Fund's investments have made a strategic acquisition in the past two years.*

Expenditures to drive long-term growth penalize companies' current earnings, and usually hurt stock prices in the short term. Strategic mergers

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, 2016 was 1.30% and 1.05%, 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 FUNDS® 1987

and acquisitions can have a similar negative short-term impact on stock prices, because acquisitions generally add integration or execution risk. When such investments prove successful, they can drive significant appreciation in stock prices. This quarter, two of the Fund's largest contributors were **CoStar Group, Inc.** and **Gartner, Inc.**. As we highlighted last quarter, both management teams recently elected to make significant investments in their business. CoStar is the leading provider of commercial real estate information and multifamily marketing solutions. The company is preparing to migrate users of its low-end LoopNet Premium Searcher product to its flagship CoStar product. CoStar stopped selling Premium Searcher late last year, reducing growth in the near term, and invested heavily to expand its sales, research, and product development capabilities ahead of this transition. Gartner, a leader in syndicated IT research, acquired CEB for $2.6 billion plus $700 million of assumed debt. CEB is an information services business offering best practice research and talent management insights. CEB has an attractive business model with high levels of recurring revenue, strong EBITDA margins, and good free cash flow conversion. While its products are good, its execution has only been fair, and its recent financial performance has been sub-optimal.

CoStar's investment program was initially met with skepticism. Our research team believed that returns have the potential to be dramatic, as CoStar would be able to migrate LoopNet customers to the superior CoStar product, creating an incremental $200 million of annual recurring revenue while also improving customer efficiencies. When CoStar reported early favorable returns from the sales force expansion and product investment this quarter, shares rose 27%. The market was also initially concerned about Gartner's ability to sustain momentum in its core business while simultaneously driving improvements at CEB. We see revenue synergies from applying Gartner's sales execution tools and techniques to CEB's customer base, helping to boost retention rates from the low 80% range towards the 100% range. We believe that Gartner can eliminate discounting on CEB products, speed new product innovation, help the business expand internationally, and enhance targeting of the mid-market. We believe that Gartner can accelerate growth at CEB from the current 1%-2% to 15% over the next three years while also capturing $50 million of cost synergies. This quarter, Gartner demonstrated accelerating growth in its core business while laying out significant earnings accretion from the CEB deal, boosting shares by 14.4%. We see the potential for both stocks to double from current levels over the next three-to-four years.

Financial technology vendor **FactSet Research Systems, Inc.** has always had an aggressive organic reinvestment strategy. The company has recently become more acquisitive, buying execution management system Portware, performance measurement system Bisam, and portal provider IDMS. These acquisitions have temporarily reduced the company's margins by around 2%, as the acquired businesses carried lower margins than the overall company and require integration expenses. While this has weighed on short-term stock performance, we believe that these acquisitions expand FactSet's addressable market, enable it to offer clients a complete investment management platform, and shift the company's mix towards enterprise sales from user-based revenue. We believe that this will help accelerate organic revenue growth over time, and that margins will ultimately exceed pre-deal levels. Just like CoStar and Gartner, we expect FactSet shares to react positively when these returns ultimately become apparent to the market.

Businesses in which we invest have often been targets for buyouts by strategic and financial acquirers. That is because those businesses have large addressable markets, high barriers to entry, sustainable competitive advantages and outstanding management teams. Early this quarter, long-time holding Panera Bread received a buyout offer from JAB Holdings for $315 per share. That price was 10 times our average cost over 14 years. Additionally, international school provider Nord Anglia was acquired by a consortium of private equity investors for $32.50 per share, a 33% premium to its average closing price during the previous 90 days.

We find that large or strategic acquisitions that are viewed as disruptive by the market create opportunities for us to identify new secular trends and make new investments in businesses that are well positioned to benefit. Our team of 35 analysts and portfolio managers are trying to analyze and predict first order changes and second order implications each and every day.

The Fund has significantly outperformed its peers over the long term. Baron Growth Fund purchases *only* small-cap companies. Over the last year, we initiated new positions in companies with average market capitalization of $1.9 billion, and added to positions with average market capitalization of $1.7 billion. However, since the Fund holds its growth company investments for the long term, the Fund has a significant percentage of its assets invested in securities that have appreciated beyond their market capitalizations at the time of the Fund's initial investments. Please see Table IX. The Fund's median market cap is $3.3 billion, while its weighted geometric average market cap is $5.5 billion. The Morningstar US market cap breakpoints for small- and mid-cap funds are $4.3 billion and $20.8 billion, respectively, as of June 30, 2017.

For comparison purposes, we created a Baron-Adjusted Morningstar Small Growth Category that includes Baron Growth Fund with the funds in Morningstar's Small Growth Category. Baron Growth Fund's annualized return exceeds the surviving funds in the category by 2.84% per year over the Fund's 22 and a half year history, and ranks in the top 1% of the category.* While this is meaningful on an annual basis, it becomes even more significant when compounded over time. ***An investment of $10,000 in Baron Growth Fund at its inception at the end of 1994 would be worth over $158,000 today.*** An investment in its benchmark would be worth almost $55,000 today.

We think our long-term investment strategy is different than that of most small-cap managers or passive strategies that sell their best investments solely for market cap reasons. Regardless of restricting the Fund's purchases to small-cap companies, Baron Growth Fund's performance also compares well against surviving mid-cap growth funds. Since inception, the Fund ranks in the top 5% of funds in the Mid-Cap Growth Category.**

Baron Growth Fund

Table II.
Performance
Periods of euphoria and stress

	"Yesterday" Clinton Years 1992-2000 12/31/99 P/E 33x	Internet Bubble	"The Long and Winding Road" Bush Years 2000-2008 9/11; Iraq; Afghanistan; Housing Bubble; Financial Panic	"Here Comes the Sun" Recovery and Quantitative Easing 2009-2013	"Helter Skelter" Fed tightening	"Any Time at All"
	Annualized Returns					
	Inception 12/31/1994 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2013	12/31/2013 to 6/30/2017	Inception 12/31/1994 to 6/30/2017
Baron Growth Fund (Institutional Shares)	29.90%	67.61%	2.46%	22.39%	6.58%	13.05%
Russell 2000 Growth Index	18.99%	108.38%	(4.71)%	22.58%	7.19%	7.83%
S&P 500 Index	28.56%	32.29%	(3.60)%	17.94%	10.34%	9.76%
Percentile rank in Baron-Adjusted Morningstar Small Growth Category	21	72	13	45	43	1
# of Share Classes in Baron-Adjusted Morningstar Small Growth Category	156	394	354	584	591	59
Baron-Adjusted Morningstar Small Growth Category Avg*	22.16%	117.02%	(2.69)%	22.10%	5.97%	10.21%
Percentile rank in Morningstar Mid-Cap Growth Category	25	79	12	29	57	5
# of Share Classes in Morningstar Mid-Cap Category	197	416	366	531	564	64
Morningstar Mid-Cap Growth Category Avg**	25.32%	120.57%	(3.33)%	20.97%	7.06%	9.77%

Table III.
Performance Based Characteristics as of June 30, 2017

	Time Interval					
	Inception 12/31/1994 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2013	12/31/2013 to 6/30/2017	Inception 12/31/1994 to 6/30/2017
Alpha (%)	13.61	5.37	5.05	4.07	1.92	7.21
Beta	0.77	0.62	0.58	0.79	0.67	0.68
# of Monthly Observations	60	18	108	60	42	270

* The **Morningstar US Fund Small Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Small Growth Category. Morningstar rankings are based on total returns and does not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. Morningstar moved **Baron Growth Fund** from the Small Growth Category effective May 31, 2011 to the Mid-Cap Growth Category. The Fund's investment mandate has been and continues to be investing in small cap growth stocks for the long term. While the ranking information contained herein may be based on performance measurements from Morningstar, Baron created a new Morningstar Category to include Baron Growth Fund Retail and Institutional shares. We intend to continue to provide comparative performance data for the Small Growth Category because we strongly disagree with Morningstar's reclassification of the Fund. 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 of June 30 , 2017, the Baron-Adjusted Morningstar Small Growth Category consisted of 683, 539, 402 and 59 funds (share classes) for the 1-, 5-, 10-year and since inception (12/31/1994) periods. The number of funds in the Category may vary depending on the date that Baron made the calculation. The Baron-Adjusted Morningstar Small Growth Category Average is not weighted and represents the straight average of annualized returns of each of the funds in the Category. **Baron Growth Fund Institutional** Share Class ranked in the 77th, 36th, 38th, and 1st percentiles, respectively. The Category consisted of 156, 394, 354, 584, 591 and 59 funds (share classes) during the time intervals 12/31/1994–12/31/1999, 10/8/1998–3/9/2000, 12/31/1999–12/31/2008, 12/31/2008–12/31/2013, 12/31/2013–6/30/2017 and 12/31/1994–6/30/2017, respectively. **Baron Growth Fund Institutional** Share Class ranked in the 21st, 72nd, 13th, 45th, 43rd, and 1st percentiles, for the respective time intervals.

** The **Morningstar US Fund Mid-Cap Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth Category. Morningstar rankings are based on total returns and does not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. The Category consisted of 197, 416, 366, 531, 564 and 64 funds (share classes) during the time intervals 12/31/1994–12/31/1999, 10/8/1998–3/9/2000, 12/31/1999–12/31/2008, 12/31/2008–12/31/2013, 12/31/2013–6/30/2017 and 12/31/1994–6/30/2017, respectively. **Baron Growth Fund Institutional** Share Class ranked in the 25th, 79th, 12th, 29th, 57th, and 5th percentiles, for the respective time intervals. As of June 30, 2017, the Category consisted of 626, 502, 370 and 64 funds (share classes) for the 1-, 5-, 10-year and since inception (12/31/1994) periods. Morningstar ranked **Baron Growth Fund Institutional** Share Class in the 32nd, 33rd, 32nd, and 5th percentiles, respectively.

Table IV.
Top contributors to performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2004	$0.7	$ 8.6	27.21%	0.93%
Gartner, Inc.	2007	2.3	11.2	14.36	0.63
Marriott Vacations Worldwide Corp.	2013	1.5	3.2	18.20	0.49
Vail Resorts, Inc.	1997	0.2	8.1	6.23	0.46
Gaming and Leisure Properties, Inc.	2013	4.2	7.8	14.67	0.44

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, increased in the second quarter. Business trends were solid, with revenue growth of 13% and bookings growth of 17%. We are excited about the dissolution of LoopNet Premium Searcher and subsequent upsell of its customers to the flagship CoStar information product. We believe this transition could contribute an incremental $150 to $200 million of recurring revenue with almost no added cost. We also see an opportunity to optimize its Premium Lister product, which will potentially impact results next year. (Neal Rosenberg)

Shares of **Gartner, Inc.**, a provider of syndicated IT research, contributed to performance. We believe Gartner's key forward-looking metrics continue to be solid. We expect to see acceleration of those metrics due to easing comparisons, growing productivity, and sales tactics that have been fine-tuned to match current macro conditions. The company completed the acquisition of CEB, which we view as highly synergistic and accretive. In our view, Gartner's best-in-class management team can accelerate growth at CEB into double digits while extracting significant cost synergies. (Neal Rosenberg)

Shares of **Marriott Vacations Worldwide Corp.**, an operator and seller of timeshare resorts, increased in the quarter on reports of strong first quarter timeshare sales, improved free cash flow, and indications that revenue and earnings will come in at the high end of 2017 guidance ranges. Speculation that the company may buy Interval Leisure Group also helped boost the stock price on investor sentiment that the deal would produce combined synergies and strong EBITDA growth and free cash flow generation. (David Baron)

Table V.

Top detractors from performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Financial Engines, Inc.	2010	$0.7	$2.3	–15.81%	–0.26%
Primerica, Inc.	2010	1.1	3.4	–7.67	–0.21
The Middleby Corp.	2011	1.6	7.0	–10.94	–0.18
Dick's Sporting Goods, Inc.	2004	1.4	4.5	–19.88	–0.16
Smart & Final Stores, Inc.	2015	1.1	0.7	–24.84	–0.10

Shares of **Financial Engines, Inc.**, an account manager of retirement assets, declined on disappointing first quarter results. Asset growth was slightly lower than anticipated, and involuntary cancellations remained high. Additionally, revenue and earnings growth did not materialize as quickly as planned. The key asset retention metric is improving and we believe involuntary cancellations will decline over time if the new Financial Engines Advisors product is successful. As the business scales, incremental margins could increase and have a meaningful positive impact on earnings. (Michael Baron)

Primerica, Inc. provides term life insurance and investment products in the U.S. and Canada. Shares dropped in the second quarter as temporary headwinds in the term life segment led to weaker quarterly earnings. In addition, portions of the Department of Labor's Fiduciary Rule went into effect on June 9, increasing regulatory oversight for insurers, among others. We retain conviction in Primerica because we expect strong earnings growth to persist for a company that provides much-needed financial advice to underserved middle-income households. (Josh Saltman)

The Middleby Corp., a leading manufacturer of food equipment, detracted from performance after reporting negative organic growth in the first quarter. The company indicated that it expects growth to resume in the second half of 2017. Nevertheless, the stock is being pressured by uncertainty regarding the strength of sales pick-up and correlation to a weak restaurant industry. We continue to own Middleby as the company's products are a key component in revenue growth and cost cutting at its restaurant customers. It also has a strong track record of creating value through M&A. (Rebecca Ellin)

Portfolio Structure And Investment Strategy

Due to the Fund's low turnover, which is currently 6.78% on a five-year average basis, the Fund holds a significant percentage of its assets in securities that have appreciated beyond their market capitalizations at the time of the Fund's initial investment. Because those companies are penalizing their current earnings with expenditures for growth, the Fund has invested in those businesses 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.

The Fund's strategy of investing for the long term is different than most other small-cap growth funds. Many of those 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 turn over their portfolios every 16 months, on average. 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 those events, we think it is unlikely they would be able to predict their impact on stocks and markets.

We exclusively purchase small-cap companies that we think can double in size in a five- or six-year period. The performance of our newer investments tend to lag the performance of our seasoned investments. This divergence has narrowed of late due to strong performance from newer positions in **Pinnacle Entertainment, Inc.**, Marriott Vacations, **West Pharmaceutical Services, Inc.**, and **Guidewire Software, Inc.** and the sale of investments which have not performed as expected. As a group, investments held for less than five years represent 24.7% of the portfolio, and have exceeded our benchmark by 3.9% annualized.

Table VI.

Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Pinnacle Entertainment, Inc.	2013	253.0%
Marriott Vacations Worldwide Corp.	2013	191.0
West Pharmaceutical Services, Inc.	2013	190.3
Guidewire Software, Inc.	2012	178.3
Bright Horizons Family Solutions, Inc.	2013	172.6

Baron Growth Fund owns stock in 33 businesses that it has owned for more than five years. These investments represent 70.4% of the Fund's assets and have earned an annualized rate of return of 16.8% since they were purchased. This exceeds the performance of our benchmark by 5.4% per year. Most Fund investments that have been held for more than five years have realized approximately three-to-five-fold appreciation so far. Five have achieved returns in excess of 10 times since their initial purchase.

Table VII.

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	1,691.9%
Vail Resorts, Inc.	1997	1,044.4
IDEXX Laboratories, Inc.	2005	1,021.6
Arch Capital Group Ltd.	2002	987.7
Alexander's, Inc.	1999	906.3
Mettler-Toledo International, Inc.	2008	715.8

As a result of owning stocks that have generated outsized returns over a longer holding period, the market caps of approximately 61% of the Fund are above Morningstar's breakpoint classification of small-cap stocks. Over the last five years, Baron Growth Fund's weighted geometric average market cap has hovered slightly above the Morningstar small-cap breakpoint and far below the $20.8 billion highest market capitalization limit for mid-cap stocks.

Recent Purchases

Table VIII.

Top net purchases for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount Purchased (millions)
Kinsale Capital Group, Inc.	2016	$0.6	$0.8	$22.9
Red Rock Resorts, Inc.	2016	2.3	2.7	16.7
Boyd Gaming Corporation	2017	2.8	2.8	13.2
Glaukos Corporation	2016	1.1	1.4	10.8
Camping World Holdings, Inc.	2017	2.6	2.9	7.0

Portfolio Holdings

As of June 30, 2017, Baron Growth Fund held 60 investments. The top 10 holdings represented 42.2% of the Fund's net assets. All these top 10 investments have grown dramatically and were purchased when they were smaller businesses. We believe they all offer significant further appreciation potential, although we cannot guarantee that will be the case. The weighted geometric average market cap for Baron Growth Fund's entire portfolio is $5.5 billion, due to the growth of many of our holdings. This is although the median market cap is $3.3 billion, well below the $4.3 billion level Morningstar regards as determinative of a small-cap fund. In either case, it is significantly below the Morningstar $20.8 billion breakpoint between mid-cap and large-cap. We believe the Fund's diversified portfolio offers investors potentially better-than-market returns with less risk than the market.

Table IX.

Top 10 holdings as of June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Vail Resorts, Inc.	1997	$0.2	$ 8.1	$445.6	7.3%
Arch Capital Group Ltd.	2002	0.4	11.5	349.8	5.7
Gartner, Inc.	2007	2.3	11.2	292.7	4.8
CoStar Group, Inc.	2004	0.7	8.6	257.0	4.2
IDEXX Laboratories, Inc.	2005	1.9	14.2	224.4	3.7
FactSet Research Systems, Inc.	2006	2.5	6.6	224.3	3.7
Gaming and Leisure Properties, Inc.	2013	4.2	7.8	203.4	3.3
ANSYS, Inc.	2009	2.3	10.4	194.7	3.2
Choice Hotels International, Inc.	1996	0.4	3.6	193.2	3.2
MSCI, Inc.	2007	1.8	9.3	190.5	3.1

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 the 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
July 15, 2017

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.

P/E: the price earnings ratio is a valuation ratio of a company's current stock price to its actual earnings per share.

Dear Baron Small Cap Fund Shareholder:

Performance

Baron Small Cap Fund (the "Fund") had a good quarter, gaining 6.75% (Institutional Shares) for the quarter ended June 30, 2017. Year-to-date the Fund has gained 15.87%. The Fund has nicely outperformed the Russell 2000 Growth Index (up 4.39% for the second quarter and 9.97% for the first six months of the year) and the S&P 500 Index (up 3.09 % for the quarter and 9.34% for the year-to-date).

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron Small Cap Fund Retail Shares[1,2]	Baron Small Cap Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	6.69%	6.75%	4.39%	3.09%
Six Months[4]	15.74%	15.87%	9.97%	9.34%
One Year	24.81%	25.11%	24.40%	17.90%
Three Years	6.39%	6.66%	7.64%	9.61%
Five Years	12.83%	13.11%	13.98%	14.63%
Ten Years	7.09%	7.31%	7.82%	7.18%
Fifteen Years	9.26%	9.41%	9.55%	8.34%
Since Inception (September 30, 1997)	9.80%	9.91%	5.79%	6.86%

Economic statistics softened in the second quarter, as reflected by declining bond yields and plunging oil prices. The Trump administration is distracted by controversy and has failed to deliver on its promised initiatives. However, U.S. employment is strong and earnings have remained solid, leading the market to new heights.

The businesses in which we are invested are, for the most part, doing very well. Growth in revenues and profit is accelerating, primarily because of long standing corporate initiatives which are bearing fruit. We are heartened by the fact that our stocks are performing well, in line with their businesses. High-quality well-managed growth companies are in vogue. We have been rewarded for our stock selection, as stocks across nearly all sectors of the Fund are adding to our strong absolute and relative performance. Also, we had a few take-outs of our holdings (**Nord Anglia Education Inc.**, **The Spectranetics Corporation**, and **Patheon N.V.**) announced in the quarter, bringing the total year-to-date to five (the others being **DigitalGlobe, Inc.** and **Bats Global Markets, Inc.**).

CLIFF GREENBERG
PORTFOLIO MANAGER

Retail Shares: BSCFX
Institutional Shares: BSFIX
R6 Shares: BSCUX

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Percent Impact
TransDigm Group, Inc.	0.82%
Nord Anglia Education Inc.	0.68
Gartner, Inc.	0.68
Guidewire Software, Inc.	0.61
Mettler-Toledo International, Inc.	0.50

Shares of **TransDigm Group, Inc.**, the manufacturer of aircraft parts primarily focused on the aftermarket, bounced back this quarter. The stock has been depressed because of allegations regarding improper government contracting practices, which we view as scurrilous and inconsequential. Though growth has slowed moderately, we continue to expect mid-to-high single-digit organic revenue growth going forward, margin expansion, and significant free cash flow to be deployed for accretive value-added acquisitions and/or share repurchases or special dividends. In an environment where the trading multiple of high-quality industrial and defense businesses has expanded, TransDigm is trading at a discount. We believe this unique company, with incredible margins and capital efficacy, and over a decade of stellar results, will revert back to a premium valuation, which, along with the growth we project, will lead to strong performance.

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, 2016 was 1.32% and 1.06%, 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 FUNDS® 1987

Nord Anglia Education Inc., the leading global operator of for-profit K-12 schools, is being acquired by a consortium of private equity firms. We believe the offer is fair, a 33% premium to its average closing price during the previous 90 days, and expect the deal to stand. As the company's largest public shareholder, we are pleased to profit, although we are saddened that Nord will not be staying public. We believed we could have made significantly more on our investment over time. Oh well.

Gartner, Inc., the leading provider of syndicated IT research, reported solid results, highlighted by 14% organic contract value growth. The company also provided a positive update with its CEB acquisition. We believe that Gartner's management will be able to significantly accelerate the revenue growth and customer retention of the acquired business, which would make the deal materially accretive to overall cash flow growth for the next five years. Our price target in four years is more than double its present value, making it worthy of being our largest holding.

Shares of **Guidewire Software, Inc.,** a property and casualty insurance software platform, appreciated as the company continued to report strong results and positive developments. First quarter revenues were well ahead of expectations, with recurring revenues growing over 22%, and margins improving 230 basis points. They also announced a landmark deal to become the sole core systems provider for State Farm. Guidewire also went live with its digital greenfield project with MetLife, and will now begin to recognize deferred revenues. This growth effort, as well as some others with great prospects, that have been depressing reported profits, should soon be additive. We believe this is becoming more evident and is helping the stock.

Other stocks in the portfolio which appreciated over 15 % in the quarter but added less to our overall performance than those listed above include: **Mettler-Toledo International, Inc., ICON plc,** Spectranetics, **Summit Materials, Inc., PRA Health Sciences, Inc., HealthEquity, Inc., Liberty Expedia Holdings, Inc., Berry Global Group, Inc., INC Research Holdings, Inc., The Trade Desk, Emerald Expositions Events, Inc., Abcam plc, Floor & Decor Holdings, Inc.** and Patheon.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Percent Impact
DexCom, Inc.	–0.26%
Flotek Industries, Inc.	–0.23
Zoe's Kitchen, Inc.	–0.22
Financial Engines, Inc.	–0.21
The Cheesecake Factory, Inc.	–0.20

Shares of **DexCom, Inc.**, which makes continuous glucose monitoring systems for diabetes management, fell in the quarter after a big rise earlier in the year. Earnings for the first quarter were below Wall Street expectations, caused by a shortfall in new patient adds from pump partners in the U.S. On the positive side, management was constructive about the Medicare opportunity, as issues processing claims have been resolved. We remain excited about the long-term prospects for the company to significantly penetrate both Type I and II insulin dependent diabetes patients globally, which we expect to result in revenues growing over five-fold in time. However, we have trimmed our position recently, due to concerns over competition and the pace of growth.

Shares of **Flotek Industries, Inc.**, a supplier of chemical additives to the oil and gas industry, declined in the quarter over concerns about a potential slowdown in drilling activity due to lower oil prices. Sales of the all-important CNF ("Complex Nano-Fluid") grew over 23% in the quarter, continuing to outpace industry growth by a wide margin. The company also completed the sale of its Drilling and Production Technology segments, creating a pure play specialty chemical business. We retain our conviction that CNF has shown great efficacy in increasing recoverable reserves in unconventional shale oil fields and expect sales to triple over the next few years as penetration increases, providing great upside to the shares, irrespective of the price of oil.

Shares of restaurant operators **Zoe's Kitchen, Inc.** and **The Cheesecake Factory, Inc.** declined in the quarter as sales guidance for both companies were lowered due to challenging traffic trends. We believe there is an oversupply of causal and fast casual restaurants in the country, but many of the old chains have announced massive programs to close stores, which we believe will create better balance in the future. Also, delivery is becoming more pervasive and adding to the competitive environment. We believe delivery is a nice opportunity for both Cheesecake and Zoe's, and will add to earnings growth in time. We added to our position in Cheesecake in the quarter, taking advantage of the decline in its stock. We believe it is the best-in-class operator, will continue to grow existing brands, and has other interesting concepts in development…and is now, in light of this, a cheap stock.

The other stock in the portfolio that fell over 15% in the quarter was **Financial Engines, Inc.**.

Portfolio Structure

As of June 30, 2017, the Fund had $3.5 billion under management. The top 10 positions represented 33.0% of the Fund.

Table IV.
Top 10 holdings as of June 30, 2017

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$172.9	5.0%
TransDigm Group, Inc.	2006	134.4	3.9
Waste Connections, Inc.	2016	130.5	3.8
IDEXX Laboratories, Inc.	2008	121.1	3.5
Bright Horizons Family Solutions, Inc.	2013	115.8	3.3
Guidewire Software, Inc.	2012	109.9	3.2
On Assignment, Inc.	2012	94.8	2.7
Acuity Brands, Inc.	2011	91.5	2.6
SBA Communications Corp.	2004	91.1	2.6
Cognex Corp.	2011	84.9	2.4

The number of holdings in the Fund is higher and concentration lower, as we set out to do. Year-to-date, we have added 11 new names to the portfolio, and sold out of six. We expect three present holdings to go away since these are pending acquisition.

Year-to-date we have invested about $330 million. Three quarters of this has gone into the new names. The weighted average market cap for these new purchases is $1.5 billion. The other quarter was invested in existing holdings, with a weighted average market cap of $2.1 billion. We are pacing to make new investments of about 20% capital. This is somewhat higher than the last few years, which I believe is healthy. I am excited about the quality and prospects of the new investments.

Still, the Fund is made up of stocks in which we are truly long-term holders. We hold 20 stocks, which we have owned for five years or more. These stocks represent 26% of our names and 41% of assets. The average annualized return of these holdings since first purchase is nearly 21%, which is stellar. When making new investments, we are hoping to find our new long-term breadwinners.

The Fund is created organically through bottom-up stock picking. We look across all sectors to find businesses we favor with similar characteristics – unique/proven/dominant franchises, strong management teams, solid organic and inorganic growth in revenues and profits, with opportunity to continue to compound, and reasonable valuations (for businesses of their quality). Lately, we are finding more businesses that fit the bill in Information Technology and Industrials, so the Fund has more exposure to those sectors. The internet continues to enable disruption and new approaches to old businesses, helping create new tech leaders. And global growth is picking up, helping the prospects for Industrials. We used to be more tilted to Consumer Discretionary and Health Care, but, generally speaking, trends in those industries are more difficult.

Compared to the Russell 2000 Growth Index, the Fund is overweight Industrials and Consumer Discretionary and underweight in Health Care and Financials. Information Technology is our biggest weighting and is about the same weight as the Index. Please be mindful that though the Fund is often compared to the Russell 2000 Growth Index, we do not attempt to mimic it in our stock selection or portfolio weightings.

Recent Activity

During the quarter, we made five new investments and added to 11 positions we had previously owned.

Table V.
Top net purchases for the quarter ended June 30, 2017

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
GTT Communications, Inc.	2017	$1.3	$41.2
2U, Inc.	2017	2.2	22.1
Camping World Holdings, Inc.	2016	2.9	18.0
Emerald Expositions Events, Inc.	2017	1.6	17.6
Yext, Inc.	2017	1.2	11.6

GTT Communications, Inc. is a telecommunication services provider targeting large enterprise customers. The company was founded in late 2006 by current Chairman H. Brian Thomson, and CEO Rick Calder joined a few months later in early 2007. Since then, Brian and Rick have built the business via acquisitions and organic growth from an initial base of $15 million in revenue to what we estimate will be a $900 million run-rate by the end of this year. GTT is different from most telecom services providers in that it leases rather than owns the infrastructure over which it provides connectivity for its customers from among 2,000 last-mile infrastructure owners with whom it maintains a relationship. This allows GTT to be more nimble than its competitors, offering a service which best suits its clients' needs rather than being constrained by the limitations of any one network. GTT bills itself as a "better way to reach the cloud." They offer a top Tier 1 backbone, a comprehensive suite of cloud networking services, and an outstanding client experience. GTT has penetrated less than 10% of its target customer list and garnered less than 5% wallet share, so has significant room to grow. Its biggest challenge has been to just be on the radar screen of potential customers, but as they have grown, that is becoming less of an issue.

We believe GTT has an attractive business model and is well positioned to sustain double-digit growth. The company generates substantial free cash flow because of the capital-light business model and tax efficiencies. The company has used its capital and balance sheet to do a host of acquisitions over the years. The pace has accelerated of late. The company has spent $1.2 billion in acquisitions since the beginning of 2015. The deals have brought scale to the company, expanded its suite of services and area of competence, and extended its geographic reach, so now the company can take on any global customer. The deals have also been highly accretive. GTT has great expertise in consolidating small businesses and, on average, can bring the purchase price down below six times EBITDA (earnings before interest, taxes, depreciation and amortization) shortly after closing. This is a big discount to the present trading multiple of nine times. And we suspect that multiple will rise over time.

We expect the company to continue to grow organically (at mid/high single-digit rate) and inorganically toward a goal of building a $5 billion revenue business (five times its present size). We underwrite continued acquisitions in line with the present pace and believe that EBITDA will grow from the $235 million we expect for 2017 towards $1 billion in six years. And that GTT will be an enterprise that is worth over $10 billion, versus today's value of just a quarter of that. Holding the multiple the same, we see a double in the stock on 2019 estimates, so we have nice near-term upside as well. We also believe the company will be an attractive acquisition target for a larger telecom operator interested in this niche and/or that the trading multiple will expand in time as the company gets more focus on Wall Street.

2U, Inc. partners with great colleges and universities to build what they believe is the world's best digital education. Its platform provides a comprehensive fusion of technology, service and architecture to enable leading historically campus-based universities of the highest regard into digital versions of themselves. This allows these universities to offer the same courses and graduate degrees online, to extend their reach and brands and generate incremental high-margin revenues. This also enables students to attend top universities and get the same great education and degrees without having to uproot their lives. We have studied and invested in online education for over 15 years and believe that most all graduate degree programs can be taught effectively online and that leading universities (though most skeptical at first) will embrace the power of technology. 2U offers an integrated platform, a fusion of cloud-based SaaS technology and technology-enabled service to provide a comprehensive operating infrastructure to attract, enroll, educate, and support students globally. The university is solely responsible for teaching the courses, and 2U takes care of the rest.

2U enters into long-term (10 year plus) agreements with university partners. 2U invests significantly not just in infrastructure but also with marketing dollars to grow and support the program, for which 2U gets about two-thirds of the revenues generated from the online programs…a very healthy revenue share. The university partners sign on because they find 2U's role to be vital to providing an equally high-quality offering to their on campus teaching. The universities earn a very high profit margin on their revenue split, so the programs are meaningful contributors to their budgets.

2U has partnered with 19 universities so far, including some the finest universities in the country, including Georgetown, USC, NYU, Yale, UNC, Berkeley, Northwestern, Wash U and Vanderbilt…on many occasions offering many different degree programs with the same universities. We believe these long-term contracts with respected counterparties create a highly visible, consistent, and durable business model that should rightfully garner a high multiple in the market.

2U is poised for strong growth as it continues to penetrate the massive and growing higher education market. They have 25 programs in operation that are scaling up and have announced another 20 programs in the queue that will be launched over the next couple of years. We expect many more to follow. They will be offering domestic graduate programs in 24 different verticals (disciplines), half of them where they have multiple programs per vertical (for example, they have five MBA programs announced with different partners). We expect a rapid rollout of new programs, which will drive revenue growth of over 30% per year. In time, we believe that 2U can operate 200 plus graduate degree programs. On average, 2U will earn $16 million of revenues per program and $5 million of profit...building a business that ultimately will do over $3 billion in revenues and $1 billion in pretax profits. We think this enterprise could be worth over $15 billion, versus the current enterprise value of $2.5 billion... Nice! We also, believe that 2U will offer programs outside its core U.S. graduate segment. The company recently acquired GetSmarter, the leading company offering online short course certificates in conjunction with some legendary university brands such as Oxford, Harvard, and MIT. We see this as a complementary channel with great promise. We would expect 2U to offer online graduate programs with international universities in time as well. Though 2U is just turning profitable and trades at a hefty multiple of revenues, we are very excited about the long-term prospects for the company and the stock.

Table VI.
Top net sales for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount Sold (millions)
Nord Anglia Education Inc.	2014	$1.7	$3.4	$74.3
Gaming and Leisure Properties, Inc.	2013	4.2	7.8	28.7
SBA Communications Corp.	2004	0.2	16.4	19.1
Bright Horizons Family Solutions, Inc.	2013	1.8	4.6	18.2
The Ultimate Software Group, Inc.	2008	0.7	6.2	15.2

During the quarter, we sold a chunk of our holdings in Nord Anglia, which is being taken private. We reduced our position in some stocks as they have reached our targets, such as **Gaming and Leisure Properties, Inc.**, **IDEXX Laboratories, Inc.** and **Bright Horizons Family Solutions, Inc.** We trimmed some of our larger holdings and larger market cap companies, such as **SBA Communications Corp.**, **The Ultimate Software Group, Inc.**, and **Waste Connections, Inc.** Our approach is to reduce our positions in our larger-cap holdings when stock performance is strong and recycle that capital into new small-cap investments.

Outlook

The market remains healthy, even with all the mishegoss in Washington. We ascribe this primarily to the continued strong performance of most businesses, including those we own.

We foresee the economy continuing along its present path of moderate but sustained growth. Inflation is missing in action, as a result of globalization, competition, and technology. And we believe it will remain low. So, though the Federal Reserve is increasing the Fed Fund's rate, it is not likely that they will ratchet it up too much higher and choke the economy. As many conventional industries are being disrupted by the internet and new approaches to business, we believe that e-commerce is creating lots of jobs, and well-paying jobs at that. We see lots of successful new business startups, which is very healthy for the economy as a whole. We expect employment to remain strong.

Stocks have risen and are trading at higher multiples, which gives us some pause and makes it harder to make new investments. However, we can't predict when we will make our return, so we remain focused on being invested in high-quality, special companies that we believe will be worth significantly more in time.

Thank you for your investment and interest in the Fund.

Cliff Greenberg
Portfolio Manager
July 15, 2017

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

Dear Baron Opportunity Fund Shareholder:

Performance

Baron Opportunity Fund (the "Fund") had a strong second quarter, climbing 11.48% (Institutional Shares). The Fund outperformed both the Russell 3000 Growth Index, which advanced 4.65%, and the S&P 500 Index, which rose 3.09%. For the first half of 2017, the Fund increased 28.30%, outperforming the two indexes, which rose 13.69% and 9.34%, respectively.

Table I.
Performance†
Annualized for periods ended June 30, 2017

	Baron Opportunity Fund Retail Shares[1,2]	Baron Opportunity Fund Institutional Shares[1,2,3]	Russell 3000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	11.44%	11.48%	4.65%	3.09%
Six Months[4]	28.16%	28.30%	13.69%	9.34%
One Year	28.04%	28.34%	20.72%	17.90%
Three Years	6.92%	7.19%	10.83%	9.61%
Five Years	11.74%	12.04%	15.20%	14.63%
Ten Years	7.72%	7.95%	8.82%	7.18%
Fifteen Years	12.86%	13.03%	9.07%	8.34%
Since Inception (February 29, 2000)	5.63%	5.76%	3.43%	5.39%

Review & Outlook

The Fund significantly outperformed during the first half of 2017. In the last two months of 2016, when market leadership did an abrupt "about face" in response to the surprising election of President Trump, the Fund suffered. Traders speculated on where his new administration might take the country – selling the secular-growth groups we favor like digital media, e-commerce, software, etc. and buying more cyclical Financials, Industrials and Energy stocks. This year, uncertainty in Washington has increased (to put it mildly and apolitically), the economy has trudged ahead, and the market has returned its focus to secular growth.

MICHAEL A. LIPPERT
PORTFOLIO MANAGER

Retail Shares: BIOPX
Institutional Shares: BIOIX
R6 Shares: BIOUX

We believe history proves that secular *megatrends* drive long-term growth regardless of economic cycles, political shifts or legislative and regulatory revisions. By the term "megatrends," we mean disruptive changes and/or generational shifts impacting industries and society. Many of the changes or shifts impacting our lives today are readily apparent and simply undeniable. Think about:

- the way we shop
- the way we inform ourselves
- the way we socialize
- the way we build apps and computing infrastructure
- the way we drive ... or take a ride
- the way we entertain ourselves
- the way we diagnose disease
- the way we conduct surgery

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, 2016 was 1.41% and 1.13%, 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 Russell 3000® Index measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000® Growth Index measures the performance of those companies classified as growth among the largest 3,000 U.S. companies 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 FUNDS® 1987

At Baron, we remain convinced that identifying secular trends and selecting the winning companies is a superior and more repeatable long-term investment approach than the short-termism in vogue today. In contrast to traders, we accept we cannot predict the macro future. We resist the lure of even trying to guess at the next flip-flop in market sentiment or leadership, the next move in interest rates, the victor of the next election, the fate of the next bill before Congress, the reaction to the next earnings report … and their impact on daily and even minute-to-minute asset prices. Harvard economist, John Kenneth Galbraith, once said: "We have two classes of [economic] forecasters: Those who don't know – and those who don't know they don't know." In our model, we attempt to gain insight by conducting rigorous and continuous research into industries and companies. To be successful, we have to identify these big disruptive changes, predict the ultimate winners, vigilantly and persistently check to make sure our fundamental thesis remains intact and has not itself been disrupted, and let the market give our investments an appropriate valuation after the speculation has faded into the past and their earnings or cash flow can simply be measured.

The stock market tends to swing like a pendulum, rotating from one cycle to the next – industry leadership, risk on vs. risk off, growth vs. value, small vs. large, secular vs. cyclical, etc. Many traders attempt to game these cycles. We don't. According to Howard Marks, the Chairman of Oaktree Capital Management, investors too often "swing in the wrong direction." He counsels "ignoring the 'noise' created by the manic swings of others and focusing on the things that matter in the long term." Ron and all of us here at Baron agree. We run a consistent strategy in managing the Fund. It differs significantly from an index. Thus, for us, some market phases are headwinds and others are tailwinds. We believe it is difficult to predict changes in wind patterns. We advise investors to look at us across market cycles, not picking a random point within them. As one can see from the "Performance" chart above, depending on which time period you choose, we can look quite good or quite bad. But across market cycles, for the 15-year period ended June 30, 2017 (as well as Since Inception), we have solidly outperformed the two broader market indexes. In fact, for the 15-year period, Morningstar ranks us in the top 1% of similarly-categorized U.S. mutual funds.*

I have recently been asked quite a bit about the current "tech cycle" – whether we are at a top and how it compares to earlier cycles. For more fulsome discussions of these questions, please see my second quarter portfolio manager video update on the Baron website, as well as my recent interviews on CNBC's "HalfTime Report" (shown June 28) and PBS' "Consuela Mack WealthTrack" (recorded the second week of July, but to be aired towards the end of the month). Let me highlight some important points I believe investors should keep in mind.

- The vast majority of the "new tech" leaders in the internet, software and cloud industries now generate meaningful levels of free cash flow ("FCF"). This proves out their business models and often provides a valuation floor. I note that the recent Goldman Sachs research note, "Is 'FANG' mispriced," published June 9, 2017, which caused a pullback in tech stocks for a couple of days, has a chart that shows that their five new-tech leaders (Apple, Alphabet, Microsoft, Amazon and Facebook) trade at a healthy aggregate 5.6% FCF yield, far better than their leaders from the 2000 "tech bubble" (1.6% yield), and also healthier than today's overall market and vastly superior on a growth-adjusted basis. Digital media leaders like Alphabet (i.e., Google) and Facebook turn over 30% of their revenues into free cash. And Alphabet trades at a lower FCF multiple than legacy media companies Disney and Time Warner, but is expected to grow its FCF twice as fast as Disney and four times as fast as Time Warner. Even Amazon, long criticized for its significant investment spend, now generates healthy FCF (even accounting for equipment leases, a more conservative approach).
- As I wrote last quarter, I believe we are in the dawning stages of a new age of intelligent digital services that might be called the "intelligence," "algorithmic," or "big data" era. Whether consumer-focused services – like Amazon, Facebook, Google, Netflix, Alibaba or Tencent – or connected, on-demand business services – like Guidewire Software, CoStar Group, ServiceNow or Salesforce – these companies all have persistent relationships and direct connections (an always-on feedback loop) with their customers/users. This wasn't so in the old tech world, where leaders like Microsoft, Oracle, Dell, Intel and Cisco sold their physical devices or software and never heard from their customers again, unless the user had a problem or needed an expensive upgrade. In the old analog world, the product, whether hardware or software, began to lose value and usefulness the moment customers got their hands on it. The polar opposite prevails today. Intelligent digital services get better the more they are used – the more use (and users), the more data you have; the more data you have, the better and more personalized your product; the better your product, the more data you can collect – yup, rinse and repeat.
- Consider the digital services that infuse our lives today. Log into or open the app for Facebook, Instagram, Amazon or Netflix. What you see is personalized for you. Amazon shows you the products it thinks you might want to buy. Facebook and Instagram show you posts from your friends or on the topics you are most interested in. Even on Netflix, each family member can have their own profile, personalized for each individual, not just the family. Now turn on your cable box. The guide you see is the same for everybody. Flip to ESPN – what you see is what everybody sees. Same for CBS or HBO. Grab today's paper – you choose the New York Times or the Wall Street Journal. That's right, same articles in each copy. If you read on an iPad, open one of the apps – they are digital and connected, but still the same articles. The big advancements are "Most Popular" or "Most Read" – an improvement, but not personalized to what you want to read.
- Because of the criticality of these direct and persistent relationships with users and the importance and value of the data these connections provide, we live in a world where strength begets strength and scale begets scale. Because of this, we believe that for many of the critical vertical tech themes in which we invest, it is a "winner take all" or "winner take most" paradigm. We strive to put together a portfolio of these winners.

* The **Morningstar US Fund Mid-Cap Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the category. 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 June 30, 2017, the category consisted of 626, 502, 370, and 253 funds (share classes) for the 1-, 5-, 10-, and 15-year periods. Morningstar ranked **Baron Opportunity Fund Institutional** Share Class in the 3rd, 60th, 26th, and 1st percentiles, respectively, in the category.

I've selected several excerpts from Jeff Bezos' "almost-famous" 1997 Letter to Amazon Shareholders. To me, these capture the essence of long-term investing. Amazon has achieved what it has because its workforce and management have lived by Jeff's credos for 20 years. In my opinion, if you substitute the words "electric vehicle" for "online," many of these statements could flow from the mouth of Tesla's CEO Elon Musk today. We could play the same game with a large swath of our investments.

- "We have a window of opportunity as larger players marshal the resources to pursue the online opportunity and as customers, new to purchasing online, are receptive to forming new relationships."
- "Our goal is to move quickly to solidify and extend our current position …"
- "This strategy is not without risk: it requires serious investment and crisp execution against established franchise leaders."
- "We believe that a fundamental measure of our success will be the shareholder value we create over the long term."
- "Our decisions have consistently reflected this focus. We first measure ourselves in terms of metrics most indicative of our market leadership … We have invested and will continue to invest aggressively to expand and leverage our customer base, brand and infrastructure as we move to establish an enduring franchise."
- "Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies … We will continue to make investment decisions in light of long-term market leadership consideration rather than short-term profitability considerations or short-term Wall Street reactions."
- "We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages."
- "When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows."
- "At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model."

Even with our long-term focus, we don't pretend we can predict the future. Rather, what we do might be called *pattern recognition* (to borrow a phrase from my colleague Alex Umansky). We look for industry trends and businesses that have the same or similar characteristics (i.e., patterns) as our best historical investments. We carefully study the real-world facts – guided by history and looking for familiar patterns – and try to extrapolate what will likely happen over our investment horizon. Let's examine Tesla, the Fund's top performer for the first half, as an example of this. Just like 20 years ago, when all the evidence suggested the world would gradually but inexorably adopt e-commerce, today we believe the same about the transition to electric vehicles (EVs). There are massive, disruptive and permanent changes facing the automotive market – electric, autonomous and shared. In our opinion, this is a "when, not if" issue. Short sellers constantly raise competitive concerns. But our investment in Tesla is not based on the company being the only winner in the EV market. More players helping to accelerate the shift to EVs is actually a long-term positive for it. To use round numbers, there are about 100 million vehicles sold globally each year – a vast market. Elon's 2020 goal, which few believe, is to sell one million cars – scratching the surface of the opportunity. As long as Tesla remains a leader – if not, *the* leader – and captures a leader's market share, Tesla will prove to be a very profitable long-term investment for Baron shareholders.

Recently, Elon tweeted: "Tesla's stock is obviously high based on past & present, but low if you believe in Tesla's future. Place bets accordingly …" Like Amazon's Jeff Bezos, Elon is laser-focused on Tesla's future – investing today (Model 3, Gigafactory, etc.) to "expand and leverage [Tesla's] customer base, brand and infrastructure" and making "bold rather than timid investment decisions" to "gain … market leadership advantages." As I hope I've now made clear, Tesla strikes us as following the same pattern as Amazon, run by a similarly fixated, prescient and passionate CEO driving his company to capitalize on how the world is changing and achieving long-term value creation. Who would have thought 20 years ago that Amazon, then an aspiring book seller, would have over 40% of U.S. e-commerce sales (and continuing to take share) or that we'd be reading countless articles in the financial press about the end of traditional retail and record store closings? Who would have thought 10 years ago, when Apple introduced the first iPhone, that it could compete with the scale, brands and distribution of incumbents like Nokia, Motorola or BlackBerry? Where are those companies today? In the trash heap of history. Seldom do the old leaders cross the chasm and succeed in the new world. The innovators' dilemma is real. I wonder what will be said about the legacy automotive OEM's 20 years from now.

Below is our more inclusive list of the powerful secular themes in which we invest:

- Cloud computing
- Software-as-a-service (SaaS)
- "Big Data" and "Artificial Intelligence"
- Mobile
- Digital (internet-delivered) media
- Targeted, people-based digital advertising
- E-commerce
- Genetics
- Minimally-invasive surgical procedures
- Cybersecurity
- Electric-drive vehicles/autonomous driving
- Electronic payments

By selecting innovative businesses capitalizing on these potent secular trends, we have been able to build portfolios that consistently deliver top-line growth rates orders of magnitude above the general economy, as reflected in broad market indexes. Below we compare the revenue growth rates of our portfolio and three indexes for the trailing four quarters for which we have reliable data:

Comparison of Revenue Growth (based on end-of-the-quarter holdings)

	Actual Q1 2017	Actual Q4 2016	Actual Q3 2016	Actual Q2 2016
S&P 500 Index	8.02%	4.41%	2.60%	1.00%
Russell 3000 Index	8.27%	4.44%	2.93%	1.36%
Russell 3000 Growth Index	8.18%	6.30%	5.21%	4.38%
Baron Opportunity Fund	26.71%	25.14%	28.13%	26.79%

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Percent Impact
CoStar Group, Inc.	1.50%
Tesla, Inc.	1.45
Guidewire Software, Inc.	1.15
Gartner, Inc.	0.73
Benefitfocus, Inc.	0.70

Shares of **CoStar Group, Inc.,** a real estate information and marketing services company, increased in the second quarter. As readers of these letters may recall, last year we "maxed out" (we can buy up to a 5% position at cost) our CoStar investment as the stock fell for what we believed were short-term reasons (a modest investment impacting near-term earnings that we believed would deliver strong returns), and this was compounded by the market sell-off in the high-growth software sector. That decision positively contributed to the Fund's first half performance, as CoStar was the Fund's second best contributor for the period. CoStar's first quarter business trends were solid, with 13% revenue growth and 17% bookings growth. We are excited about the dissolution of LoopNet Premium Searcher and subsequent upsell of its customers to the flagship CoStar information product. We believe this transition could contribute an incremental $150 to $200 million of recurring revenue with almost no added cost. (Neal Rosenberg)

Tesla, Inc. may now be the world's first pure-play diversified sustainable-energy company, manufacturing fully-electric automobiles, solar roof products and energy storage solutions. Shares appreciated as a result of increasing investor confidence in the mass market Model 3 production schedule, following management comments suggesting no fundamental issues that would delay initial production. Management also noted growth in reservations for Model 3 before its launch and without any marketing. Tesla CEO Elon Musk recently tweeted pictures of the first Model 3 production unit, soon after laying out goals for 30 Model 3 vehicles to be produced in July, with a "handover party" for the first 30 customers on July 28, 100 units in August, 1,500 units in September and potentially achieving a 20,000 units per month production rate in December. Moreover, Tesla recently announced that it had won a high-visibility energy storage project to provide a 100 megawatt battery system to help stabilize the electricity grid in the state of South Australia, which last year suffered prolonged state-wide blackouts and is powered by renewable energy from a large wind farm. Upon completion, slated for December 2017, this system will be the largest lithium-ion battery storage project in the world and will provide power for more than 30,000 homes. Offsetting these positives, Tesla's second quarter Model S/X deliveries of 22,000 missed Street expectations of around 24,000, impacted by "a severe production shortfall of 100 kilowatt-hour battery backs" averaging about "40% below demand." Still, first-half deliveries of approximately 47,100 hit the lower end of the company's 47,000-50,000 guidance, and management expressed confidence that, now that the battery production challenge has been resolved, second half Model S/X deliveries would exceed the first half, as long as global economic conditions do not worsen considerably. (Ishay Levin)

Shares of **Guidewire Software, Inc.,** a property and casualty insurance software platform, performed well during the second quarter. Guidewire was the other software company we mentioned in our fourth quarter 2016 letter that we had "maxed out" (i.e., bought a 5% position) last year. Guidewire enjoys near-perfect retention rates, a growing installed base and accelerating adoption. The company is early in its core insurance systems replacement cycle, and has tripled its addressable market through new products (data management, analytics, and digital portals) and cloud delivery. It recently announced a landmark deal to become State Farm's sole core systems provider. This spring it went live with its first cloud implementation of its core system product ("InsuranceSuite') for MetLife. We believe both State Farm and MetLife will serve as outstanding reference customers for other large carriers. (Neal Rosenberg)

Shares of **Gartner, Inc.,** a provider of syndicated IT research, contributed to performance. We believe Gartner's key forward-looking metrics continue to be solid. We expect to see acceleration of those metrics due to easing comparisons, growing productivity, and sales tactics that have been fine-tuned to match current macro conditions. The company completed the acquisition of CEB, which we view as highly synergistic and accretive. In our view, Gartner's best-in-class management team can accelerate growth at CEB into the double digits while extracting significant cost synergies. (Neal Rosenberg)

Employee-benefits software platform **Benefitfocus, Inc.** contributed to performance in the quarter, partially rebounding from its poor performance last year and earlier this year. Its shares rallied on reports of a potential expansion of the company's relationship with Mercer. We also believe short-term headwinds – including longer implementation periods for national accounts (many of these larger, more complex accounts went live earlier this year rather than late last year when the deals were signed), slowed employer participation due to a sales restructuring (which created the national account team) and impacts from a revenue-share program – will abate later in 2017. In our view, the company's 2017 selling season is progressing well, its addressable market is large and expanding and its competitive position continues to improve. (Neal Rosenberg)

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Percent Impact
Glaukos Corporation	–0.39%
Acxiom Corporation	–0.32
Mellanox Technologies Ltd.	–0.22
Synchrony Financial	–0.17
Snap, Inc.	–0.09

Shares of **Glaukos Corporation,** a pioneer of minimally-invasive products and procedures for the treatment of glaucoma, fell in the quarter. The stock dropped after having enjoyed outsized share gains fueled by strong growth rates. Glaukos' quick procedure implants a stent into the eye's clogged outflow drain to reduce pressure and slow glaucoma progression. It is currently approved for only a subset of the glaucoma market. We retain conviction as we believe its addressable market exceeds $8 billion and coverage will likely broaden beyond the current subset. (Josh Riegelhaupt)

Acxiom Corporation is a critical player in the data-driven, people-based advertising industry, whose technology, data and connections help advertisers significantly improve the targeting and productivity of their digital advertising spend. Acxiom enables enterprises to bring customer data securely in a privacy-compliant manner to ad platforms in order to target their own customers better and to find new customers that look like their best ones. Shares of Acxiom fell on the company's projections for fiscal 2018 total company revenue and earnings growth. We retain conviction because we believe the company's initial guidance is appropriately conservative, and because management is forecasting at least 50% growth in the company's key cloud-based connectivity and identity business, branded LiveRamp. (Ashim Mehra)

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables and software supporting InfiniBand and Ethernet networking technologies. Shares were down in the quarter due to delays in the Intel-driven CPU (central processing unit) upgrade cycle, which pushed back some orders. We retain conviction in Mellanox's long-term opportunity due to its technological leadership in high-speed Infiniband and Ethernet interconnects, which are becoming increasingly relevant in a world of digital clouds, big data and artificial intelligence. (Guy Tartakovsky)

Shares of **Synchrony Financial,** the largest issuer of private-label credit cards in the U.S., fell in the second quarter. Higher credit losses led to weak quarterly earnings and increased charge-off guidance for the full year. We exited our position. (Josh Saltman)

Snap, Inc. owns Snapchat, the leading U.S. social network among teens and young adults. Shares fell as the company missed Street revenue expectations in its first quarter as a public company. Based on our continued research on Snap and the digital media space, we believe Snapchat is still quite early in its content and monetization efforts, as well as building out its user base. We decided to exit our Snap position at a modest profit – down from its all-time high, but above our average cost, and well above the current price. We plan to watch Snap closely, continue our research in the space and keep an open mind as to whether it's appropriate to re-invest. (Ashim Mehra)

Portfolio Structure

The Fund invests in high-growth, innovative businesses across all market capitalizations. As of the end of the second quarter, the largest market cap holding in the Fund was $635.3 billion and the smallest was $1.0 billion.

The median market cap of the Fund was $12.6 billion. The Fund had $258.8 million of assets under management. The Fund had investments in 50 securities. The Fund's top 10 positions accounted for 43.0% of the portfolio.

Table IV.
Top 10 holdings as of June 30, 2017

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$462.7	$16.8	6.5%
Tesla, Inc.	59.4	14.5	5.6
Guidewire Software, Inc.	5.1	14.2	5.5
Gartner, Inc.	11.2	13.3	5.1
CoStar Group, Inc.	8.6	11.1	4.3
Alphabet Inc.	635.3	10.8	4.2
Acxiom Corporation	2.1	9.1	3.5
Expedia, Inc.	22.5	7.3	2.8
Benefitfocus, Inc.	1.1	7.2	2.8
Visa, Inc.	216.2	7.0	2.7

Recent Activity

Table V.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Tencent Holdings, Ltd.	$338.9	$4.5
Yext, Inc.	1.2	2.0
Supernus Pharmaceuticals, Inc.	2.2	1.7
Acxiom Corporation	2.1	1.6
Biogen, Inc.	57.6	1.3

Tencent Holdings, Ltd. is one of the two largest internet companies in China. It operates the country's leading social network and messaging platform (QQ and WeChat), the largest online entertainment and media business, and the largest PC and mobile gaming business. The company reaches almost 900 million monthly users and operates or has investments in several other internet or mobile businesses. We project that Tencent will be able to grow each of its large but leading business segments for years to come given its track record of execution, its unique deep and direct relationships with its customers, its differentiated digital intellectual property and its scale.

Yext, Inc. is the leader in digital information and knowledge management for businesses. Yext's Knowledge Engine Platform enables its customers to maintain an accurate database of location and associated meta data, and then distribute it to the largest global publishers of intelligent services, including search engines, social media sites, vertical industry-specific sites and voice search operators. We believe Yext enjoys a large and wide-open market opportunity with a high-visibility, recurring revenue model. Moreover, the majority of senior management, who have joined the founder/CEO, are Salesforce veterans – and we find ourselves attracted to what we have coined its healthy "talent-to-market cap" ratio.

We added a handful of bio-pharma sector investments in the quarter. We are interested in the innovation and growth opportunities with the industry, balanced against our healthy respect for the risk-reward conditions in the space. We favor companies with assets that address real, often unmet, needs with novel approaches. We prefer companies in the later stages of drug development (i.e., Phases 2 or 3) – and thus a higher probability of success – or commercial products. Two of the stocks we added in the period are **Supernus Pharmaceuticals, Inc.** and **Biogen, Inc.** Supernus is a profitable pharmaceutical company with two commercial products for the treatment of epilepsy and a pipeline targeted towards neurological disorders. We expect Supernus to continue its organic growth via indication expansion, the maturation of its pipeline and business development. Biogen is a large-cap biotech with a mature business addressing the multiple sclerosis market, a new growth driver in Spinraza, its drug that treats a rare pediatric disorder called spinal muscular atrophy, and a pipeline focused on neurologic disorders like Alzheimer's disease. Biogen's base business generates $3 to $4 billion in FCF, it trades at an inexpensive multiple and it arguably possesses the highest potential upside of any large-cap biotech.

We added to our long-term investment **Acxiom Corporation,** discussed above, because we believe its fundamentals are solid and its valuation is quite attractive on a sum-of-the-parts basis.

Table VI.
Top net sales for the quarter ended June 30, 2017

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
CoStar Group, Inc.	$ 8.6	$5.3
Ctrip.com International, Ltd.	25.0	3.2
Mobileye N.V.	13.7	3.0
Synchrony Financial	22.5	1.6
Ultragenyx Pharmaceutical Inc.	2.6	1.3

The sale of **CoStar Group, Inc.** was merely a position-sizing trim given the stock's strong performance this year. While its long-term upside is less pronounced than it was late last year, CoStar remains a top five position because our analysis concludes its upside still remains quite favorable and because of our confidence in the company's management team and business prospects.

We sold **Ctrip.com International, Ltd.** to fund our purchase of Tencent (discussed above) to maintain our China exposure at a size with which we felt comfortable.

We sold **Mobileye N.V.** for a healthy profit after the announcement of its acquisition by Intel.

We addressed **Synchrony Financial** in the "top detractor" section above.

We sold **Ultragenyx Pharmaceutical Inc.** because we had more conviction in alternative bio-pharma investments.

To conclude, I believe wholeheartedly in the strategy of the Fund: growth based on powerful, long-term, innovation-driven secular growth trends. In the highly uncertain world we live in, we believe non-cyclical, sustainable, and resilient growth should be part of investors' portfolios.

Sincerely,

Michael A. Lippert
Portfolio Manager
July 15, 2017

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 securities of high growth businesses benefiting from innovation through development of pioneering, transformative or technologically advanced products or services, but there also is more risk. Companies propelled by innovation, including technological advances and new business models, may present the risk of rapid change and product obsolescence and their successes may be difficult to predict for the long term. Securities issued by small and medium sized companies may be thinly traded and 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 Opportunity Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Dear Baron Partners Fund Shareholder:

Performance

Baron Partners Fund (the "Fund") continued its strong performance through the second quarter of the year. The Fund increased in value by 14.69% (Institutional Shares) in the three-month period while the Russell Midcap Growth Index, the benchmark against which we compare the performance of the Fund, increased by 4.21%. The S&P 500 Index, which measures the performance of large-cap companies, increased by 3.09%. The Morningstar US Fund Mid-Cap Growth Category, measuring the performance of all U.S. open end, mid-cap growth funds increased by 4.68% for the three months ended June 30, 2017.

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron Partners Fund Retail Shares[1,2,3]	Baron Partners Fund Institutional Shares[1,2,3,4]	Russell Midcap Growth Index[2]	S&P 500 Index[2]
Three Months[5]	14.62%	14.69%	4.21%	3.09%
Six Months[5]	28.41%	28.62%	11.40%	9.34%
One Year	33.08%	33.43%	17.05%	17.90%
Three Years	9.22%	9.51%	7.83%	9.61%
Five Years	18.27%	18.58%	14.19%	14.63%
Ten Years	8.10%	8.33%	7.87%	7.18%
Since Conversion (April 30, 2003)	13.80%	13.97%	11.26%	9.33%
Fifteen Years	11.71%	11.87%	10.34%	8.34%
Twenty Years	10.34%	10.46%	8.26%	7.15%
Since Inception (January 31,1992)	13.00%	13.09%	9.48%	9.46%

RONALD BARON
CEO AND PORTFOLIO MANAGER

Retail Shares: BPTRX
Institutional Shares: BPTIX
R6 Shares: BPTUX

The performance of Baron Partners Fund for the first half of the year was equally strong in both absolute and relative terms. The Fund rose by 28.62% in the first six months of the year. The Russell Midcap Growth Index increased by 11.40%, the S&P 500 Index increased by 9.34%, and the Morningstar US Fund Mid-Cap Growth Category increased by 12.37% during the same period.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2016 was 1.78% (comprised of operating expenses of 1.35% and interest expense of 0.43%) and Institutional Shares was 1.52% (comprised of operating expenses of 1.09% and interest expense of 0.43%). *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 expenses 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 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The indexes are unmanaged. The Russell Midcap® Growth Index measures the performance of medium-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 Russell Midcap Growth Index, the S&P 500 Index 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.

3 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.

4 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.

5 Not annualized.

BARON FUNDS® 1987

Baron Partners Fund

Baron Partners Fund was the top performing fund in its category during the quarter and first half of the year. It is a top 1% performer for the five-year time period. It is a top 14% performer for the three-year period and top 18% performer for the 10-year period. Baron Partners Fund is the top performing fund in its category since its inception in 1992.† *

While any discrete time period cannot predict future performance, we believe the stock market has once again begun to favor our investment style, which had modestly underperformed from 2014 to 2016. Further, we believe the Fund's long-term track record shows these 2017 results to date are not an anomaly. The Fund has returned 13.09% annualized performance since its inception on January 31, 1992, beating its benchmark, the Russell Midcap Growth Index, by 3.61% per year over that time period. It is the top ranked mid-cap growth fund versus its peers since inception.*

The economy has continued its steady growth and domestic unemployment is at its lowest level since 2001. Investors have begun to question the impact this administration can have on our economy. The initial sector-specific reaction last year to the new President's administration has largely unwound as health care changes, tax reform, infrastructure spending and reduced regulation are taking longer to achieve than originally thought.

The Fund attempts to avoid investments reliant on government programs. We believe that the policies of governments are unpredictable and reversible, and cannot be relied upon for long-term business and investment success. We think companies are now being valued more on their fundamentals and prospects and less on the U.S. government's anticipated programmatic impact. We believe our investments will ultimately reflect their fundamentals. Stock correlations have declined after being elevated for the past decade. Lower correlations are elevating the importance of stock picking and analysis over sector allocations.

From 2014 to 2016, the stock prices for 67% of the Fund's investments lagged their underlying companies' performance. We think the current recovery of the majority of these investments from unusually undervalued levels will likely continue, although we can certainly not assure you that will be the case. Examples of stock prices that do not reflect underlying operating performance are numerous within our portfolios. For instance, in the three years prior to 2017, Benefitfocus doubled its customer base and grew its revenue even faster, yet its stock price fell. CoStar almost doubled its highly valuable and dependable subscription revenue, yet its stock price remained roughly unchanged. Tesla grew its vehicle deliveries by 2.4 times, yet its stock price remained range bound as investors worried about upcoming Model 3 deliveries. These companies and other growth businesses are now being revalued higher.

We remain optimistic that the companies the Fund owns will continue to grow strongly. Benefitfocus has a relationship with Mercer, the market leader with respect to private exchanges for active employees. We expect Benefitfocus to grow the number of services offered on its platform. Additionally, the salesforce restructuring last year to focus more on larger clients should potentially re-accelerate its growth rate. CoStar's acquisition of LoopNet provides cross-selling opportunities that could potentially dwarf the acquired company's prior revenues. We are confident in Tesla's ability to deliver vehicles in the mass market and greatly improve production times from a hundred per month in August 2017, to thousands per week by the end of this year, to 10,000 per week by the end of 2018. And that's without a slowdown of Models S or X which should produce an additional 100,000 vehicles per year, in our view. Battery packs and solar roofs are additional future sources of income as the company becomes a holistic sustainable energy producer.

Table II.
Performance
Periods of euphoria and stress

	"Yesterday" Clinton Years 1992-2000 12/31/99 P/E	Internet Bubble	"The Long and Winding Road" Bush Years 2000-2008 9/11; Iraq; Afghanistan; Housing Financial Panic	"Here Comes the Sun" Recovery and Quantitative Easing 2009-2013	"Helter Skelter" Fed Tightening	"Any Time at All"
	Annualized Returns					
	Inception 1/31/1992 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2013	12/31/2013 to 6/30/2017	Inception 1/31/1992 to 6/30/2017
Baron Partners Fund (Institutional Shares)	22.45%	59.72%	1.54%	22.55%	11.13%	13.09%
Russell Midcap Growth Index	19.26%	110.65%	(4.69)%	23.37%	8.61%	9.48%
S&P 500 Index	20.21%	32.29%	(3.60)%	17.94%	10.34%	9.46%
Percentile rank in Morningstar Mid-Cap Growth Category*	15**	84**	16**	26	4	1**
# of Share Class in the Category	83**	416**	366**	531	564	30**
Morningstar US Fund Mid-Cap Growth Peer Group Avg	18.00%	120.57%	(3.33)%	20.97%	7.06%	9.18%

† The Institutional Share Class was ranked #1 by Morningstar out of 654 funds (share classes) in the Morningstar US Fund Mid-Cap Growth Category, for the three-month period ended June 30, 2017; #1 out of 647 funds (share classes) for the year-to-date period; #10 out of 626 funds (share classes) for the 1-year period; #1 out of 502 funds (share classes) for the 5-year period; #68 out of 371 funds (share classes) for the 10-year period; #1 out of 276 funds (share classes) for the period from 4/30/2003 (date of conversion to mutual fund) – 6/30/2017; and #1 out of 30 funds (share classes) for the since inception (1/31/1992) period. Morningstar rankings are based on total returns for the three-month, year-to-date, 1-, 5-, 10-year, since conversion (4/30/2003), and since inception (1/31/1992) periods ended 6/30/2017.

* The **Morningstar US Fund Mid-Cap Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth Category. 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 June 30, 2017, the Category consisted of 626, 502, 370 and 276 funds (share classes) for the 1-, 5-, 10-year and since conversion (4/30/2003) periods. **Baron Partners Fund Institutional** Share Class ranked in the 2nd, 1st, 18th and 1st percentiles, respectively, in the Category. The Category consisted of 83, 416, 366, 531, 564 and 30 funds (share classes) during the time intervals 1/31/1992–12/31/1999, 10/8/1998–3/9/2000, 12/31/1999–12/31/2008, 12/31/2008–12/31/2013, 12/31/2013–6/30/2017 and 1/31/1992–6/30/2017, respectively. **Baron Partners Fund Institutional** Share Class ranked in the 15th, 84th, 16th, 26th, 4th and 1st percentiles, for the respective time intervals.

** Source: Morningstar Direct–Performance Reporting.

Table III.
Top contributors to performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$21.9	$59.4	29.94%	5.31%
CoStar Group, Inc.	2005	0.7	8.6	27.21	3.62
Zillow Group, Inc.	2014	4.3	9.0	44.45	2.11
Vail Resorts, Inc.	2008	1.6	8.1	6.23	0.70
Gartner, Inc.	2013	5.7	11.2	14.39	0.68

Tesla, Inc. makes fully electric vehicles, solar products, and energy storage solutions. Shares appreciated as a result of enhanced investor confidence in the Model 3 production schedule following management's comments suggesting no fundamental issues that will limit initial production. Management also noted an increase in reservations for Model 3 before its launch and without marketing. Further, Tesla now offers its solar roof product and has downsized the operations of recent acquisition SolarCity, focusing instead on cash generation that suggests lower merger-related risks. (Ishay Levin)

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, increased in the second quarter. Business trends were solid, with revenue growth of 13% and bookings growth of 17%. We are excited about the dissolution of LoopNet Premium Searcher and subsequent upsell of its customers to the flagship CoStar information product. We believe this transition could contribute an incremental $150 to $200 million of recurring revenue with almost no added cost. We also see an opportunity to optimize its Premium Lister product, which will potentially impact results next year. (Neal Rosenberg)

Zillow Group, Inc. operates online real estate sites, including Zillow.com, which offers information on homes for sale and rent; Zillow Mortgage Marketplace, which enables home buyers to get online mortgage quotes; and StreetEasy, New York City's leading real estate site. Shares rose on strong first quarter results and a robust outlook for 2017. We expect Zillow to benefit from recent product launches including auction-based pricing. As the dominant U.S.-based online real estate company, we think Zillow is well positioned to grow its share of the $8 billion real estate advertising market. (Ashim Mehra)

Table IV.
Top detractors from performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
Manchester United plc	2014	$2.8	$ 2.7	−3.31%	−0.17%
AO World plc	2015	0.9	0.7	−10.48	−0.15
Arch Capital Group Ltd.	2002	0.6	11.5	−1.56	−0.11
Air Lease Corp.	2014	3.3	3.9	−3.41	−0.09
Verisk Analytics, Inc.	2009	4.0	12.9	−8.37	−0.09

Manchester United plc, the best known team in the English Premier League, generates revenue from broadcasting, sponsorship, and licensing. Shares fell on speculation around team performance next year, despite Manchester qualifying for the Champions League. The company recently launched MUTV, a global video subscription offering. It maintains a strong pipeline of sponsorship deals, and we expect to hear more about its merchandising and licensing strategy. We believe Manchester United is a unique media company with broad global appeal. (Ashim Mehra)

AO World plc is a leading online seller of major domestic appliances in the U.K. with over 15% market share. Shares of AO were down in the second quarter as the company was hit by rising vendor prices resulting from the Pound's devaluation relative to the Euro. We expected to see subsequent stabilization, but current U.K. trends point to weaker consumer demand that is lasting longer than we had anticipated. We retain conviction based on our expectations of modest growth in AO's German business, while the company works to improve terms with vendors in advance of volume expansion. (Ashim Mehra)

Arch Capital Group Ltd. is a specialty insurance and reinsurance company based in Bermuda. Shares detracted in the second quarter after a period of significant rallying and multiple expansion. The stock was also pressured by a secondary sale from AIG and the pre-announcement of an unusually large underwriting loss in the second quarter. We retain conviction in Arch Capital due to its quality management team and underwriting discipline. (Josh Saltman)

Investment Strategy And Portfolio Structure

The goal of Baron Partners Fund is to double its value per share within five years, although the Fund may not achieve this goal. This is while we expect the stock market and economy to double about every 11 years. Our strategy to accomplish this goal is to invest for the long term in a focused portfolio of what we believe are fast-growing, well-managed competitively advantaged businesses at attractive prices that double in size every four to six years, not the 11 to 12 years for businesses in our benchmark that grow at a pace similar to the economy and stock market. We attempt to create a portfolio of 25 to 30 securities diversified by GICS sectors. These businesses are identified by our Firm's proprietary research. We think these well-managed businesses have strong, long-term growth opportunities. The Fund uses modest leverage to enhance returns, although this may increase volatility.

As of June 30, 2017, Baron Partners Fund held 25 investments. The median market capitalization of these growth companies was $7.8 billion. The top 10 positions represented 76.8% of total investments and 90.8% of net assets.

While concentrated, the Fund is diversified by sector. Its sector weightings are significantly different than those of the Russell Midcap Growth Index, the index against which we benchmark our performance. Our weightings will likely change over time depending upon those businesses' prospects and their perceived investment opportunities. The Fund currently has a greater weight in the Consumer Discretionary and Financial sectors than the Index, but has a lesser weight in Industrials and Health Care. The Fund also does not have any holdings in the Materials or Energy sectors. These underweight sectors, in our opinion, are more reliant on commodity prices and regulation that is outside of a business' control.

Table V.
Top 10 holdings as of June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Total Investments
Tesla, Inc.	2014	$21.9	$59.4	$401.4	16.5%
CoStar Group, Inc.	2005	0.7	8.6	290.0	11.9
Arch Capital Group Ltd.	2002	0.6	11.5	223.9	9.2
Vail Resorts, Inc.	2008	1.6	8.1	187.8	7.7
Hyatt Hotels Corp.	2009	4.2	7.1	146.1	6.0
IDEXX Laboratories, Inc.	2013	4.7	14.2	145.3	6.0
FactSet Research Systems, Inc.	2007	2.5	6.6	128.0	5.3
Zillow Group, Inc.	2014	4.3	9.0	122.1	5.0
The Charles Schwab Corp.	1992	1.0	57.4	120.3	4.9
Gartner, Inc.	2013	5.7	11.2	105.0	4.3

Thank you for investing in Baron Partners Fund.

Thank you for joining us as fellow shareholders in Baron Partners Fund. We believe the growth prospects for the businesses in which Baron Partners Fund has invested are favorable and improving. Since, in our opinion, the share prices of our businesses do not reflect their prospects, we believe they remain attractive. Of course, there can be no guarantee this will be the case.

We are continuing to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also remain dedicated to continuing to provide you with the information we would like to have if our roles were reversed. This is so you will be able to make an informed decision about whether this Fund remains an appropriate investment for you and your family.

Respectfully,

Ronald Baron
CEO and Portfolio Manager
July 15, 2017

Michael Baron
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 using non-diversification and leverage, but there also is more risk. Specific risks associated with non-diversification and leverage include increased volatility of the Fund's returns and exposure of the Fund to greater loss in any given period. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and made difficult to sell during market downturns. Leverage is the degree to which an investor or business is utilizing borrowed money. 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 Partners Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

P/E: The price earnings ratio is a valuation ratio of a company's current stock price to its actual earnings per share.

Dear Baron Fifth Avenue Growth Fund Shareholder:

Performance

Baron Fifth Avenue Growth Fund (the "Fund") rose 8.6% (Institutional Shares) in the June quarter and has appreciated just over 25% year-to-date. This performance compares favorably to returns of 4.7% and 14.0%, respectively, for the Russell 1000 Growth Index and 3.1% and 9.3%, respectively, for the S&P 500 Index, the Fund's benchmarks.

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	8.49%	8.55%	4.67%	3.09%
Six Months[4]	24.90%	25.03%	13.99%	9.34%
One Year	28.74%	29.03%	20.42%	17.90%
Three Years	10.56%	10.83%	11.11%	9.61%
Five Years	15.20%	15.49%	15.30%	14.63%
Ten Years	7.32%	7.53%	8.91%	7.18%
Since Inception (April 30, 2004)	7.98%	8.15%	9.00 %	8.36%

We saw broad-based strength across the portfolio with 26 positions increasing in value out of the 31 investments that we started the quarter with. Meaningful positive contributions came from positions large and small with **Alibaba Group** (up 31%), **Tesla** (30%), **Regeneron Pharmaceuticals** (27%), **Intuitive Surgical** (22%), and **Expedia** (18%) highlighting the outperformers. As one would expect in a strong relative and absolute quarter like this, not a lot went wrong in the portfolio. Both **Synchrony Financial,** and **Snap,** missed their quarterly earnings expectations (first quarter out of the box for Snap), but fortunately both were small positions that did not inflict significant damage.

Similar to the first quarter, we made only minor changes to the portfolio, so it remains largely the same. We think it is fair to point out now that we frequently experience a reversion to mean after periods of significant relative out (or under) performance, and that managing for it or doing anything about it (like reducing investments that experienced strong appreciation or buying the weakness) is not part of our repertoire. Though we are always on the lookout for new ideas and are constantly looking for opportunities to upgrade the quality of the portfolio, we do not trade around our positions and take no action in response to what we perceive to be ordinary market volatility.

Since restructuring the Fund at the end of 2011, it has returned 133.4% on a cumulative basis, compared to 124.3% for the Russell 1000 Growth Index, and 116.7% for the S&P 500 Index. According to Morningstar, the Baron Fifth Avenue Growth Fund has outperformed 89% of its peers over this time frame.*

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares as of September 30, 2016 (restated to reflect current fees) was 1.14% but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers) and Institutional Shares was 0.85%. 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.*

1 The indexes are unmanaged. The Russell 1000® Growth Index measures the performance of large-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.

* The **Morningstar US Fund Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the category. 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 June 30, 2017, the category consisted of 1,424, 1,152, and 803 funds (share classes) for the 1-, 5- and 10-year periods, and 1,095 funds (share classes) for the period from 12/31/2011 – 6/30/2017. Morningstar ranked **Baron Fifth Avenue Growth Fund Institutional** Share Class in the 4th, 18th, 53rd, and 11th percentiles, respectively, in the category.

We think these are exciting times to be an investor. Especially an investor with the luxury of being able to invest for the long term, which we at Baron do! The conversion of the analog world to digital is continuing to expand and, from what we can see, it is picking up steam. Spending on digital media in the United States has exceeded all other media spend for the first time in 2016. Online advertising and e-commerce have become increasingly measurable and actionable and, in the convergence of the two with video technologies, some ads have become curated storefronts. Their rising penetration rates no longer surprise anybody. Voice is rapidly becoming the new computing interface with 20% of all mobile inquiries made via voice in 2016 increasing to 70% by May of 2017. Digital assistants (think Amazon's Alexa/Echo with 11 million installed base at the end of 2016) are rapidly improving with current voice recognition accuracy at 95%, similar to humans. Once it reaches 99%, it will likely be a game changer. The benefits of progress in artificial intelligence (AI), and robotics, and cloud computing have become hot topics in the investment community, but one area that we think is not getting enough attention that will have profound implications for investors and human beings alike, is the digitization of health care.

According to Mary Meeker, a partner at the Silicon Valley venture capital firm Kleiner Perkins Caufield & Byers, it took 50 years for medical knowledge to double in 1950, 7 years in 1980, and 3½ years in 2010. By changing inputs from analog to digital, we not only meaningfully accelerated data accumulation, we accelerated insight. Though we think it is still early, we believe the impact on therapeutics and health care delivery could be profound.

In early 2012, in the midst of a hostile takeover battle against the Swiss pharmaceutical giant Roche, Jay Flatley, the CEO of Illumina, pleaded with his investors not to be short sighted and to reject Roche's offer to acquire Illumina for $5.7 billion. Investors no doubt believed in the importance of DNA sequencing, but were worried that innovation and cost reductions may not happen quickly enough to justify turning down 30% to 40% premium certainty that was being offered by Roche (Illumina's market cap exceeds $25 billion, five years later). Lucky for us, Jay Flatley is a convincing orator. Illumina's relentless drive to facilitate faster, better, cheaper DNA sequencing (even Jay likely did not anticipate a cost reduction curve faster than Moore's Law), and the digitization of genomics led to the accumulation of genomic knowledge (think genomic insights!) that increased 19x according to Mary Meeker's report. *As a result, we can now measure outcomes and iterate much faster than before, which means that the innovation cycle times are compressing*. Progress in DNA sequencing allows doctors to select specific biomarkers for enrolling patients in clinical trials, which meaningfully improves the probability of success. Not surprisingly, the number of clinical trials in the U.S. has risen from 30k in 2006, to 230k in 2016, with the probability of final drug approvals increasing significantly at every stage when biomarkers are used. A headline from a recent *New York Times* article reads "In a medical milestone decades in the making, a gene-altering leukemia therapy got a unanimous vote of confidence from an F.D.A. panel". From the body of the article: "…A Food and Drug Administration panel opened a new era in medicine on Wednesday, unanimously recommending that the agency approve the first-ever treatment that genetically alters a patient's own cells to fight cancer, transforming them into what scientists call 'a living drug' that powerfully bolsters the immune system to shut down the disease… a single dose of the product has brought long remissions, and possibly cures, to scores of patients in studies who were facing death because every other treatment had failed. The panel recommended approving the treatment for B-cell acute lymphoblastic leukemia that has resisted treatment, or relapsed, in children and young adults aged 3 to 25."

These are exciting times, indeed.

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Percent Impact
Alibaba Group Holding Limited	$360.9	1.87%
Amazon.com, Inc.	462.7	1.46
Alphabet Inc.	635.3	0.69
Intuitive Surgical, Inc.	34.5	0.50
Expedia, Inc.	22.5	0.42

Shares of **Alibaba Group Holding Limited**, the largest retailer and e-commerce company in China, rose 31% after the company raised its growth outlook when it reported first quarter earnings and again at a later analyst day. Alibaba owns and operates the two largest Chinese online shopping platforms and has a majority share in the profits of Ant Financial, the owner and operator of China's largest third-party online payment provider Alipay. The company benefits from strong mobile and advertising growth (700 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, while the company will maintain a high re-investment rate in new growth areas such as groceries, logistics, and cloud computing. We are optimistic about Alibaba's long-term prospects and this remains a high conviction investment idea, second only to Amazon.

Shares of **Amazon.com, Inc.**, the world's largest e-commerce and cloud services provider, increased 9% in the second quarter. Amazon reported strong quarterly results, and enjoys the benefits of network effect with increasing participation from Prime members driving further activity on Amazon.com. Amazon's ability to continuously improve Prime's customer value proposition is driving higher Prime membership and Amazon's market share gains over time. The pending $13.7 billion acquisition of Whole Foods was surprisingly well received by investors. Though we are not fans of the grocery business per se, the low online penetration rates in the sector, and Whole Foods' market-leading brand and geographic reach makes it a reasonable gamble. Amazon continues to invest in new and potentially large business segments such as grocery, auto parts, content streaming, e-finance, business supplies, apparel, and cloud. We continue to believe Amazon has the opportunity to become the most valuable company in the world.

Alphabet Inc., the parent company of Google, is the world's largest search and online advertising company with, in our opinion, the greatest collection of human intellectual capital anywhere in the world. Shares of Alphabet climbed 10% in the second quarter after the company released better-than-expected quarterly earnings results. We believe that even as desktop search becomes a more mature business for the company, Google continues to benefit from growth in mobile and online video advertising. We believe the company's unrivaled capabilities in artificial intelligence, life sciences, voice recognition, and autonomous mobility (among other things) create significant positive optionality for investors. Alphabet remains a core investment in the Fund.

Intuitive Surgical, Inc., designs and sells the minimally invasive da Vinci robotic surgical systems. Shares of Intuitive "surged" 22% after reporting very strong financial results, highlighted by accelerating procedure growth of 18%, driven by good momentum in general surgery procedures, and better-than-expected revenue and earnings. Intuitive continues to re-invest in the business and has a strong and exciting product pipeline. We continue to believe the company has a long runway for growth.

Shares of **Expedia, Inc.**, the world's second largest global travel agency, rose 18% in the second quarter. Expedia guided for a re-acceleration in its core business after having resolved the issues with integration of Orbitz last year. The inclusion of vacation rental platform HomeAway will also accelerate Expedia's room booking growth, a key metric for investors. The successful IPO of Trivago, in which Expedia owns a majority stake, also spurred investor confidence. We believe the value of Expedia's vacation rental business is underestimated by investors, which we think will become more apparent over the next 12 to 18 months.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Percent Impact
Synchrony Financial	$24.2	–0.24%
Snap, Inc.	21.0	–0.10
Concho Resources, Inc.	18.0	–0.07
Wix.com Ltd.	3.1	–0.03
ASML Holding N.V.	57.2	–0.02

Shares of **Synchrony Financial,** the largest issuer of private label credit cards in the U.S., fell 12% in the second quarter. Higher credit losses led to weak quarterly earnings and increased charge-off guidance for the full year. The disappointing results have challenged our conviction somewhat and we trimmed the size of the investment a bit. At this point, we believe credit losses will stabilize, but we are monitoring the situation closely. With valuation undemanding, we think there is a reasonable likelihood of solid, profitable growth, supported by Synchrony's highly experienced management team and long track record of success under General Electric's prior ownership.

Snap, Inc. is the parent company of Snapchat, the second largest social network after Facebook. Shares declined 21% after the company missed investor's expectations in its very first quarterly earnings report as a public company. Though unfortunate, we don't think it really means anything. We expect the company to be able to grow its user base of 166 million daily active users. Snapchat users open the application 18 times per day on average and spend approximately 30 minutes a day actively engaged with the app. We think Snap is a clear beneficiary of the digital transformation that is undermining traditional media business models, as Snap can deliver better targeting and better analytics that ultimately lead to higher conversion rates and better ROIs for advertisers.

Concho Resources, Inc. is an independent exploration and production company focused on the Permian Basin in West Texas and New Mexico. Its shares fell 5% this quarter likely due to lower oil prices. We retain conviction in the only conventional energy investment in the portfolio. We believe Concho continues to be one of the best run mid-cap E&P companies and is well positioned, relative to its peers, to exploit the deep economic inventory of drilling locations in the Delaware Basin in the two states. We also think that investors underappreciate Concho's multi-year growth potential and the value of its Delaware acreage position.

ASML Holding N.V. is a semiconductor manufacturing company with a unique, monopoly-like position in its industry. ASML's equipment prints the tiniest circuits for memory and processing chips and is used by almost every manufacturer in the world. Shares declined 1% in the quarter, underperforming due to what we believe was normal profit taking after a rally. Over the next few years, ASML will roll out the next generation of extreme ultraviolet (EUV) equipment that can print circuits smaller than those produced by any other company. We believe its equipment will be indispensable to the industry and earnings will grow meaningfully over time.

Portfolio Structure

The Fund's portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark weights) determining the size of each individual investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view."

Information Technology, Consumer Discretionary, Financials, and Health Care comprise 88% of the portfolio. The remaining 12% is comprised of singular investments that happen to fall into some other classifications (like a 5% investment in Equinix is now classified under Real Estate) as well as cash. Over 100% of outperformance during the quarter came from stock selection with sector allocation effect detracting modestly from overall results.

Table IV.
Top 10 holdings as of June 30, 2017

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$462.7	$25.6	14.7%
Alibaba Group Holding Limited	360.9	13.1	7.5
Alphabet Inc.	635.3	10.9	6.3
Facebook, Inc.	437.6	9.8	5.6
Equinix, Inc.	33.4	8.4	4.8
The Priceline Group, Inc.	91.9	8.1	4.7
Mastercard Incorporated	130.2	7.9	4.6
Visa, Inc.	216.2	7.8	4.5
Apple, Inc.	750.9	5.3	3.0
Illumina, Inc.	25.3	5.2	3.0

Recent Activity

During the quarter, we initiated two new investments, **Wix.com** and **Veeva Systems**. We added to six positions, trimmed three others and exited the quarter with 33 holdings.

The top 10 positions represented 58.7% of the Fund, and the top 20 were 83.2%.

Table V.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Wix.com Ltd.	$ 3.1	$1.8
Veeva Systems Inc.	8.6	1.8
The Charles Schwab Corp.	57.4	1.0
Biogen, Inc.	57.6	0.3
Regeneron Pharmaceuticals, Inc.	52.2	0.3

After deliberating for over a year and watching the stock double, we finally initiated a position in **Wix.com Ltd.** Wix provides an operating system to help micro businesses build and maintain websites and operate their businesses more efficiently. Wix has over 100 million registered users, 2.5 million premium users, and is the leader in the industry. Wix's growth is driven by extending its horizontal and vertical features, becoming a more comprehensive solution for targeted verticals like Hotels and Restaurants. The source of Wix's competitive advantage is its technological capabilities, scale, and marketing reach resulting in faster iterations and allowing the company to repeatedly be first-to-market with new features. The outcome has been strong cohort economics, creating a predictable and a profitable business model: acquire a cohort once, get paid subscribers continuously thereafter. We believe Wix could become a valuable platform company if it continues to innovate and convert an increasing number of businesses to premium subscribers.

We also initiated a position in **Veeva Systems Inc.** during the second quarter. Veeva is the market leader in cloud-based Customer Retention Management (CRM) solutions for the *life sciences* market. With > 60% share in its market, Veeva is leveraging its deep vertical knowledge and existing customer base to expand its addressable market by offering new products that are customized to the specific needs of the life sciences market in areas such as content and data management, collaboration, and marketing. Today, the company is starting to address significantly larger market opportunities than it could with its original CRM product. Though currently close to 100% of Veeva's customer base is within the life sciences market, the company is looking to deploy its quality management products to other highly regulated markets such as automotive, chemicals, and consumer goods that tend to have highly intensive manufacturing processes with potentially larger market opportunities than the life sciences market. We believe that the existing customer base will continue to generate growth through cross selling, demonstrated by the growing average number of products per customers as customers are looking to benefit from the efficiencies encapsulated within the integration of Veeva's 20+ different products. Beyond its large market opportunity and its leadership position, Veeva offers an attractive combination of growth and profitability. In the past three years, the company presented > 37% revenue compounded annual growth rate while it expanded its adjusted margins by more than 700 basis points. With ~80% of revenue derived from recurring subscription and Veeva's vertical focus, allowing for more efficient sales and R&D investments, we expect the company to continue to generate significant cash flow.

Biogen, Inc. is a biotechnology company with a leading market share in the multiple sclerosis market, a new growth driver in Spinraza, its drug that treats a rare pediatric disorder called spinal muscular atrophy, and a pipeline focused on neurologic disorders like Alzheimer's disease. Biogen has marginally outperformed this quarter as the business balances the growth of Spinraza with the slowing in its multiple sclerosis business line. Long term, we retain conviction as its base business generates $3 billion to $4 billion in free cash flow, trades at an inexpensive multiple, and has arguably the highest potential upside of any large-cap biotech stock given its lead in Alzheimer's drug development.

Regeneron Pharmaceuticals, Inc. is a leader in the development of novel antibody therapeutics. Led by its ophthalmology franchise (Eylea), Regeneron has expanded into cardiovascular and inflammatory diseases. Most recently we have seen substantial share appreciation given the launch of Dupixient for atopic dermatitis (eczema), which is quickly realizing commercial success even faster than bullish consensus estimates. Long term, we maintain conviction in Regeneron for a couple of reasons. First, both competition to Eylea and reform to Medicare Part B drug reimbursement (of which Eylea is a direct beneficiary) appear less draconian than initially feared. Second, we expect Dupixient growth to continue as the label expands to include pediatric atopic dermatitis and asthma, which can drive multilevel blockbuster revenue.

Table VI.
Top net sales for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Sold (millions)
Amazon.com, Inc.	$462.7	$0.3
Synchrony Financial	24.2	0.3
Illumina, Inc.	25.3	0.3

We slightly trimmed **Amazon** and **Illumina** as we needed the funds to buy *Wix* and *Veeva*. Both are high conviction long-term investments in the Fund that remain in the top 10 holdings. We decided to eliminate **Synchrony Financial** after the company disappointed for the second consecutive time, imperiling our thesis. But then we changed our mind after concluding that exercising patience was likely the most prudent course of action. At 9x earnings, with low investor expectations, the stock appears to be de-risked. Down to a 1% position, we are comfortable sticking with it for the time being.

Outlook

At the halfway point of 2017, every market we look at is in the green (except for Russia – oil dependent economy, and China A-Shares in Shenzhen, which have their own issues). With the Fund up a smidge over 25% year-to-date, this has undeniably been a favorable environment for the way in which we invest. After lackluster earnings growth last year, economists are predicting double-digit growth for S&P 500 earnings in 2017, driven by a reduction in corporate tax rates, improved backdrop for Financials, Energy, and Industrials companies. Though helpful if it were to happen, we are not counting on any of this. More relevant to our portfolio, digital ad spending and e-commerce growth are actually accelerating, with spending on cloud computing still growing more than 80%. The digitization phenomenon that we believe will continue for years to come is starting to reach inflection points in many new areas (not only media and retail, but medicine, transportation, and consumer banking are in a midst of full blown disruptions now). We believe this should 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 are confident 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
July 15, 2017

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 Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. 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 Fifth Avenue Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Baron Focused Growth Fund

Dear Baron Focused Growth Fund Shareholder:

Performance

RONALD BARON

CEO AND PORTFOLIO MANAGER

Retail Shares: BFGFX
Institutional Shares: BFGIX
R6 Shares: BFGUX

In the second quarter of 2017, Baron Focused Growth Fund (the "Fund") continued its strong absolute and relative performance from the prior quarter, increasing 10.07% (Institutional Shares). This return exceeded the Russell 2500 Growth Index, the benchmark against which we compare performance of the Fund, by 594 basis points. The Russell 2500 Growth Index rose by 4.13% and the S&P 500 Index, which measures the performance of large-cap companies, increased by 3.09% during the second quarter.

The Fund's focused investments continued to make good fundamental progress against their large addressable markets. This quarter, the top positions in the portfolio generated unusually strong performance. Over much of the time from 2014 to 2016, when the fundamentals of these businesses had been outperforming, their stocks did not reflect this strength. This was often due to significant reinvestments in those businesses that penalized short-term profits. As a result, their share price performances lagged their underlying business performance. This started to reverse during the first quarter of 2017 and continued in the second quarter, as our stocks began to catch up to the outsized growth their businesses have been experiencing.

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron Focused Growth Fund Retail Shares[1,2,3]	Baron Focused Growth Fund Institutional Shares[1,2,3,4]	Russell 2500 Growth Index[2]	S&P 500 Index[2]
Three Months[5]	10.01%	10.07%	4.13%	3.09%
Six Months[5]	19.39%	19.48%	10.63%	9.34%
One Year	19.74%	20.00%	21.44%	17.90%
Three Years	5.51%	5.77%	7.65%	9.61%
Five Years	11.57%	11.83%	14.33%	14.63%
Ten Years	6.88%	7.09%	8.18%	7.18%
Fifteen Years	11.84%	11.99%	10.31%	8.34%
Since Inception (May 31,1996)	10.91%	11.01%	7.63%	8.31%

Since its inception on May 31, 1996, Baron Focused Growth Fund's 11.01% annualized performance has exceeded that of its benchmark by an average of 3.38% per year. This means that a $10,000 investment in Baron Focused Growth Fund over 21 years ago would now be worth over $90,000! If an investor had instead invested $10,000 in a passive fund that mirrored the Russell 2500 Growth Index, it would presently be worth approximately $47,000. Please see Tables I and II.

Baron Focused Growth Fund's beta has averaged 0.77 since inception. This means the Fund has been 77% as volatile as the benchmark. As a result of Baron Focused Growth Fund's strong absolute and relative returns and lower risk, the Fund has achieved 5.21% annual alpha, a measure of risk-adjusted excess performance versus its benchmark, since its inception.

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, 2016 was 1.43% and 1.13%, but the net annual expense ratio was 1.35% and 1.10% (net of the Adviser's 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) for 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.*

1 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The indexes are unmanaged. The Russell 2500™ Growth Index measures are classified as growth and the S&P 500 Index of 500 widely the performance of small to medium-sized U.S. companies that 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.

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

4 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.

5 Not annualized.

BARON FUNDS® 1987

Baron Focused Growth Fund, like all Baron mutual funds, utilizes a bottom-up, fundamental research approach to invest in what we consider to be fast growing, competitively advantaged, and well-managed businesses. When we invest, we do so with a long-term mindset and do not seek to change our portfolios from one quarter to the next as a result of unpredictable short-term macro events or geopolitical developments.

Despite the market's recent gains, we believe many businesses we own in the Fund remain undervalued relative to their long-term potential. Many of these stocks' prices changed little during the three years prior to 2017 despite substantial growth of their businesses. This is largely because their earnings in the near term have been depressed by the companies' consistent re-investments in their businesses, in the form of organic growth initiatives as well as opportunistic acquisitions. For example:

Electric vehicle company **Tesla, Inc.** continued to ramp up production of its Model S and X vehicles and began initial production of its Model 3, while continuing to add more service locations and charging stations domestically and abroad.

Ski resort company **Vail Resorts, Inc.** continued to add to its portfolio of premier ski resorts as it closed on its purchase of Stowe Mountain in Vermont during the quarter. This addition provides an excellent cross-sell opportunity of its annual Epic Ski Pass in the large and lucrative East Coast market.

CoStar Group, Inc., the leading provider of commercial real estate information, is generating robust double-digit revenue growth, while significantly investing in its business as it expands its sales, research, and product development capabilities.

Manchester United plc, the best known team in the English Premier League, has a globally recognized brand and vast worldwide following, with almost 700 million fans. The company is penalizing its present earnings by investing heavily in a new manager and players. We expect Manchester United's investments to boost its revenues more than 50% to $1 billion and double its EBITDA (earnings before interest, taxes, depreciation and amortization) during the next five or six years.

Guidewire Software, Inc., the leading provider of technology solutions to the P&C insurance industry, is benefiting from a replacement cycle of 30-year-old legacy systems used throughout the industry. Through innovation and targeted acquisitions, Guidewire has more than tripled its addressable market since it became publicly traded. We believe the company has the potential to increase its EBITDA 10-fold over the next 10 to 12 years.

Table II.
Performance
Periods of euphoria and stress

	"Yesterday" Clinton Years 1992-2000 12/31/99 P/E 33x	Internet Bubble	"The Long and Winding Road" Bush Years 2000-2008 9/11; Iraq; Afghanistan; Housing Bubble; Financial Panic	"Here Comes the Sun" Recovery and Quantitative Easing 2009-2013	"Helter Skelter" Fed Tightening	"Any Time at All"
	Annualized Returns					
	Inception 5/31/1996 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2013	12/31/2013 to 6/30/2017	Inception 5/31/1996 to 6/30/2017
Baron Focused Growth Fund (Institutional Shares)	27.87%	41.77%	2.72%	19.46%	5.62%	11.01%
Russell 2500 Growth Index	17.60%	126.53%	(3.99)%	24.03%	7.72%	7.63%
S&P 500 Index	26.58%	32.29%	(3.60)%	17.94%	10.34%	8.31%
Percentile rank in Morningstar Mid-Cap Growth Category*	24**	94**	11**	76	79	9**
# of Share Class in the Category	266**	416**	366**	531	564	84**
Morningstar US Fund Mid-Cap Growth Peer Group Avg	22.34%	120.57%	(3.33)%	20.97%	7.06%	8.45%

* The **Morningstar US Fund Mid-Cap Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth Category. 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 June 30, 2017, the Category consisted of 626, 502 and 371 funds (share classes) for the 1-, 5- and 10-year periods. **Baron Focused Growth Fund Institutional** Share Class ranked in the 33rd, 65th, 47th , and 9th percentiles, respectively, in the Category for the 1-, 5-, 10-year and since inception (5/31/1996) periods (consisted of 84 funds (share classes)). The Category consisted of 266, 416, 366, 531, 564 and 84 funds (share classes) during the time intervals 5/31/1996–12/31/1999, 10/8/1998–3/9/2000, 12/31/1999–12/31/2008, 12/31/2008–12/31/2013, 12/31/2013–6/30/2017 and 5/31/1996–6/30/2017, respectively. **Baron Focused Growth Fund Institutional** Share Class ranked in the 24th, 94th, 11th, 76th, 79th , and 9th percentiles, for the respective time intervals.

** Source: Morningstar Direct-Performance Reporting.

Table III.
Top contributors to performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$59.4	29.94%	4.14%
CoStar Group, Inc.	2014	6.2	8.6	27.21	2.30
Benefitfocus, Inc.	2014	0.7	1.1	30.05	1.03
Vail Resorts, Inc.	2013	2.3	8.1	6.23	0.95
The Carlyle Group	2012	0.9	1.7	24.53	0.91

Tesla, Inc. makes fully electric vehicles, solar products and energy storage solutions. Shares appreciated as a result of enhanced investor confidence in the Model 3 production schedule following management's comments suggesting no fundamental issues will limit initial production. Management also noted an increase in reservations for Model 3 before its launch and without marketing. Further, Tesla now offers its solar roof product and has downsized the operations of recent acquisition SolarCity, focusing instead on cash generation that suggests lower merger-related risks. (Ishay Levin)

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, increased in the second quarter. Business trends were solid, with revenue growth of 13% and bookings growth of 17%. We are excited about the dissolution of LoopNet Premium Searcher and subsequent upsell of its customers to the flagship CoStar information product. We believe this transition could contribute an incremental $150 to $200 million of recurring revenue with almost no added cost. We also see an opportunity to optimize its Premium Lister product, which will potentially impact results next year. (Neal Rosenberg)

Employee benefits platform **Benefitfocus, Inc.** contributed to the Fund's performance in the quarter. Its shares rallied on reports of a potential expansion of the company's relationship with Mercer. We also believe short-term headwinds, including longer implementation periods for national accounts, slowed employer participation from a sales restructuring, and impacts of a revenue share program, will abate later in 2017. In our view, the company's 2017 selling season is progressing well, its addressable market is large and expanding, and its competitive position continues to improve. (Neal Rosenberg)

Table IV.
Top detractors from performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
Financial Engines, Inc.	2014	$1.8	$ 2.3	–15.81%	–0.67%
Manchester United plc	2012	2.3	2.7	–3.31	–0.16
Verisk Analytics, Inc.	2009	5.0	12.9	–8.37	–0.12
Arch Capital Group Ltd.	2003	0.9	11.5	–1.56	–0.07

Shares of **Financial Engines, Inc.**, an account manager of retirement assets, declined on disappointing first quarter results. Asset growth was slightly lower than anticipated, and involuntary cancellations remained high. Additionally, revenue and earnings growth did not materialize as quickly as planned. The key asset retention metric is improving and we believe involuntary cancellations will decline over time if the new Financial Engines Advisors product is successful. As the business scales, incremental margins could increase and have a meaningful positive impact on earnings. (Michael Baron)

Manchester United plc, the best known team in the English Premier League, generates revenue from broadcasting, sponsorship, and licensing. Shares fell on speculation around team performance next year, despite Manchester qualifying for the Champions League. The company recently launched MUTV, a global video subscription offering. It maintains a strong pipeline of sponsorship deals, and we expect to hear more about its merchandising and licensing strategy. We believe Manchester United is a unique media company with broad global appeal. (Ashim Mehra)

Shares of data and analytics provider **Verisk Analytics, Inc.** detracted from performance before being sold in May. Verisk helps property and casualty insurers, financial institutions, and energy companies with risk management and decision-making process optimization. The stock declined for the period held after anticipated acceleration in insurance organic growth failed to materialize, and a rebound in energy-related spending seemed unlikely to benefit the company before late 2017 or early 2018. (Neal Rosenberg)

Investment Strategy & Portfolio Structure

The goal of the Fund is to double its value per share within five years, although the Fund may not achieve this goal. Our strategy to accomplish this goal is to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of less than 20 securities diversified by GICS sectors that will be approximately 80% as volatile (beta) as the market. These businesses are identified by our Firm's proprietary research and time-tested investment approach.

As of June 30, 2017, the Fund held 14 investments. The Fund sold Verisk Analytics and AO World in the quarter to obtain capital for a new investment. Slower growth in Verisk's energy and financial services business hurt Verisk's stock price in the short term. The continued devaluation of the pound increased AO costs and hurt demand for AO's products.

The median market capitalization of the Fund's companies was $5.8 billion compared with the median market cap of $1.3 billion for the Russell 2500 Growth Index. The Fund's average portfolio turnover for the past three years was 17.3%. This means the Fund has an average holding period for its investments of almost six years. This contrasts sharply with the average mid-cap growth mutual fund which typically turns over its portfolio every 18 months. From a quality standpoint, the Fund's investments have higher sales and earnings growth than the benchmark on average, are more conservatively financed (evidenced by lower debt to market capitalization ratio), and offer less volatility with more consistent growth (lower beta and lower standard deviation of EPS growth). We believe these metrics help limit risk for this concentrated portfolio.

The Fund's weightings are significantly different than those of its benchmark. The Fund is heavily weighted to Consumer Discretionary, with over 50% of the portfolio invested in this sector vs. just 16% for the Index. The Fund is further diversified by investments in businesses at different stages of growth and development. We classify our holdings into three types: 1) rapid, early stage growth businesses; 2) companies with irreplaceable assets that offer pricing power and a hedge against inflation; and, 3) foundational, long-term holdings that continue to steadily grow sales and earnings while using excess free cash to return value to shareholders.

Rapidly growing firms account for approximately 44% of the Fund's assets. On conventional metrics, these businesses may look expensive; however, we think they will continue to grow and have the potential to generate exceptional returns. Examples of these companies include electric vehicle leader Tesla, commercial satellite company **Iridium Communications Inc.**, commercial real estate data supplier CoStar and corporate benefits software provider Benefitfocus.

Companies with what we believe to be irreplaceable assets represent approximately 30% of the assets. Vail, owner of the premier ski resort portfolio in the world; upscale lodging brand **Hyatt Hotels Corp.** and storied soccer franchise Manchester United are all examples of companies we believe possess meaningful brand equity and barriers to entry in their businesses that equate to pricing power over time.

Consistent growers that continually return excess free cash to shareholders represent approximately 20% of the portfolio. For example, **Choice Hotels International, Inc.** employs a capital-light franchise model for its economy hotel brands that allows the company to return cash to shareholders through buybacks and dividends, while still achieving strong revenue and earnings growth no matter the stage of the lodging cycle. As the leading specialty P&C insurance underwriter in its industry, **Arch Capital Group Ltd.** generates a steady stream of cash that it uses for acquisitions, debt reduction, and share repurchases. Recently, the company acquired AIG's mortgage insurance subsidiary at what we believe was an unusually attractive price, and which complements Arch's underwriting philosophy. We expect this acquisition will lead to even faster growth in earnings and book value per share.

Table V.
Investments in Less Seasoned Growth Companies

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	17.4%	2014	44.4%
CoStar Group, Inc.	10.5	2014	23.2
Iridium Communications Inc.	4.6	2014	62.3
Benefitfocus, Inc.	4.4	2014	33.3
Guidewire Software, Inc.	3.7	2013	48.7
Financial Engines, Inc.	3.4	2014	9.4

Table VI.
Investments with Irreplaceable Assets

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Vail Resorts, Inc.	14.7%	2013	249.7%
Hyatt Hotels Corp.	10.2	2009	100.7
Manchester United plc	4.8	2012	20.8

Table VII.
Foundational Investments: Growth, Dividends, and Share Repurchases

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
FactSet Research Systems, Inc.	6.6%	2008	259.0%
Choice Hotels International, Inc.	5.1	2010	203.5
Arch Capital Group Ltd.	5.0	2003	754.0
Church & Dwight Co., Inc.	2.8	2007	416.6

For the quarter ended June 30, 2017, the Fund's top 10 holdings comprised 83.5% of net assets. A number of these investments have been successful and were purchased when they were smaller businesses. We believe they continue to offer significant further appreciation potential although we cannot guarantee that will be the case.

The top five positions in the portfolio, Tesla, Vail, CoStar, Hyatt and **FactSet Research Systems, Inc.**, all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior know-how or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth.

Table VIII.
Top 10 holdings as of June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Tesla, Inc.	2014	$31.2	$59.4	$32.5	17.4%
Vail Resorts, Inc.	2013	2.3	8.1	27.6	14.7
CoStar Group, Inc.	2014	6.2	8.6	19.8	10.5
Hyatt Hotels Corp.	2009	4.2	7.1	19.1	10.2
FactSet Research Systems, Inc.	2008	2.5	6.6	12.5	6.6
Choice Hotels International, Inc.	2010	1.9	3.6	9.6	5.1
Arch Capital Group Ltd.	2003	0.9	11.5	9.3	5.0
Manchester United plc	2012	2.3	2.7	8.9	4.8
Iridium Communications Inc.	2014	0.6	1.1	8.6	4.6
The Carlyle Group	2012	0.9	1.7	8.6	4.6

Thank you for investing in Baron Focused Growth Fund.

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

Respectfully,

Ronald Baron
CEO and Portfolio Manager
July 15, 2017

David Baron
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 small and medium-sized companies and using non-diversification, but there also may be more risk. Specific risks associated with non-diversification include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. Securities of small and medium-sized companies 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 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 Focused Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition.

P/E: the price earnings ratio is a valuation ratio of a company's current stock price to its actual earnings per share.

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

Baron International Growth Fund

Dear Baron International Growth Fund Shareholder:

Performance

Baron International Growth Fund (the "Fund") advanced 6.91% (Institutional Shares) for the second quarter of 2017, while its principal benchmark index, the MSCI ACWI ex USA IMI Growth Index, gained 7.48% for the quarter. International and emerging market equities maintained leadership and have now solidly outperformed domestic equities for the year-to-date period, fueled by solid earnings growth and improved sentiment.

During the recent quarter, in an encouraging development, results in a number of key elections, principally in Europe and the U.K., suggest that the wave of populism which emerged in 2016 and which threatens the global political, economic, and market equilibrium, has likely peaked for now. We view this as a key supporting factor for first half global equity performance. In our view, performance and leadership during the first half can be attributed to moderation in Trump's policies regarding trade and protectionism, sustained global economic traction with international and emerging economies outpacing the U.S., and ongoing stability in Chinese capital flows and its currency. A key question looking forward remains whether policy tightening in the U.S. and China and slowing global growth momentum will ultimately impair the outlook for corporate earnings. Thus far, we remain sanguine.

MICHAEL KASS

PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA IMI Growth Index[1]	MSCI ACWI ex USA Index[1]
Three Months[4]	6.82%	6.91%	7.48%	5.78%
Six Months[4]	17.69%	17.92%	17.27%	14.10%
One Year	18.77%	19.06%	17.35%	20.45%
Three Years	3.75%	4.03%	2.71%	0.80%
Five Years	9.28%	9.58%	8.25%	7.22%
Since Inception (December 31, 2008)	11.56%	11.84%	9.39%	8.34%

For the second quarter of 2017, we modestly underperformed our primary benchmark index, while modestly outperforming the broader MSCI ACWI ex USA Index. During the quarter, the largest driver of adverse relative performance was poor stock selection and allocation effect, as a result of our modest overweight position in the Energy sector, which retreated in concert with a decline in oil prices. Here, **Golar LNG Ltd.** and **Encana Corp.** impacted relative results the most. In addition, our cash position in an advancing market negatively impacted relative returns. Offsetting the above, positive relative performance resulted principally from strong stock selection effect in the Health Care sector, where testing and certification stalwart **Eurofins Scientific SE** and **Abcam plc** each advanced over 20% during the quarter. In addition, selection effect in Telecommunication Services and allocation effect due to our underweight in Materials, added to relative performance.

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, 2016 was 1.65% and 1.36%, but the net annual expense ratio was 1.35% and 1.10% (restated to reflect 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.*

1 The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. 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 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 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.

BARON FUNDS 1987

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Percent Impact
Eurofins Scientific SE	0.80%
RIB Software SE	0.62
Alibaba Group Holding Limited	0.56
JM Financial Limited	0.52
Tencent Holdings, Ltd.	0.48

Shares of **Eurofins Scientific SE** increased in the quarter. Eurofins, a provider of analytical testing services in the food, pharmaceutical, and environmental industries, reported solid organic growth despite a tough comparison against its performance from the same quarter last year. Management also reiterated its goal to substantially increase revenues by 2020. We believe the company has a solid long-term growth outlook, driven by stronger demand for safe and high-quality food, increasing regulation, and more outsourced testing by clients.

RIB Software SE is a software company with a unique 5D capability that allows construction clients to manage 3D modeling, cost, and time. Shares increased as the company continued to execute on its long-term strategy. We believe the company represents a possible change agent in the construction industry, aiming to bring efficiency to an area that has notoriously underutilized technology, and offering over 30% in savings from change order reduction, on-time delivery, and redundancy elimination. We think RIB's recent joint venture with Flextronics could possibly double the end market.

Shares of **Alibaba Group Holding Limited**, the largest e-commerce company in China, were up after the company raised its growth outlook. Alibaba owns and operates the two largest Chinese online shopping platforms and has a share in the profits of Ant Financial, which owns China's largest third-party online payment vendor Alipay. The company benefits from strong mobile and advertising growth, which drives upside beyond core e-commerce. We expect mobile growth to continue, while the company also invests in new growth areas such as groceries, logistics, and cloud computing.

Shares of **JM Financial Limited** rose in the quarter following reports of strong financial results. We believe that as a leading non-bank financial institution in India, the company is well positioned to benefit from growing demand for real estate lending, asset restructuring, and equity brokerage services. We also believe JM will benefit from distressed asset sales by banks under pressure to dispose of non-performing loans and raise equity capital. We retain conviction due to JM's robust growth outlook and conservative risk management frameworks.

Tencent Holdings, Ltd. is one of the two largest internet-related companies in China. The company operates the country's leading social network and messaging platform (QQ and WeChat), largest online entertainment and media business, and largest online PC and mobile gaming business. Shares were up on the back of strong fundamentals in its gaming and advertising businesses. We estimate Tencent will grow each of its large business segments for years to come given its track record of execution, its unique online intellectual property and assets, and its scale.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Percent Impact
Encana Corp.	–0.26%
Golar LNG Ltd.	–0.25
Mellanox Technologies Ltd.	–0.23
YPF S.A.	–0.13
Smiles SA	–0.12

Encana Corp. is a Canadian exploration and production (E&P) company with primary operations in Western Canada and Texas. Shares declined in the second quarter due to lower oil prices and concerns about Encana's balance sheet and cash flow outspend. We retain conviction. Encana is improving capital efficiency and balance sheet, as demonstrated by recently announced productivity increases in Texas and accretive non-core asset sales in Colorado. We believe Encana is one of the most attractively valued E&Ps and that investors underappreciate its long-term growth potential.

Golar LNG Ltd. is a liquefied natural gas (LNG) shipping, regasification, and liquefaction company. Shares declined, driven by first quarter results that missed Street estimates, potential delays in the startup of floating LNG (FLNG) project in Cameroon, and perceived correlation to declining crude oil prices. As LNG supply grows worldwide, rates for carriers have started to rebound. We anticipate the Cameroon FLNG startup before year-end and are confident in the company's ability to secure contracts for additional FLNG projects in Equatorial Guinea, Gulf of Mexico, and other markets.

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Shares were down in the quarter due to delays in the CPU upgrade cycle, which pushed back some orders. We retain conviction in Mellanox's long-term opportunity due to its technological leadership in high-speed Infiniband and Ethernet interconnects, which are becoming increasingly relevant in a world of big data and AI.

YPF S.A. is an exploration and production company in Argentina. Lower oil prices and MSCI's decision to delay the re-classification of Argentina from frontier to emerging market pressured shares. YPF is leading efforts to unlock the value of Argentinean shale resources. Break even costs of its Vaca Muerta shale assets are now under $50/barrel. An improving macro environment, including restructuring of labor contracts, fuel tariffs, and subsidies are attracting joint ventures between YPF and international oil companies. We believe the development of Vaca Muerta will accelerate.

Smiles SA is a Brazilian loyalty program. The company has been a strong executor, and its share price has gone up materially since its IPO only a few years ago. Having said this, the shares have been under pressure starting in late May, largely as a result of further political drama in Brazil. We retain conviction. The company operates a highly flexible, leverageable, and asset light company that enjoys high growth, margins, and returns. We also think Smiles is a beneficiary of the growth in air travel and credit cards in Brazil.

Portfolio Structure

Table IV.
Top 10 holdings as of June 30, 2017 – Developed Countries

	Percent of Net Assets
Eurofins Scientific SE	3.1%
BNP Paribas S.A.	2.6
RIB Software SE	2.5
Softbank Group Corp.	2.4
Constellation Software, Inc.	2.4
Reckitt Benckiser Group Plc	2.1
Abcam plc	2.0
Arch Capital Group Ltd.	2.0
Julius Baer Group Ltd.	1.7
Sony Corporation	1.7

Table V.
Top five holdings as of June 30, 2017 – Developing Countries

	Percent of Net Assets
Alibaba Group Holding Limited	2.2%
Tencent Holdings, Ltd.	2.1
JM Financial Limited	1.9
YPF S.A.	1.2
Baidu, Inc.	1.2

Exposure by Country: At the end of the second quarter of 2017, we had 67.8% of our investments in developed countries and 25.5% in developing and frontier countries, with the remaining 6.7% 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 June 30, 2017

	Percent of Net Assets
Japan	16.9%
United Kingdom	10.9
France	6.8
Germany	5.9
Israel	5.3
Canada	3.9
Spain	3.5
United States	3.3
Australia	2.0
Netherlands	2.0
Switzerland	1.7
Italy	1.5
Ireland	1.4
Norway	1.2
Belgium	1.0
Hong Kong	0.5

Table VII.
Percentage of securities in developing and frontier markets as of June 30, 2017

	Percent of Net Assets
China	10.5%
India	6.0
Argentina	1.8
Brazil	1.7
Indonesia	1.1
Mexico	1.1
Panama	1.0
Korea	0.8
Chile	0.6
Russia	0.6
Nigeria	0.3

The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. As of June 30, 2017, the portfolio's median market cap was $8.9 billion, and it had approximately 59.0% in large- and giant-cap companies, 28.8% in mid-cap companies, and 5.5% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the quarter, we initiated several new positions. **UniCredit S.p.A.** and **KBC Group NV** are both recent investments in the newly established EU credit recovery theme. European monetary policy is operating on a lag with the U.S., and remains accommodative while economic activity is recovering, leading to a virtuous deleveraging and ideal scenario for select European banks, in our view. We added UniCredit, now the best capitalized bank in Italy, in anticipation of a likely resolution to the undercapitalized Italian banks, which have plagued confidence in the broader sector, and in recent weeks the state government and Intesa Sanpaolo S.p.A. stepped up to provide a solution for two failing banks. KBC Group is among the strongest of the Northern European banking entities, and we believe it will benefit from an anticipated shift towards normalization of interest rates in Europe. We also initiated a position in **Square Enix Holdings Co., Ltd.** of Japan, a leading developer of online and console-based games, which we believe holds increasingly valuable intellectual property and boasts an attractive launch pipeline in coming months and years. During the quarter, we also made investments in **Telesites, S.A.B. de C.V.**, a wireless tower operator in Mexico, which we believe is poised to benefit from recent deregulation of the telecom sector, and **LVMH Moët Hennessey Louis Vuitton SE,** the diversified luxury goods group which we have long admired. Finally, several smaller additions represent additions to existing themes, including **KOSÉ Corporation** and **Mitsubishi UFJ Financial Group, Inc.** of Japan, **Bitauto Holdings Limited** of China, and **Bolsas y Mercados Argentinos S.A.** of Argentina.

During the quarter, we sold **Newcrest Mining Ltd.**, our last position representing our gold theme. Ongoing evidence of China's ability to maintain currency stability caused us to reconsider owning gold-related equities as a hedge against a discontinuous decline in the RMB. We also exited our investment in **Multi Commodity Exchange of India Ltd.** as we have become more interested in India's wealth management industry post demonetization, a new theme which we referenced in our previous letter. We also exited positions where our conviction has waned on the margin, including **B3 S.A.**, the successor to BM&FBOVESPA, **L'Occitane International S.A**., which we sold in favor of LVMH, and **BYD Company Ltd.** of China, the Chinese automotive and electronic vehicle manufacturer, as a result of deteriorating cash flow efficiency as well as reduced government subsidies.

Outlook

In the second quarter of 2017, international and emerging market equities extended the solid gains of the first quarter, leading to strong first half returns. We believe such equities are likely to remain in a "sweet spot" for the time being for a number of reasons, many of which we detailed in last quarter's letter to shareholders. First, results in a number of key elections, principally in Europe and the U.K., suggest that the wave of populism which emerged in 2016 and which threatens the global political, economic, and market equilibrium, has likely peaked for now. Second, monetary policy support and financial conditions, particularly in Europe and Japan, remain quite accommodative, while global growth and trade remain steady on a coincident basis. In addition, the Trump administration has maintained a largely moderate position on the economic, trade, and foreign policy issues that would most likely threaten international and emerging market economic and earnings growth, in clear differentiation from his rhetoric while on the campaign trail last year. Finally, Chinese economic growth and its currency remain stable, all the more impressive in the context of recently slowing credit growth, a clampdown on financial speculation, and various additional tightening measures. Conditions in China, the world's most influential driver of marginal growth, always have a notable impact on other emerging and international economies given globalization, trade, and other financial links. The cyclical earnings recovery in emerging and international economies that we began to anticipate over a year ago continues to evolve, while there are few signs of material threats on the horizon. Of course, we continue to monitor the tightening cycles underway in the U.S. and China for signs that the global economy and corporate earnings may become more vulnerable, though again we see scant evidence thus far.

With regard to China, many strategists and investors have been concerned that several examples of incremental tightening suggest an imminent reversal in favorable investment conditions. As of now we disagree, and as discussed last quarter, we view the reining in of speculation and credit growth, particularly in the shadow finance markets, as intentional and in preparation for the upcoming Party Congress in November where leadership and policy initiatives for President Xi Jinping's second five-year term will crystallize. In this context, we suspect current measures are being undertaken with a political and financial bias to help secure a pathway towards an enhanced reform agenda. Such an agenda would likely create a short-term pain for longer-term gain phenomena, as growth in 2018 and 2019 may fall below current expectations, while the more efficient private sector would likely benefit on a relative basis. During the second quarter, MSCI approved the inclusion of A-Share listed Chinese equities in the benchmark EM index for the first time, albeit on a very limited basis. Despite widespread press coverage, we view the event as largely symbolic in the nearer term. However, in conjunction with the announcement of the Hong Kong bond connect program last spring, and the widespread restrictions on outbound M&A activity year to date, we view the A-Share inclusion as further encouraging evidence of China's flexibility to maintain a stable currency and capital account in the face of reform measures and tightening financial conditions.

During the quarter, renewed political drama in Brazil sparked currency weakness and a sharp selloff in equities. This event offers hard evidence that the long-term appeal of investing in international and emerging market economies is often closely linked to reform potential. While the political environment in Brazil raises uncertainty over commitment to important reforms, we continue to believe that many foreign countries, led by India, but also including Japan, France, Spain, and additional European countries, China, Indonesia, Argentina and Chile, all remain attractive examples where political change and reform are enhancing investment opportunity. We remain optimistic regarding the long-term potential for the high-quality growth businesses in which we invest, and we look forward to our next update.

Sincerely,

Michael Kass
Portfolio Manager
July 15, 2017

Kyuhey August
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.

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

Dear Baron Real Estate Fund Shareholder:

Performance

We are pleased to report that the Baron Real Estate Fund (the "Fund") generated solid performance, gaining 15.75% (Institutional Shares) for the six months ended June 30, 2017, exceeding its primary benchmark index, the MSCI USA IMI Extended Real Estate Index Net (the "MSCI Real Estate Index"), which gained 9.08%. The Fund's 15.75% six-month gain also exceeded the MSCI U.S. REIT Index, which increased 2.04% and the S&P 500 Index, which increased 9.34%.

In the most recent quarter ended June 30, 2017, the Fund generated a 7.45% return, also outperforming the MSCI Real Estate Index, which gained 3.18%, the MSCI U.S. REIT Index, which gained 1.34%, and the S&P 500 Index, which gained 3.09%.

Since the Fund's inception on December 31, 2009, the Fund's average annual return of 15.59% has outperformed the average annual return of the MSCI Real Estate Index (13.54%), the MSCI U.S. REIT Index (11.72%), and the S&P 500 Index (13.27%).

Additionally, during this 7 ½ year period, the Fund's cumulative return was 196.36%, surpassing each of the cumulative returns of the MSCI Real Estate Index (159.16%), the MSCI U.S. REIT Index (129.56%), and the S&P 500 Index (154.60%).

In a recent ***Wall Street Journal*** report, the Fund ranked in the top 2% of 262 real estate funds for the 12 months ended June 30, 2017, based on its total return of 18.41% according to data supplied by ***Lipper***.*

The Baron Real Estate Fund's positive return of 18.41% significantly outperformed the negative 0.39% average return among the 262 funds in the ***Lipper*** real estate category.*

We are also pleased to report that, according to ***Morningstar***, for the period ended June 30, 2017**:

- The Baron Real Estate Fund is ranked in the top 1% of all U.S. real estate funds for both its 5-year and year-to-date performance;
- The Baron Real Estate Fund is ranked in the top 2% of all U.S. real estate funds for its 1-year performance; and,
- The Baron Real Estate Fund is ranked in the top 3% of all U.S. real estate funds since inception more than seven years ago on December 31, 2009.

We continue to maintain that the prospects for the Baron Real Estate Fund are positive. Please see the "Outlook" section at the end of this letter for our forward-looking views for the Fund.

JEFFREY KOLITCH

PORTFOLIO MANAGER

Retail Shares: BREFX
Institutional Shares: BREIX
R6 Shares: BREUX

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron Real Estate Fund Retail Shares[1,2]	Baron Real Estate Fund Institutional Shares[1,2]	MSCI USA IMI Extended Real Estate Index[1]	MSCI US REIT Index[1]	S&P 500 Index[1]
Three Months[3]	7.42%	7.45%	3.18%	1.34%	3.09%
Six Months[3]	15.63%	15.75%	9.08%	2.04%	9.34%
One Year	18.14%	18.41%	9.41%	(3.05)%	17.90%
Three Years	4.84%	5.09%	9.57%	6.82%	9.61%
Five Years	14.15%	14.43%	13.13%	8.04%	14.63%
Since Inception (December 31, 2009) (Annualized)	15.30%	15.59%	13.54%	11.72%	13.27%
Since Inception (December 31, 2009) (Cumulative)[3]	190.97%	196.36%	159.16%	129.56%	154.60%

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, 2016 was 1.33% and 1.07%, 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.*

1 The indexes are unmanaged. The MSCI USA IMI Extended Real Estate Index 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 indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US 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. The indexes and the Fund include reinvestment of interest, capital gains and dividends, 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.

* The **Lipper Real Estate Fund Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the category. The Fund has been included in the category since inception. As of June 30, 2017, the category consisted of 262, 201, and 160 funds (share classes) for the 1-year, 5-year, and since inception (12/31/2009) periods. Lipper ranked **Baron Real Estate Fund Institutional** Share Class in the 2nd, 1st, and 1st percentiles, respectively, in the category.
Source: Lipper Analytical Services, Inc.

** The **Morningstar US Fund Real Estate Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Real Estate category. 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 June 30, 2017, the category consisted of 262, 258, 201, and 161 funds (share classes) for the year-to-date, 1-year, 5-year, and since inception (12/31/2009) periods. Morningstar ranked **Baron Real Estate Fund Institutional** Share Class in the 1st, 2nd, 1st, and 3rd percentiles, respectively, in the category.

BARON FUNDS® 1987

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Percent Impact
InterXion Holding N.V.	$ 3.3	0.84%
CoStar Group, Inc.	8.6	0.72
Wyndham Worldwide Corp.	10.5	0.57
MGM Resorts International	18.0	0.55
American Tower Corp.	56.2	0.48

We are encouraged that in the second quarter of 2017, several of our investments in our various real estate categories continued to contribute to the Fund's solid performance.

Data center companies, such as **InterXion Holding N.V.**, a European-centric data center company, generated solid share price returns. We remain bullish about the prospects for most data center companies primarily because we believe demand prospects are stronger than they have ever been. We anticipate that most companies are well positioned to benefit from the continuing multi-year secular growth in cloud computing, information technology spending, the adoption of the internet, digital video and photos, and increased corporate outsourcing of data center needs.

InterXion is among our favorite data center companies. Our enthusiasm for the company stems from the following considerations:

a) The European data center market is growing approximately twice as fast as the U.S. market because it is in the earlier stages of outsourcing information technology, including the cloud.

b) The barriers to entry in Europe are quite significant as it can take three-to-four years to obtain the various approvals to build a data center, plus an additional three-to-four years to occupy the data center with clients.

c) InterXion may continue to grow cash flow by more than 10% annually through increased occupancies and rents, and may accelerate its growth with the development and acquisition of additional data centers.

d) We believe the company's valuation is attractive relative to other data center companies because its cash flow multiple is the lowest among data center companies despite its above-average growth prospects.

e) We anticipate that InterXion represents an attractive acquisition candidate for non-European data center companies.

f) We are big fans of its highly capable and strategic CEO, David Ruberg, and his management team.

The shares of **CoStar Group, Inc.**, a leading provider of information and marketing services to the commercial real estate industry, performed well in the most recent quarter following strong quarterly business results and management's encouraging commentary regarding its growth and profitability outlook.

Wyndham Worldwide Corp., a leading hospitality company, generated strong gains in the most recent quarter. Its share price appreciation, in our opinion, was triggered by management's acknowledgment that it is reviewing a wide array of strategic options including splitting its businesses into three separately traded public companies. We believe a separation of the three businesses makes strategic sense as it would likely lead to acceleration in growth and unlock value for shareholders.

The shares of **MGM Resorts International**, a leading global hotel and casino company, increased significantly in the most recent quarter. We continue to believe that MGM offers an attractive combination of high quality real estate assets, commands a leading presence in Las Vegas (one of the strongest real estate markets in the U.S.), a strong growth outlook, and an improving balance sheet and free cash flow profile. The company recently initiated a dividend, and we believe the company may also begin to repurchase shares.

We regard MGM to be an attractively valued stock. For more detailed thoughts regarding our bullish outlook for Las Vegas, please see the "Portfolio Structure" section later in this letter.

The shares of **American Tower Corp.**, the largest wireless tower company in the world, continue to trend higher, bolstered by the tailwinds of increasing usage and demand for wireless data-intensive devices such as iPhones, iPads, and other wireless devices. We maintain that the long-term prospects for American Tower are very compelling.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Masonite International Corp.	$ 2.3	–0.09%
Acuity Brands, Inc.	8.6	–0.08
Simon Property Group, Inc.	50.7	–0.07
Boston Properties, Inc.	19.3	–0.06
PT Sarana Menara Nusantara Tbk.	2.9	–0.05

The shares of **Masonite International Corp.**, the largest manufacturer of residential doors in North America, declined modestly in the second quarter due to somewhat disappointing quarterly earnings results. In the first quarter of 2017, the company was overstaffed relative to business demand trends. We anticipate that the staffing issues will be resolved soon. We view the shares as attractively valued, and remain optimistic that Masonite is well positioned to benefit from a continued rebound in the housing market.

The shares of **Acuity Brands, Inc.**, a leading producer of lighting solutions, underperformed in the second quarter due to a moderation in the growth of its business. However, in the latter part of June, the company released quarterly results that demonstrated modest improvement. We anticipate that business conditions will continue to improve. In our opinion, Acuity is an attractive long-term investment opportunity because the company is well positioned to capitalize on the multi-year secular growth opportunity in the lighting market that has been transitioning to higher energy efficient, longer lasting, and higher functionality "LED" lighting systems.

The shares of **Simon Property Group, Inc.**, the world's largest mall operator, declined in the most recent quarter. Though we have high regard for CEO David Simon, we have chosen to exit our position primarily due to our view that retail mall and shopping centers will likely continue to be challenged by a slowdown of in-store sales due to the growth of online purchasing by consumers.

The shares of **Boston Properties, Inc.**, a REIT that owns high-quality office buildings in Manhattan, Boston, Washington D.C., San Francisco, and Los Angeles sub-markets, declined modestly in the most recent quarter due to subdued business prospects for occupancy and rent growth. We have exited our position.

PT Sarana Menara Nusantara Tbk. is an Indonesian real estate tower operator. Its shares declined modestly in the most recent quarter. We have chosen to exit our position, and reallocate capital to other higher conviction tower company investments.

Portfolio Structure

Our Compelling Real Estate Investment Themes

In our last few shareholder letters, we have elaborated on what we believe are five compelling investing themes. They are:

1. Emphasis on companies that we expect to perform well if economic growth continues to improve and interest rates rise;
2. Prioritization of residential real estate-related companies that should benefit from the ongoing rebound in the U.S. housing market (e.g., homebuilders and building products/services companies);
3. Concentration in real estate-related companies that should benefit from the technology revolution and evolution (e.g., data centers and tower operators);
4. Identification of additional real estate categories and companies that we expect to benefit from secular and/or cyclical tailwinds (e.g., construction materials and student housing companies); and
5. Moderation of our REIT exposure due to tempering growth in some segments of commercial real estate, and the possibility of rising interest rates.

We remain optimistic about these investing themes and the structure of the Fund.

Two Additional Baron Real Estate Investing Themes:

1. Emphasis on Las Vegas – One of the Best Real Estate Markets in the U.S.

We are bullish on Las Vegas' growth prospects. It is benefiting from strong visitor trends, an improving local economy (low unemployment, high weekly wages, stable housing), and limited new construction activity. Consequently, we view the "Las Vegas Strip" as the hotel market with perhaps the most favorable supply-demand characteristics in the U.S. Here's why:

Supply: The overall U.S. hotel industry is expected to grow room capacity by approximately 2% in 2017 and in each of the next few years.

In Las Vegas, however, no increased room capacity is forecasted for at least the next two years. There has been no new room construction since 2010, and the number of hotel rooms on the Las Vegas Strip is expected to remain flat at approximately 149,000 rooms through 2019, which bodes well for its hotel room rates. We believe the Las Vegas Strip should continue to benefit from the combined effects of low room supply and strong visitor trends.

Demand: On the demand side, the Las Vegas hotel market continues to benefit from growing business group and convention activity, and sound U.S. consumer spending on the leisure side. The average daily rate for hotel rooms on the Las Vegas Strip in 2016 was only $136, which is 30% below the combined average rate in New York, San Francisco, Los Angeles, San Diego, and Chicago. We believe this affordability helps Las Vegas' continuing appeal to both group and leisure guests, and may limit visitor downside to a greater extent than in the more expensive U.S. hotel markets.

We are also optimistic about the prospects for the Las Vegas "locals" market (hotels/casinos and other real estate that is not located on the "Strip," that is catering primarily to local residents). Notably, no new major gaming facilities have opened in the "locals" market since 2009, and no new developments have been announced. This also bodes well for the supply-demand economics.

Currently, 8.5% of the Fund's net assets are invested in real estate-related companies that have a geographic presence in Las Vegas. They are: **MGM Resorts International, Boyd Gaming Corporation, MGM Growth Properties LLC, Gaming and Leisure Properties, Inc.,** and **Red Rock Resorts, Inc.**

2. International Real Estate Opportunities

Since the Fund's inception on December 31, 2009, our primary focus has been on U.S. domiciled real estate-related companies. This was due to the generally superior growth prospects of U.S. companies, with strong central bank support and attractive valuations, compared to non-U.S. companies.

Now, however, with the broadened economic recovery, we believe that many non-U.S. countries and companies now present attractive combinations of: (i) increased growth potential after previously reduced economic and business activity; (ii) lower interest rates and more accommodative central bank support; and, (iii) more attractive stock valuations.

Although we continue to identify attractive U.S. real estate-related investment opportunities, we have also broadened our geographic focus within our mandate by expanding our allocation to include more non-U.S. domiciled real estate companies. (The Fund is permitted to invest up to 25% of its total assets in international real estate companies.) In the most recent quarter, the Fund initiated positions in these two non-U.S. real estate companies:

- **Cellnex Telecom, S.A.** is a Spain-based real estate tower company with operations in Spain, Italy, the Netherlands, U.K., France, and Switzerland.
- **NXTDC Limited** is an Australia-based data center company.

Consistent with our generally favorable view for the long-term prospects for tower and data center companies, we believe both Cellnex and NXTDC are attractive investment opportunities. We plan to discuss both companies more fully in future letters.

The Fund currently has approximately 10% of its net assets invested in real estate-related companies that are domiciled outside the U.S. They are: **Interxion Holding N.V.**, **Brookfield Asset Management, Inc.**, **Cellnex Telecom, S.A.**, and **NXTDC Limited.** We anticipate that the Fund's non-U.S. real estate investments may increase in the future.

Investment Categories

The Baron Real Estate Fund currently has investments in 11 real estate-related categories (see Table IV below). This differentiates the Fund from most other real estate funds that generally limit their investments primarily to one real estate category, REITs.

While we do invest in REITs (as seen below), we maintain that the Fund's additional real estate categories offer a broader, diverse, and more balanced approach, with a long-term benefit.

Table IV.
Fund investments in real estate-related categories as of June 30, 2017

		Percent of Net Assets
REITs		30.2%
Building Products/Services		28.5
Hotel & Leisure		14.4
Hotels & Timeshare/Leisure	10.5%	
Cruise Lines	3.9	
Casinos & Gaming Operators		6.5
Data Center Operating Companies[1]		5.9
Real Estate Service Companies		5.0
Real Estate Operating Companies		2.4
Infrastructure-Related Real Estate Companies		2.4
Homebuilders & Land Developers		1.3
Tower Operators[2]		1.1
		97.7
Cash and Cash Equivalents		2.3
		100.0%

[1] Total would be 10.5% if included data center REIT Equinix, Inc.
[2] Total would be 8.8% if included tower REITs American Tower Corp. and SBA Communications Corp.

At June 30, 2017, the Fund had investments in 47 companies. Our 10 largest holdings represent 42.1% of the Fund.

We invest in companies with a variety of market capitalizations. As of June 30, 2017, the median market capitalization of the portfolio was $8.6 billion. Companies with a market capitalization of less than $2.5 billion represented only 5.5% of the Fund.

Table V.
Top 10 holdings as of June 30, 2017

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
American Tower Corp.	$ 56.2	$60.2	6.2%
Mohawk Industries, Inc.	18.0	57.7	5.9
InterXion Holding N.V.	3.3	57.2	5.9
Equinix, Inc.	33.4	44.7	4.6
Home Depot, Inc.	183.4	43.7	4.5
Vulcan Materials Company	16.7	33.0	3.4
MGM Resorts International	18.0	31.4	3.2
Wyndham Worldwide Corp.	10.5	29.1	3.0
The Sherwin-Williams Company	32.7	27.4	2.8
Hilton Worldwide Holdings, Inc.	20.1	25.6	2.6

Recent Activity

Table VI.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Summit Materials, Inc.	$ 3.2	$15.6
American Homes 4 Rent	5.8	14.9
American Tower Corp.	56.2	12.6
QTS Realty Trust, Inc.	2.5	12.4
Digital Realty Trust, Inc.	18.3	12.0

We continue to prioritize construction materials companies that should gain from increased government spending on infrastructure projects and increases in residential and commercial construction. Examples include **Vulcan Materials Company** and **Martin Marietta Materials, Inc.** In the most recent quarter, we increased our construction materials exposure with an investment in **Summit Materials, Inc.**

Summit Materials is a heavy construction materials company with exposure to infrastructure, residential, and commercial construction. The firm's operations include materials (aggregates and cements), products (asphalt and ready-mixed concrete), as well as services (paving operations). We believe that Summit's business prospects – from both organic and future acquisitions – are strong. We estimate that the company may double its cash flow in the next three years from $300 million in 2016 to more than $600 million in 2019. We view its shares as attractively valued at approximately nine times 2018 estimated cash flow, and could appreciate 15% annually over the next few years.

American Homes 4 Rent is one of the largest owners and operators of single-family rental homes in the U.S., with more than 48,000 homes located in 22 states. Its primary business strategy is focused on acquiring, renovating, leasing, and operating single-family homes as rentals.

We are optimistic about the prospects for American Homes primarily because we believe the demand outlook for single-family home rentals will outstrip supply, thereby creating a favorable backdrop for strong rent and cash flow growth.

Demand conditions for rental homes are attractive due to increasing household formation and income growth (e.g. millennials are having children and looking to move out of apartments), a decline in home purchase affordability, and an increasing preference for flexibility as home "rentership" has become more socially acceptable. Regarding new construction activity, prospects are positive because there is a limited supply of single-family rental homes in the U.S. housing market.

In our opinion, American Homes, with its well-located real estate portfolio and impressive management team, has a strong runway for growth in the years ahead. We believe the company's operating portfolio is poised to generate increased rental income through increased prices and cash flow growth, and given its strong balance sheet and attractive cost of capital, the company is well positioned to acquire additional homes for rent. We have recently acquired shares of American Homes at prices slightly below the price that was recently paid by the founder of the company.

We have continued to acquire shares in **American Tower Corp.**, the largest wireless tower company in the world, because of our conviction that the company meets our important investment criteria. In our opinion, American Tower is a high-quality business that has: (i) a large secular growth opportunity as wireless data consumption accelerates; (ii) a favorable relationship between surging demand prospects against a backdrop of constrained supply; (iii) an excellent management team; and, (iv) a reasonable valuation.

We recently increased the Fund's exposure to real estate data center companies with the purchase of shares of **QTS Realty Trust, Inc.** and **Digital Realty Trust, Inc.**

Real estate data center companies are benefiting from secular demand that is currently outpacing supply growth. These beneficial tailwinds include the growth in cloud computing, accelerating internet traffic, increased outsourcing of corporate data center functions and needs, greater consumption and utilization of data on mobile devices, and the growth and proliferation of digital photos and video.

Data center tenants have become more sophisticated, and consequently a growing number are requiring data center landlord/operators to have the ability to offer a full suite of data center services (such as QTS Realty and Digital Realty Trust), and to maintain several locations, preferably with a global presence. For these reasons, we expect a more rational and contained new construction outlook than in prior cycles.

Table VII.
Top net sales for the quarter ended June 30, 2017

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
MGM Resorts International	$18.0	$22.3
Simon Property Group, Inc.	50.7	15.8
CoStar Group, Inc.	8.6	11.4
Vornado Realty Trust	17.9	10.8
Macquarie Infrastructure Corporation	6.5	9.9

In the most recent quarter, following strong share performance, we trimmed our positions in **MGM Resorts International** and **CoStar Group, Inc**. Nevertheless, we remain optimistic about the long-term prospects for both companies.

We recently exited investments in **Simon Property Group, Inc.** and **Vornado Realty Trust,** partly due to concerns that both companies may continue to face headwinds in their retail businesses from the slowdown of in-store sales due to the growth of online purchasing by consumers.

We have trimmed our position in **Macquarie Infrastructure Corporation** and reallocated the capital to higher conviction investment opportunities.

Outlook

<u>We remain optimistic about the outlook for real estate and the Baron Real Estate Fund:</u>

- Business conditions are generally solid for our real estate-related companies;
- We continue to anticipate that the duration of this real estate cycle will continue for another few years since we are not witnessing the wide-ranging forewarnings that typically signal the end of a cycle;
- We continue to own attractively valued companies across several segments of real estate; and
- We have structured the Fund to capitalize on what we believe are compelling investment themes.

Thank you for your past and continuing support. I remain a major shareholder of the Baron Real Estate Fund, alongside you.

Sincerely,

Jeffrey Kolitch
Portfolio Manager
July 15, 2017

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.

In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets. Factors that could affect the value of the Fund's holdings include the following: overbuilding and increased competition; increases in property taxes and operating expenses; declines in the value of real estate; lack of availability of equity and debt financing to refinance maturing debt; vacancies due to economic conditions and tenant bankruptcies; losses due to costs resulting from environmental contamination and its related cleanup; changes in interest rates; changes in zoning laws, casualty or condemnation losses; variations in rental income; changes in neighborhood values; and functional obsolescence and appeal of properties to tenants. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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

Dear Baron Emerging Markets Fund Shareholder:

Performance

Baron Emerging Markets Fund (the "Fund") advanced 6.45% (Institutional Shares) for the second quarter of 2017, while its principal benchmark index, the MSCI EM IMI Growth Index, gained 8.55% for the quarter. Emerging market equities maintained leadership and have now outperformed global equities for the year-to-date period, fueled by solid earnings growth and improved sentiment.

In our view, performance and leadership during the first half of the year is attributed to moderation in Trump's policies regarding trade and protectionism, sustained global economic traction with international and emerging economies outpacing the U.S., and ongoing stability in Chinese capital flows and its currency. A key question looking forward remains whether policy tightening in the U.S. and China, and slowing global growth momentum will ultimately impair the outlook for corporate earnings. Thus far, we remain sanguine. During the recent quarter, in an encouraging development, results in a number of key elections worldwide suggest that the wave of populism which emerged in 2016 and which threatens the global political, economic, and market equilibrium, has likely peaked for now. We view this as another supporting factor for first half global equity performance.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BEXFX
Institutional Shares: BEXIX
R6 Shares: BEXUX

Table I.
Performance
Annualized for periods ended June 30, 2017

	Baron Emerging Markets Fund Retail Shares[1,2]	Baron Emerging Markets Fund Institutional Shares[1,2]	MSCI EM IMI Growth Index[1]	MSCI EM Index[1]
Three Months[3]	6.39%	6.45%	8.55%	6.27%
Six Months[3]	20.18%	20.31%	22.18%	18.43%
One Year	18.21%	18.50%	23.82%	23.75%
Three Years	1.88%	2.16%	2.74%	1.07%
Five Years	8.63%	8.91%	5.89%	3.96%
Since Inception (December 31, 2010)	4.59%	4.85%	1.71%	0.45%

For the second quarter of 2017, we underperformed our primary benchmark, while slightly outperforming the broader MSCI EM Index. During the quarter, the largest driver of relative underperformance was allocation effect in the Information Technology sector, where we are underweight largely due to below market positions in index heavyweights such as **Tencent Holdings, Ltd.**, **Alibaba Group Holding Limited**, and **Samsung Electronics Co., Ltd.** We are benchmark agnostic, and our larger investments tend to remain in the 3% to 4% range as a part of our risk management discipline. Our stock selection kept pace with the impressive gains of this top-performing sector during the quarter. In addition, adverse stock selection and overweight allocations in the Energy and Financial sectors detracted from our relative performance for the quarter, while our cash position in an advancing market also detracted from relative returns. On the positive side, our underweight position in the Materials sector, as well as favorable stock selection in the Consumer Staples and Utilities sectors, driven by **WH Group Limited** of Hong Kong, **LG Household & Health Care Ltd.** of Korea, and **Infraestructura Energetica Nova S.A.B. de C.V.** of Mexico, contributed to relative performance.

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, 2016 was 1.38% and 1.13%, 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.*

1 The MSCI EM (Emerging Markets) IMI Growth Index Net USD is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities exhibiting overall growth characteristics across 23 Emerging Markets countries. MSCI EM (Emerging Markets) Index Net USD is designed to measure equity market performance of large and mid-cap securities across 23 Emerging Markets countries. The indexes and the Fund include reinvestment of dividends, net of 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 Not annualized.

BARON FUNDS 1987

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Percent Impact
Alibaba Group Holding Limited	1.06%
Tencent Holdings, Ltd.	0.71
Hangzhou Hikvision Digital Technology Co., Ltd.	0.49
WH Group Limited	0.31
Samsung Electronics Co., Ltd.	0.29

Shares of **Alibaba Group Holding Limited**, the largest e-commerce company in China, were up after the company raised its growth outlook. Alibaba owns and operates the two largest Chinese online shopping platforms and has a share in the profits of Ant Financial, which owns China's largest third-party online payment vendor Alipay. The company benefits from strong mobile and advertising growth, which drives upside beyond core e-commerce. We expect mobile growth to continue, while the company also invests in new growth areas such as groceries, logistics, and cloud computing.

Tencent Holdings, Ltd. is one of the two largest internet-related companies in China. The company operates the country's leading social network and messaging platform (QQ and WeChat), largest online entertainment and media business, and largest online PC and mobile gaming business. Shares were up on the back of strong fundamentals in its gaming and advertising businesses. We estimate Tencent will grow each of its large business segments for years to come given its track record of execution, its unique online intellectual property and assets, and its scale.

Shares of **Hangzhou Hikvision Digital Technology Co., Ltd.**, the world's largest security surveillance tool manufacturer, increased meaningfully during the quarter. The stock rally was fueled by the solid execution of the company's surveillance business, in which it retains market leadership. We believe Hikvision will also benefit from its new sensing technology business, which could grow from increasing automation in smart factories and manufacturing.

Shares of **WH Group Limited**, the world's largest pork product maker, rose in the quarter. WH Group maintained solid operational results from margin expansion in its U.S. business and stabilization of its Chinese business. The company continued to deleverage and increase dividend payouts, which have further strengthened the stock. We continue to stay positive about WH Group's long-term outlook as the world's leading pork product manufacturer.

Samsung Electronics Co., Ltd. is a leading consumer electronics manufacturer and the largest handset maker in the world. It is also a key player in the semiconductor and display industries. Shares continued a year-long upward movement driven by favorable pricing in DRAM and NAND chips used in phones as well as the anticipated ramp up of its OLED televisions. Shareholder friendly measures such as share buybacks and the canceling of treasury shares also contributed to the re-rating of the stock.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Percent Impact
Coal India Ltd.	–0.17%
Smiles SA	–0.16
YPF S.A.	–0.16
Tullow Oil plc	–0.14
Ginko International Co., Ltd.	–0.12

Shares of **Coal India Ltd.**, India's largest coal miner and producer, declined in the second quarter. The company, which has an estimated 75-80% market share, is a direct beneficiary of increasing electricity generation and industrial activity in India. Muted demand and earnings growth that missed analysts' consensus led to the share price drop. We retain conviction in the company as local demand for coal is expected to recover over the next few years. Coal India also has a strong balance sheet and a generous dividend policy, at about 8% yield.

Smiles SA is a Brazilian loyalty program. The company has been a strong executor, and its share price has gone up materially since its IPO only a few years ago. Having said this, the shares have been under pressure starting in late May, largely as a result of further political drama in Brazil. We retain conviction. The company operates a highly flexible, leverageable, and asset light company that enjoys high growth, margins, and returns. We also think Smiles is a beneficiary of the growth in air travel and credit cards in Brazil.

YPF S.A. is an exploration and production company in Argentina. Lower oil prices and MSCI's decision to delay the re-classification of Argentina from frontier to emerging market pressured shares. YPF is leading efforts to unlock the value of Argentinean shale resources. Break even costs of its Vaca Muerta shale assets are now under $50/barrel. An improving macro environment, including restructuring of labor contracts, fuel tariffs, and subsidies are attracting joint ventures between YPF and international oil companies. We believe the development of Vaca Muerta will accelerate.

Tullow Oil plc is an international exploration and production company focused on operations in West and East Africa. Shares declined due to balance sheet concerns associated with falling oil prices. We continue to like the shares due to the company's operational improvements, ramp up of production at TEN field in Ghana, deleveraging of the balance sheet, exploration upside in South America, and potential monetization of Kenya assets.

Ginko International Co., Ltd. is a Taiwanese contact lens maker with the largest market share of both lenses and lens solution in China. Shares fell during the quarter due to increasing competition in online channels. Temporary closure of one of its manufacturing plants in the period also negatively impacted its sales. We retain conviction. We think Ginko has long-term growth potential, given the under-penetrated contact lens market in China, the transition from long-term to short-term wear lenses, and its strong market position.

Portfolio Structure

Table IV.
Top 10 holdings as of June 30, 2017

	Percent of Net Assets
Alibaba Group Holding Limited	4.3%
Tencent Holdings, Ltd.	3.4
Samsung Electronics Co., Ltd.	2.3
Taiwan Semiconductor Manufacturing Company Ltd.	1.9
WH Group Limited	1.8
KB Financial Group Inc.	1.8
TAL Education Group	1.6
Baidu, Inc.	1.6
Copa Holdings, S.A.	1.5
Maruti Suzuki India Ltd.	1.5

Exposure By Country

Table V.
Percentage of securities by country as of June 30, 2017

	Percent of Net Assets
China	26.7%
India	15.7
Taiwan	8.4
Korea	7.8
Mexico	4.8
Brazil	4.3
South Africa	4.2
Russia	3.0
Indonesia	2.6
Argentina	2.4
Philippines	2.3
Chile	1.8
Hong Kong	1.7
Panama	1.5
Singapore	1.2
Malaysia	1.0
Thailand	0.7
United Kingdom	0.5
United States	0.3
Nigeria	0.2

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid- and small-cap companies, as we believe developing world companies of all sizes often exhibit attractive growth potential. At the end of the second quarter of 2017, the Fund's median market cap was $8.5 billion, and we were invested approximately 75.0% in large- and giant- cap companies, 14.3% in mid-cap companies and 1.8% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the quarter, we initiated several positions as additions to existing themes. **Midea Group Co., Ltd.**, our second China A-Share investment, is a manufacturer of consumer goods and appliances that is rapidly expanding in the robotics and automation arena, largely as a result of the recent acquisition of Kuka AG, a leading industry player based in Germany. Midea, a best-in-class managed company, which has achieved impressive productivity and market share gains in recent years, plans to further automate its own production while also marketing Kuka's products and expertise throughout China. We also added to our Argentina reform theme through an investment in **Banco Macro S.A.**, a top performing bank which plans to further consolidate the local market given its strong capital position relative to smaller competitors. Finally, we established a new concentration related to our India reform theme in the wealth management sector. We believe that companies in wealth/asset management and insurance, such as **Edelweiss Financial Services Limited**, **JM Financial Limited**, and **Max Financial Services Limited,** all new investments in the quarter, stand to benefit greatly from what we believe will be a sustained financialization of wealth and savings as a direct result of last November's demonetization policy. We applaud demonetization and believe it sends a signal that tax non-compliance is no longer an option, and as a result, the vast portion of Indian wealth and savings which has historically remained parked in cash or gold will now likely be recycled through the formal financial system into productive investments.

During the quarter, we sold **AngloGold Ashanti Limited** and **Zhaojin Mining Industry Company Limited**, the positions representing our gold theme. Ongoing evidence of China's ability to maintain currency stability caused us to reconsider owning gold-related equities as a hedge against a discontinuous decline in the RMB. We also exited our investment in **BYD Company Ltd.**, the Chinese automotive and electronic vehicle manufacturer, as a result of deteriorating cash flow efficiency, as well as reduced government subsidies. Finally, we sold our position in **SINA Corporation** after a substantial rise led to valuation concerns.

Outlook

In the second quarter of 2017, emerging market and global equities extended the solid gains of the first quarter, leading to strong first half returns. We believe emerging market equities are likely to remain in a "sweet spot" for the time being for a number of reasons, many of which we detailed in last quarter's letter to shareholders. First, global growth and trade remain steady on a coincident basis. Second, the Trump administration has maintained a largely moderate position on the economic and trade issues that would most likely threaten emerging market economies and earnings growth, in clear differentiation from his rhetoric on the campaign trail last year. In addition, Chinese economic growth and its currency remain stable, all the more impressive in the context of recently slowing credit growth, a clampdown on financial speculation, and various additional tightening measures. In short, the cyclical earnings recovery that we anticipated over a year ago continues to evolve, while there are few signs of material threats on the horizon. Of course, we continue to monitor the tightening cycles underway in the U.S. and China for signs that the global economy and corporate earnings may become more vulnerable, though again we see scant evidence thus far.

With regard to China, many strategists and investors have been concerned that several examples of incremental tightening suggest an imminent reversal in favorable investment conditions. As of now we disagree, and as discussed last quarter, we view the reining in of speculation and credit growth, particularly in the shadow finance markets, as intentional and in preparation for the upcoming Party Congress in November where leadership and policy initiatives for President Xi Jinping's second five-year term will crystallize. In this context, we suspect current measures are being undertaken with a political and financial bias to help secure a pathway towards an enhanced reform agenda. Such an agenda would likely create a short-term pain for longer-term gain phenomena, as growth in 2018 and 2019 may fall below current expectations, while the more efficient private sector would likely benefit on a relative basis. During the second quarter, MSCI approved the inclusion of A-Share listed Chinese equities in the benchmark EM index for the first time, albeit on a very limited basis. Despite widespread press coverage, we view the event as largely symbolic in the nearer term. However, in conjunction with the announcement of the Hong Kong bond connect program last spring, and the widespread restrictions on outbound M&A activity year to date, we view the A-Share inclusion as encouraging evidence of China's flexibility to maintain a stable currency and capital account in the face of reform measures and tightening financial conditions.

During the quarter, renewed political drama in Brazil sparked currency weakness and a sharp selloff in equities. While we had previously reduced our Brazil investments to a below-market weighting largely due to the compromised terms of the much anticipated social security reform, the event offers hard evidence that the long-term appeal of emerging market economies is closely linked to reform potential. While the political environment in Brazil raises uncertainty over commitment to important reforms, we continue to believe that many emerging market countries, led by India, but also including China, Indonesia, Mexico, Argentina, and Chile, all remain attractive examples where political change is enhancing investment opportunity. We remain optimistic regarding the long-term potential for the high-quality growth businesses in which we invest, and we look forward to our next update.

Sincerely,

Michael K

Michael Kass
Portfolio Manager
July 15, 2017

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.

In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Fund invests 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. 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 manager 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 Emerging Markets Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Dear Baron Energy And Resources Fund Shareholder:

Performance

There is no sugar coating it, second quarter performance was terrible for the Energy sector and for Baron Energy and Resources Fund (the "Fund"). The Fund declined 13.45% (Institutional Shares) in the quarter and underperformed its benchmark (see Table I below) as its investments in oil & gas exploration and production stocks as well as oil service, equipment and drilling stocks, suffered from an unexpectedly steep decline in oil prices. The industry recovery that we believe began last year, remains underway (rig count is strong, completion activity is rising, oil inventories are declining), and we still see many reasons to be optimistic about our investments in both the short term and particularly in the long term. However, for the first time in at least 30 years energy stocks, as represented by the S&P 500 Energy Index, have posted negative returns for each of the first six months of the year. This was not only unusual because it contradicted historical seasonal patterns, but because it was also the longest monthly losing streak for the sector during this historical period. This unprecedented period of negative performance accelerated in the second quarter and had a significantly negative impact on the performance of our Fund during the quarter. As we would expect, a period such as this had a disproportionate impact on small-cap and mid-cap stocks, particularly those of energy producers and oilfield service and equipment companies, which dominate the energy holdings in our Fund. For example, two ETFs that are representative of these energy sub-industries – the SPDR S&P Oil & Gas Exploration & Production ETF (XOP) and the VanEck Oil Service ETF posted negative returns of 14.54% and 19.53% in the quarter, respectively. Our holdings in exploration & production (E&P) and oil & gas equipment & services had a combined weight of 60.5% on average in the quarter, compared to 39.3% for our benchmark.

Table I.
Performance†
Annualized for periods ended June 30, 2017

	Baron Energy and Resources Fund Retail Shares[1,2]	Baron Energy and Resources Fund Institutional Shares[1,2]	S&P North American Natural Resources Sector Index[1]	S&P 500 Index[1]
Three Months[3]	(13.52)%	(13.45)%	(7.09)%	3.09%
Six Months[3]	(14.00)%	(13.83)%	(11.04)%	9.34%
One Year	(2.03)%	(1.75)%	(2.62)%	17.90%
Three Years	(18.52)%	(18.32)%	(11.92)%	9.61%
Five Years	(2.29)%	(2.06)%	0.13%	14.63%
Since Inception (December 30, 2011)	(4.51)%	(4.29)%	(0.98)%	15.10%

JAMES STONE

PORTFOLIO MANAGER

Retail Shares: BENFX
Institutional Shares: BENIX
R6 Shares: BENUX

The biggest driver behind the negative returns for this quarter and year-to-date has been the weakness in oil prices, which averaged 7% less in the second quarter than the first and significantly underperformed Street expectations. Even though OPEC has demonstrated a high degree of compliance with the production cuts that were announced last November, recovering production from Libya and Nigeria (the two countries not subject to the agreement due to war and civil strife related outages) and to a lesser extent the U.S., combined with slightly softer demand in the first quarter of 2017 led to lower inventory declines than expected year-to-date. Despite these bearish overtones in the oil market, it is notable that both U.S. and global oil inventories have been declining in the last four to five months. According to a recent report by the OPEC Secretariat, global oil inventories have fallen by about 100 million barrels in the first half of the year, with about half of that coming from the U.S. Typically, U.S. and overall OECD inventories build in the first half of the year, and so the fact that inventories have declined despite the supply/demand issues cited above indicates that the market is cleaning up and could continue to tighten in the second half of this year when seasonally global oil demand is expected to be two million barrels per day higher on average than the first half.

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, 2016 was 1.70% and 1.46%, respectively, but the net annual expense ratio was 1.35% and 1.10% (net of the Adviser's 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 S&P North American Natural Resources Sector Index measures the performance of U.S.-traded natural resources related stocks 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.

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

3 Not annualized.

BARON FUNDS 1987

We should also not overlook the role that momentum, indexing, and ETF investing has played in equity markets this year. We believe that the increased amount of capital employing these strategies has exacerbated the gains of winning stocks in sectors such as Information Technology, Health Care, and Industrials and created additional selling pressure for stocks in lagging sectors such as Energy. These strategies don't create a change in direction, but they can absolutely exacerbate the trends in stocks by adding selling or buying pressure that has little to do with earnings, cash flows, growth rates or other fundamental factors that should ultimately help investors fairly value stocks.

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Year Acquired	Percent Impact
Tesla, Inc.	2015	1.23%
Rice Energy Inc.	2016	0.54
NCS Multistage Holdings, Inc.	2017	0.44
Tesoro Corporation	2017	0.29
Infraestructura Energetica Nova S.A.B. de C.V.	2016	0.17

Tesla, Inc. makes fully electric vehicles, solar products, and energy storage solutions. Shares appreciated as a result of enhanced investor confidence in the Model 3 production schedule following management's comments suggesting no fundamental issues that will limit initial production. Management also noted an increase in reservations for Model 3 before its launch and without marketing. Further, Tesla now offers its solar roof product and has downsized the operations of recent acquisition SolarCity, focusing instead on cash generation that suggests lower merger-related risks.

Rice Energy Inc. is an E&P company focused on the Marcellus and Utica shales in Pennsylvania and Ohio. Shares rose on an announced acquisition by EQT Corp. at a 35% premium to the prior day's close. We believe the combined company offers industry leading production growth and exposure to some of the best acreage, enhanced by operational synergies from the combination of adjacent acreage. We expect shares to perform well as the company executes operationally on its acreage, integrates the acquired acreage, and unlocks the value of midstream.

NCS Multistage Holdings, Inc. is an oilfield equipment company with a patented system designed to help create well site fracture networks that produce more oil. Shares increased following its IPO in April and strong execution in the first quarter. The company is a proven player in Canada with 25%+ market share, and we see a major opportunity for this technology in the U.S., where market penetration is still in an early phase. We think NCS's differentiated technology, free cash flow generation capability, and low capital intensity will produce significant returns over time.

Tesoro Corporation is an independent refining & marketing company in the U.S. that recently closed an acquisition of rival Western Refining. Shares increased after the company announced a first quarter earnings beat and discussed plans to restructure its logistics master limited partnerships (MLPs). We like the shares and see underappreciated value of non-refining segments, particularly midstream and retail. We expect shares to increase as the company realizes the value of synergies from its acquisition and unlocks the value of its logistics MLPs.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Year Acquired	Percent Impact
Flotek Industries, Inc.	2013	–1.58%
RSP Permian, Inc.	2014	–1.44
Encana Corp.	2016	–1.15
Newfield Exploration Co.	2015	–1.01
Parsley Energy, Inc.	2014	–0.93

Shares of **Flotek Industries, Inc.**, a supplier of chemical additives to the global oil & gas industry, declined in the second quarter. Investors became concerned about the potential slowdown of activities due to lower oil prices. We retain conviction, as revenue from Flotek's proprietary product named the "complex nano-fluid (CnF)" continues to outpace industry levels by a wide margin. Customers seek capital optimization, and CnF has demonstrated its efficiency in oil & gas shale well productivity. We anticipate increased CnF loadings and higher customer penetration will benefit the company.

RSP Permian, Inc. is an exploration and production company focused on the Permian Basin in West Texas. Falling oil prices pressured shares due to investor concerns regarding levels of cash flow outspend and ability to maintain the pace of rig additions among high-growth Permian companies like RSP. We retain conviction due to ongoing improvements in operating results, prudent cost management, and the strength of its resource base and balance sheet. RSP continues to generate peer-leading production growth and integrate the acquired Silver Hill properties in the Delaware sub-basin.

Encana Corp. is a Canadian E&P company with primary operations in Western Canada and Texas. Shares declined in the second quarter due to lower oil prices and concerns about Encana's balance sheet and cash flow outspend. We retain conviction. Encana is improving capital efficiency and balance sheet, as demonstrated by recently announced productivity increases in Texas and accretive non-core asset sales in Colorado. We believe Encana is one of the most attractively valued E&Ps and that investors underappreciate its long-term growth potential.

Newfield Exploration Co. is an E&P company focused on shale oil fields in Oklahoma, Utah, and North Dakota. Shares declined due to falling oil prices and concerns about Newfield's ability to maintain its drilling activity. Newfield continues to improve per-well productivity and capital costs within in its highest return Cana-Woodford assets in the Anadarko Basin (Oklahoma). We believe there is more upside to resource potential in the Anadarko Basin and opportunities for Newfield to sell non-core assets to accelerate development of this higher return asset.

Portfolio Structure

At the end of the quarter, the portfolio breakdown in the key sub-industries was as follows:

Oil & Gas Exploration & Production: The E&P sub-industry represented 41.8% of the Fund at the end of the quarter, and continued to be focused on North American-based producers that operate primarily in developing unconventional oil & gas reservoirs. Companies that primarily operate in the Permian Basin in Texas and New Mexico are our largest focus for E&P investments, as we see the greatest and most profitable growth potential from the development of stratigraphic zones within the Permian. While these companies tend to perform better when oil and gas prices are rising, we believe that most of our investments in this sub-industry are well positioned to grow strongly and deliver shareholder returns even if oil prices remain flat over the next several years. This is a testament to the improvement in the asset bases and opportunity sets of these companies.

Oil & Gas Storage & Transportation: This sub-industry, which is a mix of MLPs, publicly traded general partnerships, and C-Corp structured companies that own and operate critical oil & gas processing, storage, and transportation infrastructure often referred to as the "midstream," is the second largest sub-industry for the Fund and it represented 18.4% of the Fund's assets at the end of the quarter. The renewed growth expectations for U.S. oil and gas production along with reduced concerns regarding the financial health of this sub-industry's customers have driven an improved outlook for these stocks.

Oil & Gas Equipment & Services; Oil & Gas Drilling: At 17.9%, our exposure to these related sub-industries was similar to first quarter levels. Rising rig counts and well completion activity should drive improving earnings throughout the year and the share price declines in recent months have resulted in significant improvement in valuation multiples.

Renewable Energy: Renewable or alternative energy is not a specific GICS sub-industry, but we think this is really the appropriate classification for our investments in the Utilities and Information Technology sectors, since our investments in these two areas are primarily companies involved in the construction and operation of solar and wind electricity generation assets and battery storage systems. Investments in this area accounted for 12.9% of the Fund at the end of the quarter, and performance in the quarter was helped significantly by the strong gains in shares of **Tesla, Inc.,** and **IENOVA S.A.,** particularly relative to our more conventional energy investments, and new investments in **TPI Composites, Inc.**

Materials: Our exposure to Materials was 4.1% at quarter end and consisted solely of our investment in **Flotek Industries, Inc.** While classified as a Materials company because it is a chemical supplier, the majority of its chemicals are used in the drilling and completion of oil and gas wells, so it has the same business drivers as an oil & gas equipment & service company.

Oil & Gas Refining & Marketing: Independent refiners represented 3.8% of Fund assets at the end of the quarter. This was a net increase from last quarter due to the addition of **Tesoro Corporation** to the portfolio and the reduction in the size of our **Valero Energy Corporation** holdings.

Table IV.
Top 10 holdings as of June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Tesla, Inc.	2015	$30.3	$59.4	$5.1	6.7%
Concho Resources, Inc.	2012	10.1	18.0	4.9	6.5
Parsley Energy, Inc.	2014	2.5	8.7	4.8	6.3
RSP Permian, Inc.	2014	1.5	5.1	4.3	5.7
Flotek Industries, Inc.	2013	1.2	0.5	3.1	4.1
Encana Corp.	2016	5.2	8.6	2.9	3.8
Halliburton Co.	2012	31.4	37.1	2.8	3.8
Newfield Exploration Co.	2015	3.9	5.7	2.8	3.7
Golar LNG Ltd.	2013	3.5	2.2	2.6	3.5
Rice Energy Inc.	2016	1.2	5.5	2.3	3.1

Recent Activity

In the quarter, we added several new positions to the Fund including **Tesoro Corporation**, **TPI Composites, Inc.** and **NCS Multistage Holdings, Inc.:**

Table V.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Tesoro Corporation	$15.0	$1.8
TPI Composites, Inc.	0.6	1.4
Pioneer Natural Resources Company	27.1	1.3
NCS Multistage Holdings, Inc.	1.1	0.9

Tesoro Corporation is one of the largest independent refining and marketing companies in the U.S., and during the second quarter it completed a significant strategic acquisition by buying **Western Refining Inc.** Tesoro has long been one of the best run independent refining companies in the industry and a company that we have tracked for some time. A pullback in the stock's share price during the early part of the year and the potential earnings and cash flow benefits that we believe will flow from the Western deal created an opportunity for us to initiate a position in the company during the quarter. The Western deal positions Tesoro as the biggest local refiner in the Permian Basin, putting it in position to capture preferential economics from being so close to the source of the largest and fastest growing base of production in the U.S. In addition, the deal should bring significant cost synergies and Tesoro management has proven to be very adept at integrating mergers and wringing out costs in excess of expectations.

TPI Composites, Inc. is the leading independent manufacturer of wind turbine blades with plants spread across the world and a deep and diverse customer base of leading wind turbine manufacturers. The company, which went public in 2016, has long-term contracts with its customers under which it will double its manufacturing capacity in the next three years. Even though

GE, one of its key customers, purchased a rival last year, we are comfortable with the risks that this brings to TPI's business and think those risks are adequately discounted in our estimates and the current valuation of the shares. We expect TPI to post strong growth in earnings over the next several years and generate substantial free cash flow. We also think that TPI's core competence in manufacturing large composite structures like wind turbine blades could lead it into several other applications and markets which would expand the company's addressable market opportunity for the long term.

NCS Multistage Holdings, Inc. is a small-cap oilfield service and equipment company that specializes in a unique technology that allows its oil & gas customers to more rapidly and effectively complete and stimulate horizontal wells. While the company is based in Houston, it has largely proven and defended its technology over the past six to seven years in Canada, where its market share of new wells employing its tools is close to 30%. In the last several years, the company has begun a much more concerted effort to penetrate the much larger U.S. well completion market and, with only a low single-digit share of the market, we think the potential for share gains is significant. Early returns are good as NCS outperformed the market during the downturn years of 2015 and 2016 and appears to be growing faster than the market during this upcycle phase that began several quarters ago. We really like the company's technology, but we also really like the people behind this company, which include a number of individuals that we have known for many years and for whom we have a lot of respect.

Table VI.
Top net sales for the quarter ended June 30, 2017

	Amount Sold (millions)
Encana Corp.	$2.0
Valero Energy Corporation	1.9
Westlake Chemical Partners LP	1.1
Rice Energy Inc.	0.9
RSP Permian, Inc.	0.8

During the quarter, our Fund continued to sustain outflows related to redemptions and this was a major driving force behind some of our sales during the quarter as we looked for positions to trim to meet those redemptions. Sales of shares in companies such as **Encana Corp., Westlake Chemical Partners LP,** and **RSP Permian, Inc.** were all driven by our need to raise cash during the quarter. Our sale of **Valero Energy Corporation** was a direct result of our building a position in Tesoro as discussed above. Lastly, we started to trim our holdings of **Rice Energy Inc.** late in the quarter following the company's agreement to be acquired by **EQT Corporation** at a price that is nearly three times what we paid for the stock in early 2016. This was one of the few happy occasions during the second quarter.

Outlook

We continue to believe that the industry is recovering from the oil/Energy sector recession that began in the second half of 2014 and bottomed in the first half of last year, and the recovery in bottom-up indicators like production growth, rig count, and capital spending have exceeded our expectations. However, investor response has been completely muted by growing concerns that these improvements will sow the seeds for either another downturn or worse, a period of secular stagnation ("lower for longer or forever"). We don't dispute that these concerns are legitimate, but we also believe that they are simplistic and myopic.

First, it is difficult to reconcile a key contradiction plaguing the industry. On the one hand the current forward strip price for oil is pricing in a certain growth rate for U.S. production. Improved single well economics and well productivity, which are being driven by improving knowledge, technology, and processes, is expected to meet nearly 100% of incremental global demand this year and next. On the other hand, this growth is also predicated on a level of oilfield activity and capital spending that is barely affordable with oil prices above the $50 per barrel level that is baked into most oil company budgets, and is particularly unaffordable at the current strip price of around $45 per barrel. For example, a recent analysis of key U.S. E&P companies by the investment bank Tudor, Pickering, Holt & Co. indicated that at the current oil price for 2017 and 2018, these companies would generate $50.6 billion and $62.6 billion in cash flow during these two years, but would need to spend $60.9 billion and $75.5 billion, respectively, to generate the production growth, primarily in the U.S. This reflects the "lower for longer" scenarios that shape the forward outlook for oil prices. While the industry is no stranger to outspending cash flow and has relied on access to bank debt, asset sales, and capital markets to fill those gaps, we think that funding will be a little more challenging. Companies will be a little more reluctant to borrow aggressively given how fresh the liquidity scars of 2015 and 2016 still are for so many companies and the relatively low level of production hedges in place, particularly in 2018. As a result, we would not be surprised to see investment levels dialed back later this year or into 2018 if the current pricing situation remains unchanged. While this would have a modest negative impact on the earnings and cash flow outlooks for some companies, especially in the oil service & equipment sub-industry, we think that the likely positive impact on overall industry sentiment would outweigh any downgrades in forward estimates.

Second, we continue to believe that the current strip price represents an existential threat to many oil producing countries including Saudi Arabia that are running large fiscal deficits, draining reserve accounts and piling up debt at historic rates at these levels. For example, according to Thompson Reuters, overall Middle Eastern debt issuance soared 53% in the first half of this year totaling $57.4 billion, which was largely driven by sovereign bond issuances from Saudi Arabia and Kuwait to help plug budget gaps. Even though the 2016 OPEC agreement has so far failed to produce higher oil prices and OPEC finds itself in a difficult spot since any effort to try to kill the U.S. shale machine only worsens its fiscal position, OPEC is still relevant and financial distress among a group that produces approximately one-third of global oil is a relevant factor. Furthermore, it is also clear that futures markets are not pricing in much, if any, geopolitical risks and yet conditions in the Middle East/North Africa remain anything but calm.

Third, even though capital spending has recovered for short-cycle projects like U.S. shale, long-term declines in the underlying production base and long-cycle production projects that have typically provided significant new volumes every year are being ignored and underfunded. According to the International Energy Agency (IEA), the fall in spending in the last three years for these types of projects creates a significant risk of future shortages of supply relative to demand in the next three to five years. This is not an issue that is likely to be relevant in the short term, but it is one that could sneak up on the oil market in the next several years as demand growth marches forward, excess inventories are trimmed, and spare capacity is diminished.

Fourth, it also appears that investors have become more worried about peak demand as a result of technologies like electric vehicles and renewable energy. While we believe that an aggressive adoption/penetration by electric vehicles is possible and perhaps probable in the next 10 years, our calculations suggest that the impact on global oil demand will be pretty insignificant until at least the middle of the next decade, if not longer, given the substantial scale of the current installed base and the growth in emerging markets demand in the next decade. Interestingly, these concerns about peak demand may actually hinder investment in new long-cycle oil projects, potentially restricting long-term supply growth before peak demand can actually kick in. In the last 30 years, this is at least the third or fourth time analysts and the press have predicted the end of the oil age. In fact, since one of the last predictions of the end of the oil age by *The Economist* magazine in early 2003, global oil demand has grown by about 20 million barrels per day, or over 25%. To put that in perspective, 20 million barrels per day is roughly the combined production of two of the three largest producers in the world – U.S. and Saudi Arabia. To paraphrase Mark Twain – the reports of the oil industry's death have been greatly exaggerated.

Sincerely,

James Stone
Portfolio Manager
July 15, 2017

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.

Energy companies can be affected by fluctuations in energy prices and supply and demand of energy fuels. Resources industries can be affected by international political and economic developments, the success of exploration projects, and meteorological events. 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 manager 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 Energy and Resources Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Baron Global Advantage Fund

Dear Baron Global Advantage Fund Shareholder:

Performance

We had another good quarter.

Baron Global Advantage Fund (the "Fund") returned 7.9% (Institutional Shares), outperforming its benchmarks in the second quarter, which returned 5.7% (MSCI ACWI Growth Index) and 4.3% (MSCI ACWI Index). Year-to-date, the Fund is up 26.2%, which compares favorably to the returns of 15.3% for the MSCI ACWI Growth Index and 11.5% for the MSCI ACWI Index.

Table I.
Performance†
Annualized for periods ended June 30, 2017

	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]	7.89%	7.89%	5.72%	4.27%
Six Months[3]	26.25%	26.24%	15.32%	11.48%
One Year	30.04%	30.19%	18.57%	18.78%
Three Years	6.70%	6.88%	6.55%	4.82%
Five Years	13.69%	13.92%	11.43%	10.54%
Since Inception (April 30, 2012)	11.34%	11.55%	9.86%	9.21%

Despite some controversies at home and abroad, the last six months exemplified a notably favorable investing environment for the kinds of companies in which we invest. Market participants chose to focus on company fundamentals and quality of revenue and earnings growth and to pay little attention to the outside noise. The global economy continues to improve, albeit slowly, while in the U.S., unemployment, inflation, and interest rates continue to be at historically low levels making fast-growing companies with a demonstrated ability to reinvest capital at high rates of return particularly attractive to investors. We think the numbers below give a powerful illustration of what this portfolio could produce in a favorable investing environment. Since the beginning of 2017, our top 10 percentage gainers have risen 75%, 65%, 60%, 48%, 47%, 44%, 39%, 36%, 35%, and 34%. The strength was so broad based that 28 of our investments appreciated over 20%. Stock selection accounted for nearly 80% of relative outperformance, as overweights in Information Technology and China also contributed meaningfully to the Fund's overall results. We have no idea how long this environment will last, but as long as it does, we would expect this portfolio to continue to perform well.

ALEX UMANSKY
PORTFOLIO MANAGER

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

According to Morningstar rankings, as of June 30, 2017, the Baron Global Advantage Fund has outperformed 99% of its peer universe year-to-date, 97% of its peers over the last 12 months, 86% over the last three years, and 95% of its peers over the last five years.* A good result, in our view.

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, 2016 was 3.86% and 3.55%, but the net annual expense ratio is 1.35% and 1.10% (restated to reflect 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.

* The **Morningstar US Fund World Large Stock Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the category. 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 June 30, 2017, the category consisted of 899, 864, 714, 590, and 559 funds (share classes) for the year-to-date, 1-year, 3-year, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund Institutional** Share Class in the 1st, 3rd, 14th, 5th, and 9th percentiles, respectively, in the category.

In the last quarterly letter, we articulated a couple of specific points that we thought differentiated our approach and this Fund from other funds like it. We think this is even more relevant and true today than it was three months ago. We think it makes sense to reiterate it.

The Baron Global Advantage Fund is constructed on a bottom-up basis where uniqueness, sustainability of competitive advantage, quality of the management team, and "big idea" potential, play the largest roles in a company being chosen for investment. Macro considerations, the country of domicile, or thematic considerations play a minor role in the final decision making. However, when evaluating the portfolio as a whole, the impact of certain external trends or "biases" becomes somewhat evident.

First, we believe this portfolio is positioned to benefit from the digitization movement that is sweeping the world. As digital disruptors increasingly undermine the business models of digital laggards in the larger economy, the pressure on enterprises to undergo a digital transformation is growing. Traditional media/TV have long been ripe for disruption. 2016 was the cross-over year when digital advertising finally exceeded TV ad spend and, while TV advertising spending is expected to grow at about a 2% rate, digital ad spend is projected to continue to grow at 7x that over the next five years. Google and Facebook are dominating online advertising in the United States where last year they accounted for 103% of ***total*** growth. Google, specifically, lowered its price by 11% and increased its revenue by 23%, while major advertisers continue to tell us that Facebook's ad platform is simply outstanding. Global e-commerce is growing at roughly 16%, while global brick & mortar retail sales are growing at about 2.4%. Mobile now represents over 50% of total e-commerce after growing 123% over the last two years. Amazon accounted for 51% of that growth with Alibaba and JD.com, the major beneficiaries in China. Scott Galloway, a professor at NYU's Stern School of Business, calls these companies – The Benjamin Button companies – businesses that age in reverse. Every time we use a General Motors' car or Uniliver's toothpaste they become worth a little bit less for wear and tear, but every time we use Google's Waze, or Amazon's Alexa, or Bidu's search they become better and hence more valuable. Facebook's users or Snapchat's highly-engaged millennials become more valuable to advertisers with time, and Acxiom's value proposition of potentially "closing the proverbial loop" grows exponentially. Those companies that understand what this digital transformation means to them, go to EPAM, Globant, and Luxoft to help them get there. Then of course, there is the cloud, which we expect to be a trillion dollar industry, where we think Amazon, Google, Alibaba, and Bidu will be the major players.

The second clear bias in this Fund is its high exposure to China. We exited the second quarter with 19.1% of the portfolio invested in businesses that are domiciled in China. This compares to China's 3.3% weight in our primary benchmark. We have written extensively in the past about how we think the benchmarks, and by extension most investors, are missing one of the great opportunities of our time. China is already the second largest economy in the world likely on its way to being the largest in a few decades. With the estimated GDP of $11.8 trillion in 2017, the Chinese economy is almost three times larger than the third largest economy, Japan. After decades of torrid growth and years of being one of the main engines of global GDP growth, China now represents 15.5% of total global GDP. Until a few years ago, the Chinese economy was dominated by manufacturing, mining, and construction businesses, but that's not the case anymore. The Chinese services industries are now over 50% of China's GDP and rising, accounting for 87% of total GDP growth in 2015. The Chinese middle class is continuing to emerge, with urban disposable income per capita rising to 23% of total income. Similarly to the domestic markets, equity investors in China have been rewarded handsomely since the financial crises and valuations overall do not appear cheap. We still think that the leaders in e-commerce and online travel will continue to outshine the market expectations, and while not cheap, the valuations are not particularly demanding in the context of 30%+ three-year revenue and profit growth expectations. While shortcomings in transparency and corporate governance need to continue to improve, we believe China offers an unusually fertile ground for long-term investment opportunities. Until MSCI re-evaluates its benchmark weightings, we are likely to remain significantly overweight in our exposure to China.

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Percent Impact
Alibaba Group Holding Limited	$360.9	1.91%
Naspers Limited	85.4	0.66
Amazon.com, Inc.	462.7	0.58
JD.com, Inc.	56.0	0.56
TAL Education Group	10.2	0.56

Shares of **Alibaba Group Holding Limited,** the largest retailer and e-commerce company in China, rose 31% after the company raised its growth outlook when it reported first quarter earnings and again at a later analyst day. Alibaba owns and operates the two largest Chinese online shopping platforms and has a majority share in the profits of Ant Financial, the owner and operator of China's largest third-party online payment provider Alipay. The company benefits from strong mobile and advertising growth (700 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, while the company will maintain a high re-investment rate in new growth areas such as groceries, logistics, and cloud computing. We are optimistic about Alibaba's long-term prospects and, as the highest conviction investment idea, it has recently become the largest investment in the Fund.

Based in Cape Town, South Africa, **Naspers Limited** is a $85 billion conglomerate with assets in internet services, television, and digital media, as well as other technology services. Among its impressive investment portfolio is a sizable stake in India's e-commerce leader Flipkart, 29% stake in Russian publicly traded internet holding company Mail.ru, and the crown jewel of the portfolio, 34% ownership in the Chinese internet powerhouse Tencent, which at its current market price exceeds the entire market cap of Naspers. All in all, Naspers owns part or all of more than 140 additional internet assets, which Mr. Market appears to be assigning no value to at this time. Naspers' shares appreciated 13% during the second quarter largely due to the strong performance of publicly traded Tencent, which we believe represents an attractive investment in and of itself, and is currently undervalued. We think Naspers can win in many different ways and the presence of unusually large positive optionality is what gives us conviction to maintain at top-five weighting in the company.

Shares of **Amazon.com, Inc.**, the world's largest e-commerce and cloud services provider, increased 9% in the second quarter. Amazon reported strong quarterly results, and enjoys the benefits of network effect, with increasing participation from Prime members driving further activity on Amazon.com. Amazon's ability to continuously improve Prime's customer value proposition is driving higher Prime membership and Amazon's market share gains over time. The pending $13.7 billion acquisition of Whole Foods was surprisingly well received by investors. Though we are not fans of the grocery business per se, the low online penetration rates in the sector, and Whole Foods' market-leading brand and geographic reach make it a reasonable gamble. Amazon continues to invest in new and potentially large business segments such as grocery, auto parts, content streaming, e-finance, business supplies, apparel, and cloud. We continue to believe Amazon has the opportunity to become the most valuable company in the world.

We own a medium size position in **JD.com, Inc.**, the second largest retailer and e-commerce provider in China. Shares rose 26% in the second quarter largely due to better-than-expected margin performance in its core e-commerce business. JD continues to deliver strong results in its first-party business (1P) while making steady progress in 3P offerings, clearly positioning itself as a leader with opportunity for strong long-term growth in China's booming e-commerce sector.

TAL Education Group is a leading Chinese K-12 tutoring company, operating over 500 learning centers in 30 cities across China. Shares of TAL appreciated 15% in the quarter driven by strong growth in student enrollments of over 60%, taking advantage of strong demand while continuing to gain market share. We maintain conviction in TAL due to the significant opportunity to gain further market share by expanding existing learning centers and opening new learning centers for many years to come, while generating strong cash flow.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Mellanox Technologies Ltd.	$ 2.2	–0.50%
Glaukos Corporation	1.4	–0.37
Adamas Pharmaceuticals, Inc.	0.3	–0.20
Acxiom Corporation	2.1	–0.18
Petróleo Brasileiro S.A. – Petrobras	29.2	–0.16

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Shares of Mellanox declined 15% in the quarter due to delays in the CPU upgrade cycle, which caused push outs of some orders. We retain conviction in Mellanox's long-term opportunity due to its technological leadership in high speed Infiniband and Ethernet interconnects, which are becoming increasingly relevant in a world of cloud computing, big data, and artificial intelligence ("AI").

Shares of **Glaukos Corporation** declined 19% in the June quarter, we believe largely due to profit taking after the company's stock enjoyed outsized gains in the first three months of the year fueled by meaningfully higher than expected growth. Glaukos is a pioneer of minimally invasive glaucoma surgery. This quick procedure implants a stent, the "iStent," into the eye's clogged outflow drain to reduce pressure and slow glaucoma progression without causing any side effects. Glaukos has beat estimates consistently, a trend we expect to continue over the medium term as patients and doctors realize the benefits of this unique product offering that frees them of the burden of daily eye drops. Longer term, we expect growth to come from expansion of the iStent's indication beyond its current approved indication that addresses only patients with concomitant cataracts as eligible for the iStent procedure into the broader front line glaucoma treatment setting. We believe the iStent represents a paradigm shift in glaucoma treatment that is a boon for patients and physicians that also happens to save money for the health care system in both the short and long term.

Adamas Pharmaceuticals, Inc. is a biotech company focused on reformulating the pharmacokinetic and pharmacodynamic profile of existing drugs to improve their safety and efficacy profiles. Shares dropped 13%, we believe, as a result of the company's financing agreement with HealthCare Royalty Partners. Though there is some internal disagreement, we found the terms of the transaction to be so unfavorable, with Adamas giving up such a large portion of potential upside, as to constitute a thesis changer. As a result, we decided to exit this investment with a small loss.

Shares of **Acxiom Corporation**, a marketing technology and services company, fell 9% in the quarter, as the company's legacy marketing services business is not expected to grow this fiscal year, versus prior expectations of slow growth. Despite the marketing services growing slower this year, we continue to be attracted to the fast growth in the company's connectivity business, which should grow in excess of 50%. The company's audience solutions business should also accelerate growth as it goes through the year. We continue to believe that Acxiom's unique position to be the identity management solution provider in the marketing and advertising ecosystem is unique. We expect the company to focus more on investor relations this fiscal year and continue to believe that it is a compelling long-term investment.

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 43.0% of the Fund, the top 20 were 64.1%, and we exited the quarter with 48 holdings. Almost 86% of the Fund continues to be invested in stocks in the Information Technology, Consumer Discretionary, and Financials sectors, as classified by GICS, with close to half of the assets invested in companies that are domiciled outside of the United States.

Table IV.
Top 10 holdings as of June 30, 2017

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Alibaba Group Holding Limited	$360.9	$2.6	8.9%
Amazon.com, Inc.	462.7	1.9	6.3
Alphabet Inc.	635.3	1.3	4.3
Naspers Limited	85.4	1.2	4.1
Facebook, Inc.	437.6	1.2	4.1
Ctrip.com International, Ltd.	27.6	1.1	3.6
EPAM Systems, Inc.	4.4	0.9	3.2
TAL Education Group	10.2	0.9	3.1
Constellation Software, Inc.	11.1	0.8	2.8
Expedia, Inc.	22.5	0.8	2.6

Exposure By Country

Table V.
Percentage of securities by country as of June 30, 2017

	Percent of Net Assets
United States	46.9%
China	19.1
Israel	6.6
India	6.3
South Africa	4.1
Canada	2.8
Netherlands	2.0
United Kingdom	1.7
Japan	1.6
Argentina	1.5
Taiwan	1.4
Brazil	0.7

Recent Activity

We were unusually active in the last three months. During the June quarter, we initiated 10 new investments and added to 26 others as we put the Fund's inflows to work. We also exited seven positions using our lack of conviction to add to smaller positions, as a compass and a catalyst, to move on.

Table VI.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Alibaba Group Holding Limited	$360.9	$716.8
FANUC Corp.	39.3	483.1
Kotak Mahindra Bank Ltd.	28.1	468.9
JM Financial Limited	1.4	415.2
Amazon.com, Inc.	462.7	370.7

Alibaba Group Holding Limited, the largest retailer and e-commerce provider in China has finally become the largest investment in this Fund. We have articulated our thesis on Alibaba many times before, as the best and pure play on the growth of mobile, internet, e-commerce, and the overall emergence of the middle class in China. Add to it the leading positions in cloud computing, digital payments (thru Alipay), Artificial Intelligence, and a truly undemanding valuation and it is easy to see why we continue to be excited about Alibaba's prospects.

Headquartered in Yamanashi Prefecture, Japan, **FANUC Corp.** is the world's leading manufacturer of factory automation equipment and services such as robotics and computer numerical control systems. FANUC is a beneficiary of the secular growth in industrial automation. We retain conviction in the company due to its dominant market position and ability to generate high returns on capital.

Kotak Mahindra Bank Ltd. is a leading financial services group in India. It offers products across many verticals including commercial banking, securities, investment banking, asset management, and life insurance. The bank has a well-diversified loan portfolio, with a focus on granular retail, agribusiness, and SME (Small Medium Enterprises). We believe Kotak is well positioned to participate in India's next credit cycle given its well-capitalized balance sheet, stable asset quality, scalable business model, and excellent execution track record.

As a leading non-bank financial company (NBFC) in India, **JM Financial Limited** is well positioned to benefit from growing demand for real estate lending, asset restructuring, and equity brokerage services. The company is also expected to benefit from distressed asset sales by leading financial institutions/banks that are under immense pressure to dispose of non-performing loans and raise equity capital. We retain conviction in the company due to its robust growth outlook (mid-teens book value growth) over the next five years and conservative risk management frameworks.

Table VII.
Top net sales for the quarter ended June 30, 2017

	Market Cap When Sold (billions)	Amount Sold (thousands)
Adamas Pharmaceuticals, Inc.	$ 0.3	$283.6
Daiwa Securities Group, Inc.	10.3	276.5
Noble Midstream Partners LP	1.4	239.7
Petróleo Brasileiro S.A. – Petrobras	29.2	203.7
Greenlight Capital Re, Ltd.	0.8	92.9

We eliminated **Adamas Pharmaceuticals, Inc.** because we thought the financing deal with HealthCare Royalty Partners was on such unfavorable terms that it constituted a thesis changer. We sold **Petróleo Brasileiro S.A. – Petrobras,** because we realized we made a mistake. Though we made painfully similar mistakes in the past, we realized it quicker this time and acted accordingly before more damage was done. **Daiwa Securities Group, Inc.** and **Greenlight Capital Re, Ltd.** were eliminated after we failed to muster enough conviction to add to them despite both stocks' poor performance and significant capital inflows into the Fund. Both names were sufficiently contentious internally (meaning there was vocal analyst dissent), that re-allocating capital became a logical next step. Finally, **Noble Midstream Partners LP** was a huge winner for the Fund, but with the stock's relatively high valuation we felt like we could no longer hang on to it.

Outlook

At the halfway point of 2017 every market we look at is in the green (except for Russia – oil dependent economy, and China A Shares in Shenzhen, which have their own issues). With the Fund up a smidge over 26% year-to-date, this has undeniably been a favorable environment for the way in which we invest. After lackluster earnings growth last year, economists are predicting double-digit growth for S&P 500 earnings in 2017, driven by a reduction in corporate tax rates, improved backdrop for Financials, Energy, and Industrials companies. Though helpful if it were to happen, we are not counting on any of this. More relevant to our portfolio digital ad spending and e-commerce growth are actually accelerating, with spending on cloud computing still growing more than 80%. The digitization phenomenon that we believe will continue for years to come is starting to reach inflection points in many new areas (not only media and retail, but medicine, transportation, and consumer banking are in a midst of full blown disruptions now). We believe this should 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 are confident 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
July 15, 2017

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.

Dear Baron Discovery Fund Shareholder:

Performance

"Innovation distinguishes between a leader and a follower" – Steve Jobs

We believe that this quote by the iconic leader of Apple encapsulates the qualities we look for in the management teams in which we invest, and in the business strategies they pursue. We believe Mr. Jobs' constant struggle for excellence is a good analogy to our investment process, which values not only the amazing products and services provided by the companies we own, but also the honesty, integrity and competency of the managers who run them. For our long-term investment process, it is not enough to find a business that we believe meets all of our requirements (large market opportunities, a strong operational plan, real competitive advantages, a solid balance sheet, etc.), we must also be able to build a trust-based relationship with the managers of those businesses.

We mention this concept because we believe it helps us to understand the current nature of the markets, where we might be headed and how we intend to manage the Baron Discovery Fund (the "Fund") in the near, medium and long term. As you can see in Table I below, we had a strong second quarter. Our investors earned 11.60% (Institutional Shares), which was 7.21% better than our benchmark, the Russell 2000 Growth Index. For the 2017 year-to-date period, those numbers are 24.67% and 14.70%, respectively. Since inception at the end of September 2013, those numbers, on a cumulative basis, are 72.24% and 34.33%, respectively. On an annualized basis since inception, our investors have earned 15.60%, 6.65% better than the index. And these excess returns are all after fees.

Table I.
Performance†
Annualized for periods ended June 30, 2017

	Baron Discovery Fund Retail Shares[1,2]	Baron Discovery Fund Institutional Shares[1,2]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[3]	11.57%	11.60%	4.39%	3.09%
Six Months[3]	24.57%	24.67%	9.97%	9.34%
One Year	43.42%	43.85%	24.40%	17.90%
Three Years	9.74%	10.00%	7.64%	9.61%
(September 30, 2013) (Annualized)	15.33%	15.60%	8.95%	12.58%
Since Inception (September 30, 2013) (Cumulative)[3]	70.74%	72.24%	37.91%	55.94%

RANDY GWIRTZMAN AND LAIRD BIEGER
PORTFOLIO MANAGERS

Retail Shares: BDFFX
Institutional Shares: BDFIX
R6 Shares: BDFUX

To be clear, we do not target, nor can we guarantee, a specific level of excess performance per year. Our goal is to try to double our money over a five year time frame. Therefore, we are thrilled that over a medium-term horizon of just shy of four years, we are on our targeted return path. Of course, because real life is messy, there is near-term variability in these returns, and we may be above or below our targeted pace at any point in the short term.

Since we do not believe we can time the markets, we strive to lessen return volatility by sticking to a strict valuation discipline at all times. This is how we respond to the inevitable "what do you think about the valuation of the market?" inquiry. We trim or fully sell investments when investors have bid their prices beyond our medium-term expectations. We then use proceeds from these sales to buy new investments in underappreciated growth businesses that are undervalued by investors. Because we are always dynamically evaluating our investments, we believe that there are very few periods where our overall portfolio is "overvalued."

We continue to have a significant portion of our net worth invested in the Fund. This is because we are confident in the innovative power of the business plans and managers in which we invest and put our trust.

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, 2016 was 1.88% and 1.49%, but the net annual expense ratio was 1.35% and 1.10% (net of the Adviser's fee waivers which the Adviser has contractually agreed to for so long as it serves as the adviser to the fund), 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 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 Not annualized.

BARON FUNDS 1987

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Percent Impact
Everspin Technologies, Inc.	1.62%
Impinj, Inc.	1.00
The Trade Desk	0.98
MACOM Technology Solutions Holdings, Inc.	0.89
Teladoc, Inc.	0.85

Everspin Technologies, Inc. is one of our more exciting technology investments. The company makes a special type of memory chip called a magneto-resistive random access memory chip or ("MRAM"). This is a technology that has been worked on for many years, but Everspin is the first company to commercialize MRAM at larger memory sizes. Small MRAM chips are used in vehicle engine management systems and in black boxes that retain vehicle information in the event of a crash. Larger capacity chips can be used in solid-state drive applications (which replace hard drives in server farms). MRAM memory is unique in that it retains information even if there is a loss of power to its circuitry. Unlike MRAM, current memory structures (typically DRAM or SRAM) need either batteries or capacitors to provide backup power in order to assure memory retention in such a situation. Using MRAM, manufactures can save cost and complexity, and circuits can run on less power. A special version of MRAM, which should debut in 2018 or 2019 is called embedded MRAM, and it will be printed right into the circuitry of a processor chip. Everspin has a deal with Global Foundries, a large chip manufacturer, to produce such embedded memory, and this will be a high margin business for MRAM once revenues begin as it's a pure licensing deal. Shares were up substantially in the quarter as we are now on the eve of a new product cycle (which we have anticipated since our initial investment in its October 2016 IPO), and the company has won some key designs with large scale solid-state memory card producers. Everspin was one of the 2017 "catalyst" stocks we addressed in our fourth quarter 2016 letter.

Impinj, Inc., a provider of radio frequency identification ("RFID") solutions, was a top contributor in the quarter. RFID solutions continue to gain traction in the company's core verticals of retail, health care, transportation and food service. The penetration rate of Impinj's RAIN RFID is less than 1%, with retail having the greatest penetration at about 5%. As a result, we believe there is still a long runway of growth ahead for the company. That being said, we trimmed the position during the quarter as we felt the 40% stock appreciation during the first six months of 2017 began to fully reflect the company's near-term prospects. Impinj was also a 2017 "catalyst" stock.

The Trade Desk, an online advertising technology company that helps ad agencies manage their client's online advertising campaigns, was a contributor in the quarter. The company reported very strong first quarter earnings that significantly beat the Street consensus. We believe the company is still early in its growth opportunities as programmatic advertising, where Trade Desk focuses, still only represents 2% to 3% of the overall advertising market. We are still excited about the company's prospects going forward.

MACOM Technology Solutions Holdings, Inc. is a company we've written about a number of times before, and it too was a 2017 "catalyst" stock. It remains one of our favorite ideas, and we believe that we are about to witness explosive growth in its optical networking product revenues due to deployments in large data centers (which could be an addressable market worth $4 billion or more). In addition, MACOM is getting ready to ship radio-frequency equipment for the $1 billion cell phone tower transmitter market. This is a greenfield market for MACOM, and the company has proven (via litigation) that its patents around its technology are valid. Thus, it is likely to take significant market share (it already has production contracts with two of the four major producers of such equipment). We see significant revenue and EPS growth for the company over the next five years.

Last quarter we wrote about **Teladoc, Inc.** which is the largest U.S. tele-health company providing on-demand remote medical care. Shares were up in the quarter as the firm continued to execute on its business plan. Additional positives were that Texas finally approved legislation, which fully allows broad tele-health usage within the state (it was the last holdout) and Teladoc's acquisition of Best Doctors, a high-end second opinion service. Best Doctors employs some of the best specialists world-wide in an effort to ensure the best diagnoses, improve patient care and save costs to the health care system. The acquisition expands Teladoc's reach into more complex medical cases and gives it a platform to expand its services outside of the U.S.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Percent Impact
Cerus Corporation	–0.73%
TherapeuticsMD, Inc.	–0.54
Flexion Therapeutics Inc.	–0.52
Flotek Industries, Inc.	–0.48
Glaukos Corporation	–0.31

Cerus Corporation has an FDA and EU approved device that "inactivates" pathogens such as viruses and bacteria in donated blood. The company has a multi-billion dollar sales opportunity, for which there is limited competition due to immense regulatory and intellectual property hurdles. Shares slipped in the second quarter due to a component supply issue, which caused the company to lower revenue guidance. Fortunately, the situation was shorter lived than feared (supply should be back on line soon). We still believe growth prospects for Cerus are significant for 2018 and beyond, and we expect this will be a 2018 "catalyst" stock.

TherapeuticsMD, Inc. (also a 2017 "catalyst" stock) is developing drugs that address the multi-billion dollar hormone replacement market. Shares dropped in the quarter after a labeling issue delayed approval of the company's first drug (originally slated for May 2017). We believe that this issue can be resolved with the FDA, and that the drug will be approved in the second half of calendar 2017. We also continue to believe that its second drug for menopause will be approved in 2018. These drugs are unique and target multi-billion dollar markets.

Flexion Therapeutics Inc. has developed an extended release steroid drug called Zilretta that is injected into patients' knees to relieve osteoarthritic pain. The drug is expected to be approved by the FDA in October 2017 (which is why it is one of our 2017 "catalyst" stocks). Shares lagged in the quarter as investors lost confidence in a rumored takeover. With a multi-billion dollar U.S. opportunity in knees alone, we see tremendous value in the company and we increased our investment in the quarter at lower prices.

Flotek Industries, Inc., a manufacturer of specialty chemicals targeted to oil and gas producers, was a detractor in the quarter. The company's stock tends to trade directionally with the price of oil and the second quarter was a difficult quarter for oil and thus for Flotek as well. We are still believers in the company's technologies, which we think can increase the return on investment for an oil or gas producer. We purchased more shares during the quarter.

Glaukos Corporation detracted from performance in the June quarter. Glaukos sells a medical device used for glaucoma treatment. The company's quick, minimally invasive procedure implants a stent, called the iStent, into the eye's clogged outflow drain to reduce pressure and slow glaucoma progression. Throughout 2016, Glaukos beat estimates consistently, but excitement over its impressive growth rates led to outsized share gains that set up mean reversion and underperformance in the second quarter. Specifically, on its May earnings call for the first quarter of 2017, Glaukos surprised the market with news that an anticipated Medicare price increase would be slower to realize due to long-term iStent contracts negotiated in 2016. This led to a smaller beat in the first quarter than was expected by Wall Street. That, combined with pending competition from Novartis/ Alcon's Cypass device coming this summer, gave ammunition to bears to push down shares. Our conviction in Glaukos remains unchanged. We expect the company to remain a market leader, and we are also anticipating new device approvals (including a device that elutes anti-glaucoma drugs, and another device that will broaden the market for use in glaucoma-only cases versus the current approval for use only in combination with cataract surgery). We added to our position on market weakness.

Portfolio Structure

Our key sector weightings at the end of June 2017 were 33.3% Information Technology (8.9% above the Russell 2000 Growth Index), 24.1% Health Care (0.2% below the Index), 15.9% Consumer Discretionary (1.7% above the Index), and 11.8% Industrials (5.6% below the Index).

At June 30, 2017, our top 10 holdings represented 28.9% of the portfolio. We have consistently held about 30% of the Fund's value in the top 10 holdings since inception.

Table IV.
Top 10 holdings as of June 30, 2017

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
MACOM Technology Solutions Holdings, Inc.	2015	$8.3	4.1%
Qualys, Inc.	2013	6.6	3.2
General Communication, Inc.	2017	6.4	3.1
Teladoc, Inc.	2017	5.9	2.9
Novanta Inc.	2017	5.8	2.9
Myriad Genetics, Inc.	2016	5.6	2.7
The Trade Desk	2016	5.5	2.7
Mercury Systems, Inc.	2015	5.3	2.6
Liberty Expedia Holdings, Inc.	2016	4.9	2.4
Red Rock Resorts, Inc.	2016	4.7	2.3

Recent Activity

Table V.
Top net purchases for the quarter ended June 30, 2017

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
General Communication, Inc.	2017	$1.3	$6.5
Novanta Inc.	2017	1.2	4.9
Bob Evans Farms, Inc.	2017	1.4	3.8
Glaukos Corporation	2015	1.4	3.1
Teladoc, Inc.	2017	1.9	2.9

We initiated investment positions in 12 new companies in the quarter. We believe that it is important to constantly find great new investment ideas, particularly in market environments like this where many companies are getting acquired.

General Communication, Inc. (also known as GCI) is a cable operator in Alaska. In early April, Liberty Interactive announced it would acquire General Communication and, as a result, our holdings in General Communication will convert into shares of the newly created GCI Liberty. GCI Liberty will consist of the General Communication's assets, holdings of Charter Communications stock via shares in both Charter and Liberty Broadband, and small stakes in other publicly traded companies. We invested primarily for two reasons. First, General Communication offers a roughly 30% discount to the underlying net asset value of the assets it will ultimately own when the transaction closes (valuing Charter Communications at its current market price and GCI at Liberty's acquisition price). We believe this discount is due to the complexity of the transaction and the corporate structure, but we believe GCI Liberty could be consolidated into Liberty Broadband or Charter itself. If the market were to agree with this assessment, the discount would begin to narrow over time. The second reason we invested was that we believe Charter Communications is itself undervalued. Charter is the second largest cable operator in the United States and we believe it has structural advantages over its copper-based DSL broadband competitors given the faster speeds that its hybrid network provides. With internet data consumption growing at 20% to 40% annually, we believe Charter will benefit as customers shift to higher margin broadband and away from lower margin pay-TV revenue. This anticipated mix shift, combined with the continued strong growth in broadband and lower future capital expenditures, will likely improve margins and generate meaningfully higher free cash flow per share.

Novanta Inc. is a company we looked at a few years ago when it had a different name, different management, and a very different product mix. Back then it was called GSI Group and it was a lesser competitor to long time Fund holding, Coherent, Inc. But things changed after GSI hired a terrific new CEO (Matthijs Glastra, formerly of the large Philips conglomerate in the Netherlands) and changed its focus from lasers to selling highly-engineered photonics, vision, and precision motion control solutions to original equipment manufacturers ("OEMs") in the medical and advanced industrial markets. For example, Novanta's technology is incorporated into DNA sequencing instruments and robotic surgery systems, two high-growth areas of medical technology. On a pro forma basis, including its recently announced acquisition of World of Medicine, medical markets will represent over 50% of Novanta's revenue. The company has deep proprietary technical expertise, including over 200 engineers and over 350 patents. Once Novanta's products are designed into an OEM platform, they are very difficult to replace, making recurring sales of replacement parts sticky. Mr. Glastra aims to double the company's revenue from 2016 to 2020 through a combination of 5% to 7% organic revenue growth plus acquisitions. Novanta currently has minimal sell-side coverage and we think it will begin to attract greater investor attention as the new management team executes on its strategy.

Bob Evans Farms, Inc. is a leading producer and distributor of branded refrigerated side dishes, pork sausage products, and other frozen food items. The company recently underwent a transformation in which it sold off its company-owned restaurant operations to a private equity firm and bought an additional side dish manufacturer. The result of these transactions was that Bob Evans became a "pure play" food manufacturer and distributor and the top player in dinner side dishes, with the highest repurchase rate and highest dollar velocity. This is meaningful because the refrigerated side dish category has been growing at a 10% compounded rate, which compares favorably to most food categories. We believe household penetration for refrigerated side dishes could triple and we also believe Bob Evans can maintain or even take share. This will lead to attractive earnings growth, in our view. It also makes Bob Evans a potential take-out target as larger food players would love to own the leader in this fast growing category.

We increased our positions in **Teladoc, Inc.** and **Glaukos Corporation** for the reasons we described above.

Table VI.
Top net sales for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Market Cap at Quarter End or Market Cap When Sold (billions)	Amount Sold (millions)
Novadaq Technologies Inc.	2014	$0.8	$0.7	$3.1
Nord Anglia Education Inc.	2015	2.3	3.4	3.0
Impinj, Inc.	2016	0.3	1.0	1.9
DigitalGlobe, Inc.	2014	2.1	1.9	1.4
Medpace Holdings, Inc.	2016	1.1	1.1	1.1

Much of our sales activity related to mergers and acquisitions. Continuing the trend we saw in 2016, we saw healthy M&A activity in the first half of 2017 as four companies announced that they were going to be acquired. These were medical device companies Novadaq Technologies Inc. and The Spectranetics Corporation, as well as school operator Nord Anglia Education Inc. and satellite imagery provider DigitalGlobe, Inc. While we don't invest in companies because we expect them to be sold, the high quality of our holdings tends to create ideal bolt-on acquisitions for mid- and large-cap companies. We sold Medpace Holdings, Inc. after we grew uncomfortable with this business' earnings visibility, as its customer base is comprised of many early stage biotech companies.

Outlook

As always, thank you for your support! We continue to remain excited, not only by the businesses in which we have invested, but also the range of upcoming catalysts for those businesses and their current valuations. There is plenty of innovative power left in the Baron Discovery Fund portfolio. We hope that everyone has an enjoyable summer.

Randy Gwirtzman & Laird Bieger
Portfolio Managers
July 15, 2017

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 manager only through the end of the period stated in this report. The portfolio managers' 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 Discovery Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Portfolio Market Capitalization (Unaudited)

Baron Asset Fund

Baron Asset Fund invests in mid-sized growth companies with market capitalizations above $2.5 billion or the smallest market cap stock in the Russell Midcap Growth Index at reconstitution, whichever is larger, and below the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
The Priceline Group, Inc.	$91,922	2.1%
The Charles Schwab Corp.	57,443	3.6
Equinix, Inc.	33,437	2.1
Illumina, Inc.	25,334	2.1
Roper Technologies Inc.	23,624	1.9
Expedia, Inc.	22,484	1.5
Willis Towers Watson Public Limited Company	19,665	2.4
Concho Resources, Inc.	18,038	0.5
T. Rowe Price Group, Inc.	17,905	0.6
SBA Communications Corp.	16,364	2.8
First Republic Bank	15,727	1.7
Mettler-Toledo International, Inc.	15,197	5.1
Henry Schein, Inc.	14,519	2.1
IDEXX Laboratories, Inc.	14,225	6.3
Verisk Analytics, Inc.	13,950	3.8
Nielsen Holdings plc	13,813	1.0
FleetCor Technologies, Inc.	13,305	1.0
Fastenal Co.	12,592	0.4
Vantiv, Inc.	12,483	1.6
CBRE Group, Inc.	12,299	2.0
Align Technology, Inc.	12,059	0.4
Universal Health Services, Inc.	11,804	0.6
Tiffany & Co.	11,701	0.8
The Cooper Companies, Inc.	11,697	2.0
CarMax, Inc.	11,595	0.7
Arch Capital Group Ltd.	11,529	4.1
Gartner, Inc.	11,169	6.6
ANSYS, Inc.	10,403	2.3
CDW Corporation	$9,823	0.7%
A. O. Smith Corporation	9,747	0.7
Verisign, Inc.	9,433	2.1
Teleflex Incorporated	9,345	0.8
Zillow Group, Inc.	9,008	1.5
Rollins, Inc.	8,875	0.8
Westinghouse Air Brake Technologies Corporation	8,780	1.6
CoStar Group, Inc.	8,633	1.8
IDEX Corporation	8,624	1.7
Acuity Brands, Inc.	8,557	0.7
Vail Resorts, Inc.	8,115	5.1
TransUnion	7,837	0.9
SS&C Technologies Holdings, Inc.	7,836	1.2
MarketAxess Holdings Inc.	7,547	1.6
Hyatt Hotels Corp.	7,054	1.0
The Middleby Corp.	6,991	0.9
West Pharmaceutical Services, Inc.	6,952	2.0
WABCO Holdings Inc.	6,899	0.4
FactSet Research Systems, Inc.	6,557	2.5
The Ultimate Software Group, Inc.	6,242	0.2
Guidewire Software, Inc.	5,111	2.9
BWX Technologies, Inc.	4,829	0.7
Bio-Techne Corporation	4,387	1.5
MAXIMUS, Inc.	4,060	0.9
Choice Hotels International, Inc.	3,627	1.2
Alexander's, Inc.	2,153	0.9
		98.4%

Baron Growth Fund

Baron Growth Fund invests in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
Mettler-Toledo International, Inc.	$15,197	1.4%
IDEXX Laboratories, Inc.	14,225	3.7
Church & Dwight Co., Inc.	12,931	1.3
Arch Capital Group Ltd.	11,529	5.7
Gartner, Inc.	11,169	4.8
Alexandria Real Estate Equities, Inc.	10,972	1.5
ANSYS, Inc.	10,403	3.2
MSCI, Inc.	9,316	3.1
Under Armour, Inc.	9,200	2.0
CoStar Group, Inc.	8,633	4.2
Vail Resorts, Inc.	8,115	7.3
Gaming and Leisure Properties, Inc.	7,843	3.3
SS&C Technologies Holdings, Inc.	7,836	3.0
The Middleby Corp.	6,991	1.4
West Pharmaceutical Services, Inc.	6,952	1.2
FactSet Research Systems, Inc.	6,557	3.7
Douglas Emmett, Inc.	5,907	2.3
Guidewire Software, Inc.	5,111	1.3
TreeHouse Foods, Inc.	4,651	0.7
Bright Horizons Family Solutions, Inc.	4,620	2.4
Pegasystems, Inc.	4,501	1.0
Dick's Sporting Goods, Inc.	4,480	0.5
Bio-Techne Corporation	4,387	1.7
MAXIMUS, Inc.	4,060	2.1
Air Lease Corp.	3,854	0.6
Littelfuse, Inc.	3,744	0.8
Choice Hotels International, Inc.	3,627	3.2
Essent Group Ltd.	3,468	0.2
Primerica, Inc.	3,447	2.5
Morningstar, Inc.	3,363	1.5
Marriott Vacations Worldwide Corp.	$3,197	3.1%
Wix.com Ltd.	3,121	0.2
Oaktree Capital Group, LLC	2,992	1.1
Camping World Holdings, Inc.	2,871	0.1
Performance Food Group Company	2,843	0.5
Boyd Gaming Corporation	2,809	0.2
Red Rock Resorts, Inc.	2,733	1.0
Manchester United plc	2,665	1.5
Neogen Corp.	2,634	0.4
Moelis & Company	2,347	0.5
Financial Engines, Inc.	2,301	1.4
Masonite International Corp.	2,254	1.7
Alexander's, Inc.	2,153	0.8
Trex Company, Inc.	1,989	1.0
Penn National Gaming, Inc.	1,950	1.5
Inovalon Holdings, Inc.	1,920	0.2
Cohen & Steers, Inc.	1,877	1.3
American Assets Trust, Inc.	1,856	0.3
Evolent Health, Inc.	1,734	0.0
The Carlyle Group	1,695	0.5
Glaukos Corporation	1,422	0.4
Caesarstone Ltd.	1,203	0.6
Pinnacle Entertainment, Inc.	1,134	0.9
Benefitfocus, Inc.	1,128	1.4
Iridium Communications Inc.	1,076	1.7
ClubCorp Holdings, Inc.	858	0.2
Kinsale Capital Group, Inc.	782	0.5
AO World plc	695	0.2
Smart & Final Stores, Inc.	666	0.3
		95.1%

Baron Small Cap Fund

Baron Small Cap Fund invests 80% of its net assets in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
Waste Connections, Inc.	$16,983	3.8%
SBA Communications Corp.	16,364	2.6
Liberty Broadband Corporation	15,748	1.0
Mettler-Toledo International, Inc.	15,197	2.4
IDEXX Laboratories, Inc.	14,225	3.5
Liberty SiriusXM Group	14,029	1.3
TransDigm Group, Inc.	13,988	3.9
FleetCor Technologies, Inc.	13,305	1.7
CBRE Group, Inc.	12,299	0.5
Gartner, Inc.	11,169	5.0
SL Green Realty Corp.	10,926	0.3
CBOE Holdings, Inc.	10,241	0.5
Acuity Brands, Inc.	8,557	2.6
Gaming and Leisure Properties, Inc.	7,843	1.3
Liberty Media Corporation – Liberty Formula One	7,826	0.8
Berry Global Group, Inc.	7,383	1.3
Cognex Corp.	7,356	2.4
Nordson Corp.	6,992	0.9
DexCom, Inc.	6,316	1.4
The Ultimate Software Group, Inc.	6,242	2.1
ICON plc	5,333	2.2
Guidewire Software, Inc.	5,111	3.2
Patheon N.V.	5,062	0.1
PRA Health Sciences, Inc.	4,686	1.9
The Madison Square Garden Company	4,636	1.4
Bright Horizons Family Solutions, Inc.	4,620	3.3
WEX Inc.	4,472	1.4
Aspen Technology, Inc.	4,117	1.4
Univar Inc.	4,094	1.5
Floor & Decor Holdings, Inc.	3,684	0.1
Healthcare Services Group, Inc.	3,418	0.2
Nord Anglia Education Inc.	3,393	0.8
Cantel Medical Corp.	3,251	1.1
Summit Materials, Inc.	3,213	1.9
INC Research Holdings, Inc.	3,168	0.8
Wix.com Ltd.	3,121	0.9
Valero Energy Partners LP	3,111	1.0
John Bean Technologies Corporation	3,099	1.1
Liberty Expedia Holdings, Inc.	$3,087	1.3%
HealthEquity, Inc.	2,989	1.7
PT Sarana Menara Nusantara Tbk.	2,902	0.6
Camping World Holdings, Inc.	2,871	1.6
Dominion Energy Midstream Partners, LP	2,863	0.3
On Assignment, Inc.	2,860	2.7
Red Rock Resorts, Inc.	2,733	1.2
ACI Worldwide, Inc.	2,641	0.6
Welbilt, Inc.	2,618	0.8
Abcam plc	2,592	0.5
RBC Bearings Incorporated	2,451	1.0
The Cheesecake Factory, Inc.	2,413	0.9
Moelis & Company	2,347	0.8
Financial Engines, Inc.	2,301	1.1
2U, Inc.	2,231	0.7
Electronics For Imaging, Inc.	2,202	1.7
DigitalGlobe, Inc.	2,072	0.7
SiteOne Landscape Supply, Inc.	2,067	1.8
Acxiom Corporation	2,055	1.3
The Trade Desk	2,021	0.6
Mercury Systems, Inc.	2,020	1.2
Party City Holdco Inc.	1,871	1.0
REV Group, Inc.	1,764	0.6
MSG Networks Inc.	1,686	0.6
The Spectranetics Corporation	1,681	1.4
Emerald Expositions Events, Inc.	1,581	0.6
Qualys, Inc.	1,511	0.7
GTT Communications, Inc.	1,306	1.2
Cision Ltd.	1,259	1.2
Yext, Inc.	1,200	0.3
Wingstop Inc.	895	0.8
Scorpio Tankers Inc.	892	0.3
PBF Logistics LP	816	0.4
BJ's Restaurants, Inc.	803	0.5
Westlake Chemical Partners LP	670	0.3
Flotek Industries, Inc.	512	0.7
The Chefs' Warehouse, Inc.	343	0.6
Zoe's Kitchen, Inc.	232	0.4
		98.3%

Baron Funds

Baron Opportunity Fund

Baron Opportunity Fund invests in high growth businesses of any market capitalization selected for their capital appreciation potential.

Company	Equity Market Cap (in millions)	% of Net Assets
Alphabet Inc.	$635,342	4.2%
Amazon.com, Inc.	462,680	6.5
Facebook, Inc.	437,602	2.2
Alibaba Group Holding Limited	360,867	2.3
Tencent Holdings, Ltd.	338,941	2.0
Visa, Inc.	216,226	2.7
Mastercard Incorporated	130,180	2.3
The Priceline Group, Inc.	91,922	1.7
Netflix, Inc.	64,396	2.0
salesforce.com, inc.	61,677	1.5
Tesla, Inc.	59,398	5.6
Biogen, Inc.	57,560	0.5
The Charles Schwab Corp.	57,443	1.9
Intuitive Surgical, Inc.	34,460	1.5
Equinix, Inc.	33,437	1.7
Electronic Arts Inc.	32,729	1.0
Incyte Corporation	25,783	0.5
Illumina, Inc.	25,334	1.2
Edwards Lifesciences Corp.	24,807	1.3
Expedia, Inc.	22,484	2.8
Concho Resources, Inc.	18,038	1.0
ServiceNow, Inc.	18,007	2.4
Red Hat, Inc.	16,998	1.4
SBA Communications Corp.	16,364	1.2
Verisk Analytics, Inc.	13,950	1.0
Gartner, Inc.	11,169	5.1
ANSYS, Inc.	$10,403	0.9%
Zillow Group, Inc.	9,008	1.5
CoStar Group, Inc.	8,633	4.3
Splunk, Inc.	7,872	0.9
SS&C Technologies Holdings, Inc.	7,836	2.0
MarketAxess Holdings Inc.	7,547	1.4
TESARO, Inc.	7,534	0.5
Guidewire Software, Inc.	5,111	5.5
Clovis Oncology, Inc.	4,511	0.5
Proofpoint, Inc.	3,796	1.0
Wix.com Ltd.	3,121	1.5
Sage Therapeutics, Inc.	2,974	1.5
Manchester United plc	2,665	1.9
2U, Inc.	2,231	0.5
Supernus Pharmaceuticals, Inc.	2,167	0.7
Mellanox Technologies Ltd.	2,152	1.2
Cloudera, Inc.	2,101	0.4
Acxiom Corporation	2,055	3.5
The Trade Desk	2,021	1.5
Glaukos Corporation	1,422	1.6
Yext, Inc.	1,200	0.7
Acceleron Pharma Inc.	1,174	0.5
Benefitfocus, Inc.	1,128	2.8
Varonis Systems, Inc.	1,013	1.4
		95.7%

Baron Partners Fund

Baron Partners Fund is a non-diversified fund that invests primarily in U.S. companies of any size with significant growth potential.

Company	Equity Market Cap (in millions)	% of Total Investments
Amazon.com, Inc.	$462,680	1.2%
Tesla, Inc.	59,398	16.5
The Charles Schwab Corp.	57,443	4.9
IDEXX Laboratories, Inc.	14,225	6.0
Fastenal Co.	12,592	1.1
Norwegian Cruise Line Holdings, Ltd.	12,373	1.1
Arch Capital Group Ltd.	11,529	9.2
Gartner, Inc.	11,169	4.3
Under Armour, Inc.	9,200	3.1
Zillow Group, Inc.	9,008	5.0
CoStar Group, Inc.	8,633	11.9
Vail Resorts, Inc.	8,115	7.7
Gaming and Leisure Properties, Inc.	7,843	3.1
MGM Growth Properties LLC	$7,094	0.5%
Hyatt Hotels Corp.	7,054	6.0
FactSet Research Systems, Inc.	6,557	5.3
Robert Half International, Inc.	6,096	1.2
Douglas Emmett, Inc.	5,907	1.5
Air Lease Corp.	3,854	1.4
Manchester United plc	2,665	3.6
Inovalon Holdings, Inc.	1,920	1.0
The Carlyle Group	1,695	2.3
Benefitfocus, Inc.	1,128	0.7
AO World plc	695	1.3
		99.9%

Baron Fifth Avenue Growth Fund

Baron Fifth Avenue Growth Fund invests in large-sized growth companies with market capitalizations above the smallest market cap stock in the top 85% of the Russell 1000 Growth Index at reconstitution, or companies with market capitalizations above $10 billion, whichever is smaller.

Company	Equity Market Cap (in millions)	% of Net Assets
Apple, Inc.	$750,897	3.0%
Alphabet Inc.	635,342	6.3
Amazon.com, Inc.	462,680	14.7
Facebook, Inc.	437,602	5.6
Alibaba Group Holding Limited	360,867	7.5
Visa, Inc.	216,226	4.5
Mastercard Incorporated	130,180	4.6
The Priceline Group, Inc.	91,922	4.7
Naspers Limited	85,396	2.7
Starbucks Corp.	84,439	1.3
Tesla, Inc.	59,398	1.0
Biogen, Inc.	57,560	1.0
The Charles Schwab Corp.	57,443	2.9
ASML Holding N.V.	57,232	2.1
Regeneron Pharmaceuticals, Inc.	52,204	1.6
Monsanto Co.	51,998	2.1
CME Group, Inc.	42,556	2.6

Company	Equity Market Cap (in millions)	% of Net Assets
Brookfield Asset Management, Inc.	$38,797	1.9%
Intuitive Surgical, Inc.	34,460	2.5
Equinix, Inc.	33,437	4.8
Ctrip.com International, Ltd.	27,643	2.9
Illumina, Inc.	25,334	3.0
Synchrony Financial	24,184	1.0
Expedia, Inc.	22,484	2.5
Snap, Inc.	20,953	0.5
Concho Resources, Inc.	18,038	1.3
Red Hat, Inc.	16,998	2.1
First Republic Bank	15,727	2.1
Verisk Analytics, Inc.	13,950	1.1
Mobileye N.V.	13,926	0.5
Veeva Systems Inc.	8,568	1.0
EPAM Systems, Inc.	4,359	1.2
Wix.com Ltd.	3,121	1.0
		97.6%

Baron Focused Growth Fund

Baron Focused Growth Fund is a non-diversified fund that invests in small and mid-sized growth companies with market capitalizations up to the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
Tesla, Inc.	$59,398	17.4%
Church & Dwight Co., Inc.	12,931	2.8
Arch Capital Group Ltd.	11,529	5.0
CoStar Group, Inc.	8,633	10.5
Vail Resorts, Inc.	8,115	14.7
Hyatt Hotels Corp.	7,054	10.2
FactSet Research Systems, Inc.	6,557	6.6
Guidewire Software, Inc.	5,111	3.7

Company	Equity Market Cap (in millions)	% of Net Assets
Choice Hotels International, Inc.	$3,627	5.1%
Manchester United plc	2,665	4.8
Financial Engines, Inc.	2,301	3.4
The Carlyle Group	1,695	4.6
Benefitfocus, Inc.	1,128	4.4
Iridium Communications Inc.	1,076	4.6
		97.8%

Baron International Growth Fund

Baron International Growth Fund is a diversified fund that invests in non-U.S companies with significant growth potential. Investments may be made across all market capitalizations. The Fund invests principally in companies of developed countries and may invest up to 35% in companies of developing countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Alibaba Group Holding Limited	$360,867	2.2%
Tencent Holdings, Ltd.	338,941	2.1
LVMH Moët Hennessy Louis Vuitton SE	126,567	1.1
Industria de Diseño Textil, S.A.	119,641	1.4
Mitsubishi UFJ Financial Group, Inc.	95,640	0.8
BNP Paribas S.A.	89,915	2.6
Softbank Group Corp.	89,022	2.4
Reckitt Benckiser Group Plc	71,266	2.1
Baidu, Inc.	62,152	1.2
Sberbank of Russia PJSC	55,856	0.6
Suncor Energy Inc.	48,694	0.7
Sony Corporation	48,273	1.7
UniCredit S.p.A.	41,580	1.5
FANUC Corp.	39,288	1.4
Bridgestone Corp.	34,989	0.5
Maruti Suzuki India Ltd.	33,731	1.2
KBC Group NV	31,734	1.0
Fresenius Medical Care AG & Co. KGaA	29,682	1.7
Aena SA	29,270	1.7
Recruit Holdings Co Ltd	29,117	0.9
Ctrip.com International, Ltd.	27,643	1.0
Ryanair Holdings plc	25,951	1.4
Mitsui Fudosan Co. Ltd.	23,628	1.2
Haitong Securities Co., Ltd.	23,266	0.9
KB Financial Group Inc.	21,086	0.8
Experian plc	19,239	1.2
Agilent Technologies, Inc.	19,059	1.3
Check Point Software Technologies Ltd.	17,828	1.4
Rakuten, Inc.	16,848	1.3
Grifols SA	14,186	0.3
Mobileye N.V.	13,926	1.1
Julius Baer Group Ltd.	11,775	1.7
Arch Capital Group Ltd.	11,529	2.0
Constellation Software, Inc.	11,085	2.4
TAL Education Group	10,210	1.2
Daiwa Securities Group, Inc.	10,060	1.1
ProSiebenSat.1 Media AG	9,800	0.8
Eurofins Scientific SE	9,573	3.1
Symrise AG	9,190	0.9
Sociedad Química y Minera de Chile SA	9,135	0.6
Intertek Group plc	8,864	1.3
YPF S.A.	$8,614	1.3%
Encana Corp.	8,562	0.7
Worldpay Group plc	8,200	1.0
Zee Entertainment Enterprises Ltd.	7,301	0.7
Momo Inc.	7,287	0.3
KOSÉ Corporation	6,610	0.7
JUST EAT plc	5,797	0.6
Copa Holdings, S.A.	4,920	1.0
MonotaRO Co., Ltd.	4,029	1.3
Square Enix Holdings Co., Ltd.	4,004	1.3
Domino's Pizza Enterprises Ltd.	3,558	1.1
Man Wah Holdings Ltd.	3,442	0.5
Howden Joinery Group Plc	3,337	0.7
InterXion Holding N.V.	3,251	1.2
Tata Communications Limited	3,187	1.0
Wix.com Ltd.	3,121	1.6
Cimpress N.V.	2,944	0.8
PT Sarana Menara Nusantara Tbk.	2,902	0.3
Divi's Laboratories Ltd.	2,658	0.5
Abcam plc	2,592	2.0
Telesites, S.A.B. de C.V.	2,422	1.1
PT Tower Bersama Infrastructure, Tbk.	2,312	0.8
Smiles SA	2,257	1.1
Golar LNG Ltd.	2,249	1.2
Mellanox Technologies Ltd.	2,152	1.3
Bitauto Holdings Limited	2,033	0.7
Domino's Pizza Group plc	1,883	0.9
MYOB Group Limited	1,594	0.9
TOTVS SA	1,508	0.6
JM Financial Limited	1,444	1.9
TechnoPro Holdings, Inc.	1,375	1.0
SMS CO., LTD.	1,315	1.1
Kingdee International Software Group Co. Ltd.	1,212	0.7
RIB Software SE	788	2.5
Manpasand Beverages Ltd.	697	0.7
AO World plc	695	0.4
Bolsas y Mercados Argentinos S.A.	668	0.6
China Distance Education Holdings Limited	294	0.3
Horizon Discovery Group plc	261	0.8
Lekoil, Ltd.	113	0.3
		93.3%

Baron Real Estate Fund

Baron Real Estate Fund is a diversified fund that invests 80% of its net assets in equity securities of U.S. and non-U.S. real estate and real estate-related companies of any size. The Fund's investment in non-U.S. companies will not exceed 25%.

Company	Equity Market Cap (in millions)	% of Net Assets
Home Depot, Inc.	$183,398	4.5%
Lowe's Companies, Inc.	65,453	0.9
American Tower Corp.	56,237	6.2
Brookfield Asset Management, Inc.	38,797	2.5
Marriott International, Inc.	38,007	1.9
Equinix, Inc.	33,437	4.6
The Sherwin-Williams Company	32,684	2.8
Prologis, Inc.	31,053	1.6
Equity Residential	24,170	1.5
Royal Caribbean Cruises Ltd.	23,493	1.5
Hilton Worldwide Holdings, Inc.	20,116	2.6
Digital Realty Trust, Inc.	18,331	1.2
MGM Resorts International	17,984	3.2
Mohawk Industries, Inc.	17,962	5.9
Vulcan Materials Company	16,742	3.4
SBA Communications Corp.	16,364	1.5
Martin Marietta Materials, Inc.	13,974	2.5
Norwegian Cruise Line Holdings, Ltd.	12,373	2.4
CBRE Group, Inc.	12,299	2.3
Masco Corporation	12,203	2.4
Alexandria Real Estate Equities, Inc.	10,972	1.3
Wyndham Worldwide Corp.	10,478	3.0
CoStar Group, Inc.	8,633	2.3
Acuity Brands, Inc.	8,557	1.5

Company	Equity Market Cap (in millions)	% of Net Assets
Gaming and Leisure Properties, Inc.	$7,843	1.5%
MGM Growth Properties LLC	7,094	1.5
Invitation Homes, Inc.	6,714	1.6
Toll Brothers, Inc.	6,463	1.3
Macquarie Infrastructure Corporation	6,462	2.4
American Campus Communities, Inc.	6,342	1.0
Douglas Emmett, Inc.	5,907	1.2
American Homes 4 Rent	5,843	1.5
Park Hotels & Resort Inc.	5,792	0.5
Hudson Pacific Properties, Inc.	5,335	1.1
Cellnex Telecom, S.A.	4,779	1.1
Extended Stay America, Inc.	3,729	1.1
Hilton Grand Vacations Inc.	3,573	1.9
InterXion Holding N.V.	3,251	5.9
Summit Materials, Inc.	3,213	1.6
Boyd Gaming Corporation	2,809	1.8
Red Rock Resorts, Inc.	2,733	0.5
QTS Realty Trust, Inc.	2,514	1.2
Masonite International Corp.	2,254	1.7
SiteOne Landscape Supply, Inc.	2,067	1.3
Rexford Industrial Realty, Inc.	1,830	1.0
Pinnacle Entertainment, Inc.	1,134	1.0
NEXTDC Limited	995	0.5
		97.7%

BARON EMERGING MARKETS FUND

Baron Emerging Markets Fund is a diversified fund that invests 80% of its net assets in non-U.S. companies of all sizes domiciled, headquartered or whose primary business activities or principal trading markets are in developing countries. The Fund may invest up to 20% in companies in developed market countries and in Frontier Countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Alibaba Group Holding Limited	$360,867	4.3%
Tencent Holdings, Ltd.	338,941	3.4
Samsung Electronics Co., Ltd.	271,467	2.3
China Mobile Ltd.	217,279	1.0
PetroChina Co. Ltd.	196,892	0.4
Taiwan Semiconductor Manufacturing Company Ltd.	181,305	1.9
Baidu, Inc.	62,152	1.6
Sberbank of Russia PJSC	55,856	1.3
Hangzhou Hikvision Digital Technology Co., Ltd.	43,970	1.3
Midea Group Co., Ltd.	41,200	1.3
Wal-Mart de México, S.A.B. de C.V.	40,534	0.4
Housing Development Finance Corporation Limited	39,798	1.5
Maruti Suzuki India Ltd.	33,731	1.5
Kotak Mahindra Bank Ltd.	28,142	1.2
Fomento Económico Mexicano, S.A.B. de C.V.	28,129	1.0
Ctrip.com International, Ltd.	27,643	1.3
NAVER Corporation	24,143	0.6
Coal India Ltd.	23,456	0.9
Haitong Securities Co., Ltd.	23,266	0.9
PT Bank Mandiri (Persero) Tbk	22,322	0.7
Steinhoff International Holdings N.V.	21,826	0.7
KB Financial Group Inc.	21,086	1.8
Samsung Life Insurance Co. Ltd.	20,452	0.8
Shinhan Financial Group Co., Ltd.	20,433	0.8
FirstRand Limited	20,217	0.4
Sasol Limited	18,250	0.7
Grupo Financiero Banorte, S.A.B. de C.V.	17,635	0.8
Magnit PJSC	16,075	0.4
WH Group Limited	14,787	1.8
Weibo Corporation	14,533	0.0
Delta Electronics, Inc.	14,217	1.1
LG Household & Health Care Ltd.	13,569	1.4
Taiwan Mobile Co., Ltd.	12,876	1.0
Sinopharm Group Co. Ltd.	12,511	1.1
BM&FBOVESPA SA	12,276	0.7
Banco Santander-Chile	11,971	1.0
Ayala Land, Inc.	11,600	0.9
Bangkok Bank Public Co. Ltd.	11,070	0.8
BDO Unibank, Inc.	10,733	0.9
TAL Education Group	10,210	1.6
Motherson Sumi Systems Ltd	10,031	1.0
Sunny Optical Technology Group	9,836	0.7
Shenzhou International Group Holdings Ltd.	9,768	0.9
Global Logistic Properties Ltd.	9,758	1.3
PT Bank Negara Indonesia (Persero) Tbk	9,235	0.9
Catcher Technology Co., Ltd.	9,206	1.1
Sociedad Química y Minera de Chile SA	9,135	0.8
YPF S.A.	8,614	1.5
Yandex N.V.	$8,485	1.3%
Techtronic Industries Co. Ltd.	8,430	0.8
Far EasTone Telecommunications Co., Ltd.	8,302	1.0
Infraestructura Energetica Nova S.A.B. de C.V.	8,178	1.3
China Mengniu Dairy Co. Ltd.	7,694	1.1
Bid Corporation Ltd.	7,671	1.3
Zee Entertainment Enterprises Ltd.	7,301	0.7
Kroton Educacional SA	7,299	1.0
Momo Inc.	7,287	0.6
Britannia Industries Ltd	6,852	0.5
Sino Biopharmaceutical Ltd.	6,551	1.2
Banco Macro S.A.	6,174	0.9
Bank of Baroda	5,762	0.1
GRUMA, S.A.B. de C.V.	5,644	0.7
Sun TV Network Ltd.	4,978	1.0
Copa Holdings, S.A.	4,920	1.5
Grupo Lala, S.A.B. de C.V.	4,535	0.6
Bidvest Group Ltd.	4,040	0.7
Metro Pacific Investments Corp.	3,990	0.5
China Everbright Ltd.	3,670	0.7
Man Wah Holdings Ltd.	3,442	0.9
Eclat Textile Co., Ltd.	3,281	0.5
Tata Communications Limited	3,187	1.0
PT Sarana Menara Nusantara Tbk.	2,902	0.3
Exide Industries Ltd.	2,900	1.0
Life Healthcare Group Holdings Limited	2,860	0.4
Tullow Oil plc	2,715	0.5
Divi's Laboratories Ltd.	2,658	0.6
Max Financial Services Limited	2,610	0.8
Edelweiss Financial Services Limited	2,503	0.7
Novatek Microelectronics Corp.	2,461	0.8
PT Tower Bersama Infrastructure, Tbk.	2,312	0.8
Smiles SA	2,257	1.4
Amara Raja Batteries Limited	2,219	0.7
Bitauto Holdings Limited	2,033	0.9
Multiplus SA	1,902	0.4
MyEG Services Berhad	1,840	1.0
TOTVS SA	1,508	0.7
JM Financial Limited	1,444	0.7
Kingdee International Software Group Co. Ltd.	1,212	0.6
PVR Ltd.	1,019	0.6
Makalot Industrial Co., Ltd.	1,001	0.4
TerraForm Global, Inc.	879	0.3
Multi Commodity Exchange of India Ltd.	859	0.5
Ginko International Co., Ltd.	709	0.5
Manpasand Beverages Ltd.	697	0.7
DEN Networks Ltd.	234	0.0
Lekoil, Ltd.	113	0.2
		91.1%

Baron Energy and Resources Fund

Baron Energy and Resources Fund is a diversified fund that invests 80% of its net assets in equity securities of U.S. and non-U.S. energy and resources companies and related companies of any size.

Company	Equity Market Cap (in millions)	% of Net Assets
Schlumberger Limited	$91,483	1.5%
Tesla, Inc.	59,398	6.7
EOG Resources, Inc.	52,254	2.5
Halliburton Co.	37,067	3.8
Valero Energy Corporation	30,170	1.2
Pioneer Natural Resources Company	27,144	1.5
Anadarko Petroleum Corporation	25,406	1.2
Energy Transfer Equity, L.P.	19,382	2.9
Concho Resources, Inc.	18,038	6.5
Tesoro Corporation	14,971	2.7
TechnipFMC plc	12,691	1.9
MPLX LP	12,650	1.4
Targa Resources Corp.	9,740	2.5
Parsley Energy, Inc.	8,723	6.3
Encana Corp.	8,562	3.8
Infraestructura Energetica Nova S.A.B. de C.V.	8,178	1.6
Antero Resources Corporation	6,817	1.9
Newfield Exploration Co.	5,669	3.7
Rice Energy Inc.	5,498	3.1
RSP Permian, Inc.	5,118	5.7
Energen Corporation	$4,798	1.7%
Core Laboratories N.V.	4,474	1.4
Aspen Technology, Inc.	4,117	2.6
WPX Energy, Inc.	3,841	2.3
Valero Energy Partners LP	3,111	2.0
U.S. Silica Holdings, Inc.	2,879	2.1
Nabors Industries Ltd.	2,326	1.0
Golar LNG Ltd.	2,249	3.5
SemGroup Corporation	1,789	1.7
Keane Group, Inc.	1,650	0.6
Forum Energy Technologies, Inc.	1,506	1.1
Noble Midstream Partners LP	1,444	2.4
NCS Multistage Holdings, Inc.	1,097	1.8
TPI Composites, Inc.	624	1.9
Flotek Industries, Inc.	512	4.1
Smart Sand, Inc.	359	0.8
Sanchez Midstream Partners LP	184	2.1
Jones Energy, Inc.	153	0.9
Lekoil, Ltd.	113	0.7
		97.1%

Baron Global Advantage Fund

Baron Global Advantage Fund is a diversified fund that invests primarily in established and emerging markets companies located throughout the world with capitalization within the range of companies included in the MSCI ACWI Growth Index Net.

Company	Equity Market Cap (in millions)	% of Net Assets
Alphabet Inc.	$635,342	4.3%
Amazon.com, Inc.	462,680	6.3
Facebook, Inc.	437,602	4.1
Alibaba Group Holding Limited	360,867	8.9
Taiwan Semiconductor Manufacturing Company Ltd.	181,305	1.4
The Priceline Group, Inc.	91,922	1.6
Naspers Limited	85,396	4.1
HDFC Bank Ltd.	74,617	1.3
Baidu, Inc.	62,152	1.3
Tesla, Inc.	59,398	1.3
ASML Holding N.V.	57,232	2.0
JD.com, Inc.	56,020	2.2
Housing Development Finance Corporation Limited	39,798	2.2
FANUC Corp.	39,288	1.6
Kotak Mahindra Bank Ltd.	28,142	1.6
Ctrip.com International, Ltd.	27,643	3.6
Illumina, Inc.	25,334	2.0
Expedia, Inc.	22,484	2.6
Snap, Inc.	20,953	0.5
Check Point Software Technologies Ltd.	17,828	1.0
First Republic Bank	15,727	1.5
Mobileye N.V.	13,926	2.1
Constellation Software, Inc.	11,085	2.8
CBOE Holdings, Inc.	10,241	1.2
TAL Education Group	$10,210	3.1%
Veeva Systems Inc.	8,568	1.0
Splunk, Inc.	7,872	1.0
Take-Two Interactive Software, Inc.	7,620	1.0
JUST EAT plc	5,797	1.7
EPAM Systems, Inc.	4,359	3.2
Wix.com Ltd.	3,121	1.0
Sage Therapeutics, Inc.	2,974	0.9
FireEye, Inc.	2,713	2.4
Okta, Inc.	2,173	0.9
Mellanox Technologies Ltd.	2,152	2.5
Cloudera, Inc.	2,101	0.5
Acxiom Corporation	2,055	2.2
Luxoft Holding, Inc.	2,018	0.9
Pacira Pharmaceuticals, Inc.	1,913	1.1
Aerie Pharmaceuticals, Inc.	1,907	1.0
BlackLine, Inc.	1,833	0.6
Globant, S.A.	1,515	1.5
JM Financial Limited	1,444	1.3
Glaukos Corporation	1,422	1.4
Yext, Inc.	1,200	1.0
Benefitfocus, Inc.	1,128	0.5
Varonis Systems, Inc.	1,013	1.8
Netshoes Cayman Limited	590	0.7
		94.7%

Baron Discovery Fund

Baron Discovery Fund invests in small sized growth companies with market capitalizations up to the weighted median market capitalization of the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $1.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
Liberty Media Corporation – Liberty Formula One	$7,826	1.2%
JUST EAT plc	5,797	2.0
Coherent, Inc.	5,540	0.7
MACOM Technology Solutions Holdings, Inc.	3,560	4.1
Liberty Expedia Holdings, Inc.	3,087	2.4
Sage Therapeutics, Inc.	2,974	0.9
Dominion Energy Midstream Partners, LP	2,863	0.6
Red Rock Resorts, Inc.	2,733	2.3
Nevro Corp.	2,181	0.8
Okta, Inc.	2,173	0.3
Cloudera, Inc.	2,101	0.3
SiteOne Landscape Supply, Inc.	2,067	1.7
Acxiom Corporation	2,055	1.4
The Trade Desk	2,021	2.7
Mercury Systems, Inc.	2,020	2.6
Inogen, Inc.	1,964	1.1
Pacira Pharmaceuticals, Inc.	1,913	1.5
Teladoc, Inc.	1,899	2.9
Domino's Pizza Group plc	1,883	0.7
Party City Holdco Inc.	1,871	1.4
TrueCar, Inc.	1,851	1.3
Rexford Industrial Realty, Inc.	1,830	1.3
Myriad Genetics, Inc.	1,760	2.7
Envestnet, Inc.	1,736	1.7
MSG Networks Inc.	1,686	1.4
The Spectranetics Corporation	1,681	2.0
Ambarella, Inc.	1,629	0.8
ESCO Technologies, Inc.	1,541	0.7
Qualys, Inc.	1,511	3.2
Bob Evans Farms, Inc.	1,431	2.0
Glaukos Corporation	1,422	2.3

Company	Equity Market Cap (in millions)	% of Net Assets
Foundation Medicine, Inc.	$1,417	1.8%
General Communication, Inc.	1,319	3.1
Novanta Inc.	1,244	2.9
MINDBODY, Inc.	1,234	0.3
Yext, Inc.	1,200	1.2
Sun Hydraulics Corporation	1,154	1.0
Pinnacle Entertainment, Inc.	1,134	1.7
TherapeuticsMD, Inc.	1,075	2.2
Tile Shop Holdings, Inc.	1,071	0.6
Quotient Technology Inc.	1,039	1.1
Varonis Systems, Inc.	1,013	2.0
Impinj, Inc.	1,004	1.2
Wingstop Inc.	895	1.7
Kinsale Capital Group, Inc.	782	1.3
CommerceHub, Inc.	752	1.2
Kornit Digital Ltd.	650	1.6
Flexion Therapeutics Inc.	645	2.1
TPI Composites, Inc.	624	2.1
QAD Inc.	593	1.2
Flotek Industries, Inc.	512	0.9
Ichor Holdings, Ltd.	500	1.1
The KEYW Holding Corporation	463	2.1
Chuy's Holdings, Inc.	396	0.4
Adamas Pharmaceuticals, Inc.	391	0.9
Cerus Corporation	261	0.7
Everspin Technologies, Inc.	250	2.0
Amber Road, Inc.	232	0.8
Sientra, Inc.	186	2.2
Jones Energy, Inc.	153	0.2
Barfresh Food Group, Inc.	94	0.3
		92.9%

Baron Asset Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (98.38%)			
Consumer Discretionary (12.37%)			
	Automotive Retail (0.74%)		
339,000	CarMax, Inc.[1]	$ 3,852,557	$ 21,377,340
	Hotels, Resorts & Cruise Lines (2.14%)		
525,400	Choice Hotels International, Inc.	2,254,244	33,756,950
500,000	Hyatt Hotels Corp., Cl A[1]	13,523,436	28,105,000
		15,777,680	61,861,950
	Internet & Direct Marketing Retail (3.60%)		
297,000	Expedia, Inc.	36,853,480	44,238,150
32,000	The Priceline Group, Inc.[1]	5,125,131	59,856,640
		41,978,611	104,094,790
	Leisure Facilities (5.08%)		
725,000	Vail Resorts, Inc.	14,063,109	147,051,750
	Specialty Stores (0.81%)		
250,000	Tiffany & Co.	7,708,110	23,467,500
Total Consumer Discretionary		83,380,067	357,853,330
Energy (0.45%)			
	Oil & Gas Exploration & Production (0.45%)		
107,500	Concho Resources, Inc.[1]	4,595,625	13,064,475
Financials (16.51%)			
	Asset Management & Custody Banks (0.64%)		
250,000	T. Rowe Price Group, Inc.	6,031,231	18,552,500
	Financial Exchanges & Data (4.09%)		
435,000	FactSet Research Systems, Inc.	23,564,473	72,288,300
230,000	MarketAxess Holdings, Inc.	25,489,330	46,253,000
		49,053,803	118,541,300
	Insurance Brokers (2.39%)		
475,000	Willis Towers Watson plc[2]	58,514,776	69,093,500
	Investment Banking & Brokerage (3.64%)		
2,450,000	The Charles Schwab Corp.	2,351,369	105,252,000
	Property & Casualty Insurance (4.11%)		
1,275,000	Arch Capital Group Ltd.[1,2]	13,874,064	118,944,750
	Regional Banks (1.64%)		
475,000	First Republic Bank	15,197,602	47,547,500
Total Financials		145,022,845	477,931,550
Health Care (22.89%)			
	Health Care Distributors (2.13%)		
337,000	Henry Schein, Inc.[1]	9,010,382	61,677,740
	Health Care Equipment (7.04%)		
1,121,000	IDEXX Laboratories, Inc.[1]	21,172,869	180,951,820
110,000	Teleflex, Inc.	17,089,386	22,853,600
		38,262,255	203,805,420
	Health Care Facilities (0.61%)		
143,000	Universal Health Services, Inc., Cl B	8,105,152	17,457,440

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Health Care Supplies (4.37%)		
76,000	Align Technology, Inc.[1]	$ 11,499,267	$ 11,409,120
240,000	The Cooper Companies, Inc.	30,555,224	57,460,800
610,000	West Pharmaceutical Services, Inc.	26,714,894	57,657,200
		68,769,385	126,527,120
	Life Sciences Tools & Services (8.74%)		
380,000	Bio-Techne Corporation	36,982,041	44,650,000
352,000	Illumina, Inc.[1]	15,181,108	61,079,040
250,000	Mettler-Toledo International, Inc.[1]	15,496,167	147,135,000
		67,659,316	252,864,040
Total Health Care		191,806,490	662,331,760
Industrials (15.49%)			
	Aerospace & Defense (0.70%)		
416,000	BWX Technologies, Inc.	20,035,284	20,280,000
	Building Products (0.71%)		
365,000	AO Smith Corp.	18,441,692	20,560,450
	Construction Machinery & Heavy Trucks (1.99%)		
90,000	WABCO Holdings, Inc.[1]	10,455,704	11,475,900
505,000	Westinghouse Air Brake Technologies Corporation	33,676,456	46,207,500
		44,132,160	57,683,400
	Electrical Components & Equipment (0.67%)		
95,000	Acuity Brands, Inc.	19,770,549	19,311,600
	Environmental & Facilities Services (0.82%)		
581,087	Rollins, Inc.	16,726,224	23,656,052
	Industrial Conglomerates (1.92%)		
240,000	Roper Technologies, Inc.	20,050,485	55,567,200
	Industrial Machinery (2.60%)		
430,000	IDEX Corporation	31,397,849	48,594,300
220,000	The Middleby Corp.[1]	10,736,494	26,732,200
		42,134,343	75,326,500
	Research & Consulting Services (5.67%)		
740,000	Nielsen Holdings PLC[2]	17,543,971	28,608,400
597,833	TransUnion[1]	24,276,918	25,892,147
1,300,000	Verisk Analytics, Inc.[1]	33,418,943	109,681,000
		75,239,832	164,181,547
	Trading Companies & Distributors (0.41%)		
270,000	Fastenal Co.	4,495,179	11,753,100
Total Industrials		261,025,748	448,319,849
Information Technology (22.89%)			
	Application Software (6.66%)		
550,000	ANSYS, Inc.[1]	14,771,001	66,924,000
1,220,000	Guidewire Software, Inc.[1]	58,902,936	83,826,200
919,000	SS&C Technologies Holdings, Inc.	25,120,157	35,298,790
32,000	The Ultimate Software Group, Inc.[1]	6,098,077	6,721,920
		104,892,171	192,770,910

Baron Asset Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Data Processing & Outsourced Services (3.51%)		
206,000	FleetCor Technologies, Inc.[1]	$ 7,476,912	$ 29,707,260
400,000	MAXIMUS, Inc.	20,233,990	25,052,000
740,000	Vantiv, Inc., Cl A[1]	40,255,110	46,871,600
		67,966,012	101,630,860
	Internet Software & Services (5.41%)		
200,000	CoStar Group, Inc.[1]	34,528,695	52,720,000
650,000	Verisign, Inc.[1]	31,889,164	60,424,000
270,872	Zillow Group, Inc., Cl A[1]	7,666,898	13,229,388
614,000	Zillow Group, Inc., Cl C[1]	15,676,412	30,092,140
		89,761,169	156,465,528
	IT Consulting & Other Services (6.62%)		
1,550,000	Gartner, Inc.[1]	33,739,350	191,440,500
	Technology Distributors (0.69%)		
321,000	CDW Corp.	19,649,810	20,072,130
Total Information Technology		316,008,512	662,379,928
Real Estate (7.78%)			
	Office REITs (0.88%)		
60,000	Alexander's, Inc.[3]	2,675,243	25,287,600
	Real Estate Services (2.01%)		
1,600,000	CBRE Group, Inc., Cl A[1]	19,628,157	58,240,000
	Specialized REITs (4.89%)		
144,505	Equinix, Inc.	9,802,123	62,015,766
590,000	SBA Communications Corp.[1]	16,542,706	79,591,000
		26,344,829	141,606,766
Total Real Estate		48,648,229	225,134,366
TOTAL COMMON STOCKS		**1,050,487,516**	**2,847,015,258**
Private Equity Investments (0.11%)			
Financials (0.11%)			
	Asset Management & Custody Banks (0.11%)		
7,056,223	Windy City Investments Holdings, L.L.C.[1,3,4]	**0**	**3,274,087**

Principal Amount		Cost	Value
Short Term Investments (1.46%)			
$42,272,142	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $42,272,564; (Fully collateralized by $42,830,000 U.S. Treasury Note, 2.25% due 2/15/2027; Market value - $43,117,818)	**$ 42,272,142**	**$ 42,272,142**
TOTAL INVESTMENTS (99.95%)		**$1,092,759,658**	**2,892,561,487**
CASH AND OTHER ASSETS LESS LIABILITIES (0.05%)			**1,539,190**
NET ASSETS			**$2,894,100,677**
RETAIL SHARES (Equivalent to $68.60 per share based on 28,336,006 shares outstanding)			**$1,943,812,680**
INSTITUTIONAL SHARES (Equivalent to $70.68 per share based on 13,286,987 shares outstanding)			**$ 939,168,669**
R6 SHARES (Equivalent to $70.67 per share based on 157,338 shares outstanding)			**$ 11,119,328**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
4 At June 30, 2017, the market value of restricted and fair valued securities amounted to $3,274,087 or 0.11% of net assets. This security is not deemed liquid.

Baron Growth Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (94.82%)			
Consumer Discretionary (24.00%)			
	Apparel, Accessories & Luxury Goods (2.05%)		
3,475,000	Under Armour, Inc., Cl A[1]	$ 13,912,447	$ 75,616,000
2,450,000	Under Armour, Inc., Cl C[1]	8,970,548	49,392,000
		22,882,995	125,008,000
	Automotive Retail (0.13%)		
250,000	Camping World Holdings, Inc., Cl A	6,983,730	7,712,500
	Casinos & Gaming (3.48%)		
525,000	Boyd Gaming Corp.	13,239,485	13,025,250
4,155,000	Penn National Gaming, Inc.[1]	36,915,622	88,917,000
2,650,000	Pinnacle Entertainment, Inc.[1]	29,950,651	52,364,000
2,470,582	Red Rock Resorts, Inc., Cl A	51,132,562	58,182,206
		131,238,320	212,488,456
	Education Services (2.44%)		
1,925,000	Bright Horizons Family Solutions, Inc.[1]	62,442,112	148,629,250
	Hotels, Resorts & Cruise Lines (6.26%)		
3,007,500	Choice Hotels International, Inc.[4]	73,061,456	193,231,875
1,600,000	Marriott Vacations Worldwide Corp.[4]	87,504,361	188,400,000
		160,565,817	381,631,875
	Internet & Direct Marketing Retail (0.17%)		
6,966,727	AO World plc (United Kingdom)[1,2]	15,597,002	10,548,305
	Leisure Facilities (7.50%)		
900,000	ClubCorp Holdings, Inc.	15,420,591	11,790,000
2,196,993	Vail Resorts, Inc.[4]	80,228,702	445,616,090
		95,649,293	457,406,090
	Movies & Entertainment (1.45%)		
5,450,018	Manchester United plc, Cl A[2]	77,159,985	88,562,793
	Specialty Stores (0.52%)		
799,223	Dick's Sporting Goods, Inc.	12,230,119	31,833,052
Total Consumer Discretionary		584,749,373	1,463,820,321
Consumer Staples (2.76%)			
	Food Distributors (0.49%)		
1,100,000	Performance Food Group Co.[1]	20,900,000	30,140,000
	Food Retail (0.25%)		
1,700,000	Smart & Final Stores, Inc.[1]	28,520,013	15,470,000
	Household Products (1.28%)		
1,500,000	Church & Dwight Co., Inc.	13,605,477	77,820,000
	Packaged Foods & Meats (0.74%)		
550,000	TreeHouse Foods, Inc.[1]	18,480,360	44,929,500
Total Consumer Staples		81,505,850	168,359,500
Financials (22.09%)			
	Asset Management & Custody Banks (4.28%)		
1,500,000	The Carlyle Group	32,844,319	29,625,000
2,000,000	Cohen & Steers, Inc.	49,208,575	81,080,000
2,250,000	Financial Engines, Inc.	63,928,705	82,350,000
1,455,195	Oaktree Capital Group, LLC	65,648,565	67,812,087
		211,630,164	260,867,087
Common Stocks (continued)			
Financials (continued)			
	Financial Exchanges & Data (8.32%)		
1,350,000	FactSet Research Systems, Inc.	$ 67,699,227	$ 224,343,000
1,180,000	Morningstar, Inc.	29,712,536	92,441,200
1,850,000	MSCI, Inc.	35,414,266	190,531,500
		132,826,029	507,315,700
	Investment Banking & Brokerage (0.49%)		
775,000	Moelis & Co., Cl A	22,607,788	30,108,750
	Life & Health Insurance (2.52%)		
2,030,000	Primerica, Inc.	43,907,721	153,772,500
	Property & Casualty Insurance (6.24%)		
3,750,000	Arch Capital Group Ltd.[1,2]	36,285,036	349,837,500
832,235	Kinsale Capital Group, Inc.	26,934,140	31,050,688
		63,219,176	380,888,188
	Thrifts & Mortgage Finance (0.24%)		
400,000	Essent Group, Ltd.[1,2]	9,483,065	14,856,000
Total Financials		483,673,943	1,347,808,225
Health Care (9.13%)			
	Health Care Equipment (4.09%)		
600,000	Glaukos Corporation[1]	22,490,363	24,882,000
1,390,000	IDEXX Laboratories, Inc.[1]	21,181,421	224,373,800
		43,671,784	249,255,800
	Health Care Supplies (1.65%)		
365,038	Neogen Corp.[1]	8,075,677	25,227,776
800,000	West Pharmaceutical Services, Inc.	27,688,593	75,616,000
		35,764,270	100,843,776
	Health Care Technology (0.26%)		
100,000	Evolent Health, Inc.[1]	2,653,970	2,535,000
1,003,544	Inovalon Holdings, Inc., Cl A[1]	19,102,555	13,196,604
		21,756,525	15,731,604
	Life Sciences Tools & Services (3.13%)		
875,000	Bio-Techne Corporation	46,302,066	102,812,500
150,000	Mettler-Toledo International, Inc.[1]	6,877,057	88,281,000
		53,179,123	191,093,500
Total Health Care		154,371,702	556,924,680
Industrials (5.24%)			
	Building Products (3.23%)		
1,000,000	CaesarStone Ltd.[1,2]	13,745,322	35,050,000
1,360,000	Masonite International Corp.[1,2]	75,756,613	102,680,000
875,000	Trex Company, Inc.[1]	31,973,878	59,202,500
		121,475,813	196,932,500
	Industrial Machinery (1.40%)		
700,000	The Middleby Corp.[1]	19,591,732	85,057,000
	Trading Companies & Distributors (0.61%)		
1,000,000	Air Lease Corp.	23,203,508	37,360,000
Total Industrials		164,271,053	319,349,500

Baron Growth Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (21.95%)			
	Application Software (8.52%)		
1,600,000	ANSYS, Inc.[1]	$ 37,902,179	$ 194,688,000
1,190,000	Guidewire Software, Inc.[1]	38,711,926	81,764,900
1,000,000	Pegasystems, Inc.	13,997,009	58,350,000
4,825,000	SS&C Technologies Holdings, Inc.	39,398,777	185,328,250
		130,009,891	520,131,150
	Data Processing & Outsourced Services (2.08%)		
2,025,000	MAXIMUS, Inc.	37,797,603	126,825,750
	Electronic Components (0.76%)		
280,000	Littelfuse, Inc.	31,472,950	46,200,000
	Internet Software & Services (5.79%)		
2,324,374	Benefitfocus, Inc.[1,4]	86,529,482	84,490,995
975,000	CoStar Group, Inc.[1]	42,637,436	257,010,000
166,672	Wix.com Ltd.[1,2]	8,319,610	11,600,371
		137,486,528	353,101,366
	IT Consulting & Other Services (4.80%)		
2,370,000	Gartner, Inc.[1]	36,432,291	292,718,700
Total Information Technology		373,199,263	1,338,976,966
Real Estate (8.29%)			
	Diversified REITs (0.30%)		
460,135	American Assets Trust, Inc.	8,503,418	18,124,718
	Office REITs (3.18%)		
120,000	Alexander's, Inc.[5]	22,426,316	50,575,200
3,750,000	Douglas Emmett, Inc.	50,560,518	143,287,500
		72,986,834	193,862,700
	Specialized REITs (4.81%)		
750,000	Alexandria Real Estate Equities, Inc.[5]	27,827,790	90,352,500
5,400,000	Gaming and Leisure Properties, Inc.	119,506,198	203,418,000
		147,333,988	293,770,500
Total Real Estate		228,824,240	505,757,918
Telecommunication Services (1.36%)			
	Alternative Carriers (1.36%)		
7,493,437	Iridium Communications, Inc.[1,4]	45,709,971	82,802,479
TOTAL COMMON STOCKS		**2,116,305,395**	**5,783,799,589**
Preferred Stocks (0.26%)			
Telecommunication Services (0.26%)			
	Alternative Carriers (0.26%)		
41,074	Iridium Communications, Inc., Series B, 6.75%[1,4]	**10,268,500**	**15,837,724**
Private Equity Investments (0.02%)			
Financials (0.02%)			
	Asset Management & Custody Banks (0.02%)		
2,375,173	Windy City Investments Holdings, L.L.C.[1,3,5]	**0**	**1,102,080**

Principal Amount		Cost	Value
Short Term Investments (4.79%)			
$292,483,559	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $292,486,484; (Fully collateralized by $170,835,000 U.S. Treasury Note, 2.00% due 11/15/2026; Market value - $167,498,422 and $129,965,000 U.S. Treasury Note, 2.25% due 2/15/2027; Market value - $130,838,365)	**$ 292,483,559**	**$ 292,483,559**
TOTAL INVESTMENTS (99.89%)		**$2,419,057,454**	**6,093,222,952**
CASH AND OTHER ASSETS LESS LIABILITIES (0.11%)			**6,851,482**
NET ASSETS			**$6,100,074,434**
RETAIL SHARES (Equivalent to $69.57 per share based on 39,562,977 shares outstanding)			**$2,752,564,099**
INSTITUTIONAL SHARES (Equivalent to $71.22 per share based on 46,958,291 shares outstanding)			**$3,344,290,305**
R6 SHARES (Equivalent to $71.23 per share based on 45,208 shares outstanding)			**$ 3,220,030**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At June 30, 2017, the market value of restricted and fair valued securities amounted to $1,102,080 or 0.02% of net assets. This security is not deemed liquid.
4 An "Affiliated" investment may include any company in which the Fund owns 5% or more of its outstanding shares.
5 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron Small Cap Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (98.29%)			
Consumer Discretionary (17.76%)			
	Advertising (0.63%)		
1,000,000	Emerald Expositions Events, Inc.	$ 17,555,386	$ 21,900,000
	Automotive Retail (1.55%)		
1,750,000	Camping World Holdings, Inc., Cl A	43,901,169	53,987,500
	Cable & Satellite (2.96%)		
100,000	Liberty Broadband Corporation, Cl A[1]	404,823	8,579,000
300,000	Liberty Broadband Corporation, Cl C[1]	1,184,602	26,025,000
1,100,000	Liberty SiriusXM Group, Cl C[1]	2,399,373	45,870,000
1,000,000	MSG Networks, Inc., Cl A[1]	7,003,117	22,450,000
		10,991,915	102,924,000
	Casinos & Gaming (1.22%)		
1,800,000	Red Rock Resorts, Inc., Cl A	36,563,523	42,390,000
	Education Services (4.08%)		
1,500,000	Bright Horizons Family Solutions, Inc.[1]	48,547,800	115,815,000
800,000	Nord Anglia Education, Inc.[1,2]	12,879,083	26,056,000
		61,426,883	141,871,000
	Home Improvement Retail (0.13%)		
110,365	Floor & Decor Holdings, Inc., Cl A[1]	2,317,665	4,332,930
	Internet & Direct Marketing Retail (1.32%)		
850,000	Liberty Expedia Holdings, Inc., Cl A[1]	36,289,832	45,917,000
	Movies & Entertainment (2.21%)		
750,000	Liberty Media Corporation-Liberty Formula One, Cl C[1]	10,168,679	27,465,000
250,000	The Madison Square Garden Company, Cl A[1]	13,336,230	49,225,000
		23,504,909	76,690,000
	Restaurants (2.65%)		
500,000	BJ's Restaurants, Inc.[1]	16,384,828	18,625,000
650,000	The Cheesecake Factory, Inc.	16,907,688	32,695,000
850,000	Wingstop Inc.[1]	20,620,955	26,265,000
1,200,000	Zoe's Kitchen, Inc.[1,3]	28,425,115	14,292,000
		82,338,586	91,877,000
	Specialty Stores (1.01%)		
2,250,000	Party City Holdco, Inc.[1]	32,984,775	35,212,500
Total Consumer Discretionary		347,874,643	617,101,930
Consumer Staples (0.56%)			
	Food Distributors (0.56%)		
1,500,000	The Chefs' Warehouse, Inc.[1,3]	22,433,215	19,500,000
Energy (2.05%)			
	Oil & Gas Storage & Transportation (2.05%)		
400,000	Dominion Energy Midstream Partners, L.P. (formerly, Dominion Midstream Partners, L.P.)	8,400,000	11,540,000
800,000	PBF Logistics LP	20,465,744	15,600,000
2,500,000	Scorpio Tankers Inc.[2]	20,750,000	9,925,000
745,500	Valero Energy Partners LP	20,810,301	34,024,620
Total Energy		70,426,045	71,089,620

Shares		Cost	Value
Common Stocks (continued)			
Financials (2.42%)			
	Asset Management & Custody Banks (1.05%)		
1,000,000	Financial Engines, Inc.	$ 14,907,587	$ 36,600,000
	Financial Exchanges & Data (0.53%)		
200,000	CBOE Holdings, Inc.	15,498,427	18,280,000
	Investment Banking & Brokerage (0.84%)		
750,000	Moelis & Co., Cl A	18,642,401	29,137,500
Total Financials		49,048,415	84,017,500
Health Care (16.96%)			
	Biotechnology (0.55%)		
1,500,000	Abcam plc (United Kingdom)[2]	14,075,553	19,019,021
	Health Care Equipment (5.97%)		
500,000	Cantel Medical Corp.	20,804,109	38,955,000
650,000	DexCom, Inc.[1]	8,701,106	47,547,500
750,000	IDEXX Laboratories, Inc.[1]	11,724,552	121,065,000
		41,229,767	207,567,500
	Health Care Supplies (1.38%)		
1,250,000	The Spectranetics Corporation[1]	33,281,895	48,000,000
	Life Sciences Tools & Services (7.41%)		
775,000	ICON plc[1,2]	22,033,569	75,787,250
500,000	INC Research Holdings, Inc., Cl A[1]	9,250,000	29,250,000
140,000	Mettler-Toledo International, Inc.[1]	7,249,198	82,395,600
67,902	Patheon N.V.[1,2]	1,641,602	2,368,422
900,000	PRA Health Sciences, Inc.[1]	16,553,917	67,509,000
		56,728,286	257,310,272
	Managed Health Care (1.65%)		
1,150,000	HealthEquity, Inc.[1]	19,890,974	57,304,500
Total Health Care		165,206,475	589,201,293
Industrials (22.79%)			
	Aerospace & Defense (5.80%)		
750,000	DigitalGlobe, Inc.[1]	21,329,051	24,975,000
1,000,000	Mercury Systems, Inc.[1]	26,116,728	42,090,000
500,000	TransDigm Group, Inc.[1]	76,351	134,435,000
		47,522,130	201,500,000
	Construction Machinery & Heavy Trucks (0.60%)		
750,000	REV Group, Inc.	16,959,272	20,760,000
	Diversified Support Services (0.24%)		
175,000	Healthcare Services Group, Inc.	5,146,627	8,195,250
	Electrical Components & Equipment (2.63%)		
450,000	Acuity Brands, Inc.	22,758,773	91,476,000
	Environmental & Facilities Services (3.75%)		
2,025,000	Waste Connections, Inc.[2]	88,425,000	130,450,500
	Human Resource & Employment Services (2.73%)		
1,750,000	On Assignment, Inc.[1]	41,063,515	94,762,500

Baron Small Cap Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Industrials (continued)			
	Industrial Machinery (3.71%)		
400,000	John Bean Technologies Corp.	$ 34,025,097	$ 39,200,000
250,000	Nordson Corp.	6,938,012	30,330,000
325,000	RBC Bearings, Incorporated[1]	20,780,422	33,072,000
1,400,000	Welbilt, Inc.[1]	23,278,555	26,390,000
		85,022,086	128,992,000
	Trading Companies & Distributors (3.33%)		
1,200,000	SiteOne Landscape Supply, Inc.[1]	32,619,256	62,472,000
1,825,000	Univar, Inc.[1]	37,398,551	53,290,000
		70,017,807	115,762,000
Total Industrials		376,915,210	791,898,250
Information Technology (26.30%)			
	Application Software (8.47%)		
1,000,000	ACI Worldwide, Inc.[1]	11,814,864	22,370,000
850,000	Aspen Technology, Inc.[1]	31,990,281	46,971,000
4,021,000	Cision Ltd. (formerly, Capitol Acquisition Holding Co.)[1,2,4]	41,828,838	41,376,090
1,600,000	Guidewire Software, Inc.[1]	45,300,514	109,936,000
350,000	The Ultimate Software Group, Inc.[1]	5,741,550	73,521,000
		136,676,047	294,174,090
	Data Processing & Outsourced Services (3.01%)		
400,000	FleetCor Technologies, Inc.[1]	9,414,050	57,684,000
450,000	WEX, Inc.[1]	18,982,530	46,921,500
		28,396,580	104,605,500
	Electronic Equipment & Instruments (2.44%)		
1,000,000	Cognex Corp.	17,347,926	84,900,000
	Internet Software & Services (3.73%)		
500,000	2U, Inc.[1]	22,139,474	23,460,000
1,350,000	GTT Communications, Inc.[1]	41,237,459	42,727,500
400,000	The Trade Desk, Inc., Cl A[1]	14,200,000	20,044,000
450,000	Wix.com Ltd.[1,2]	25,924,445	31,320,000
900,000	Yext, Inc.[1]	11,641,888	11,997,000
		115,143,266	129,548,500
	IT Consulting & Other Services (6.25%)		
1,700,000	Acxiom Corp.[1]	38,602,270	44,166,000
1,400,000	Gartner, Inc.[1]	23,400,287	172,914,000
		62,002,557	217,080,000
	Systems Software (0.70%)		
600,000	Qualys, Inc.[1]	21,455,294	24,480,000
	Technology Hardware, Storage & Peripherals (1.70%)		
1,250,000	Electronics For Imaging, Inc.[1]	53,031,020	59,225,000
Total Information Technology		434,052,690	914,013,090
Materials (4.08%)			
	Commodity Chemicals (0.25%)		
350,000	Westlake Chemical Partners LP	8,402,456	8,662,500
	Construction Materials (1.87%)		
2,250,000	Summit Materials, Inc., Cl A[1]	45,576,840	64,957,500
	Metal & Glass Containers (1.31%)		
800,000	Berry Global Group, Inc. (formerly, Berry Plastics Group, Inc.)[1]	12,652,147	45,608,000
	Specialty Chemicals (0.65%)		
2,515,814	Flotek Industries, Inc.[1]	42,116,765	22,491,377
Total Materials		108,748,208	141,719,377
Common Stocks (continued)			
Real Estate (4.75%)			
	Office REITs (0.31%)		
100,000	SL Green Realty Corp.	$ 2,127,325	$ 10,580,000
	Real Estate Services (0.52%)		
500,000	CBRE Group, Inc., Cl A[1]	2,180,507	18,200,000
	Specialized REITs (3.92%)		
1,200,000	Gaming and Leisure Properties, Inc.	20,584,182	45,204,000
675,000	SBA Communications Corp.[1]	2,720,831	91,057,500
		23,305,013	136,261,500
Total Real Estate		27,612,845	165,041,500
Telecommunication Services (0.62%)			
	Wireless Telecommunication Services (0.62%)		
76,306,053	PT Sarana Menara Nusantara Tbk. (Indonesia)[2]	15,889,781	21,699,489
TOTAL COMMON STOCKS		**1,618,207,527**	**3,415,282,049**

Principal Amount		Cost	Value
Short Term Investments (1.78%)			
$62,025,499	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $62,026,120; (Fully collateralized by $62,845,000 U.S. Treasury Note, 2.25% due 2/15/2027; Market value - $63,267,318)	**62,025,499**	**62,025,499**
TOTAL INVESTMENTS (100.07%)		**$1,680,233,026**	**3,477,307,548**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.07%)			**(2,385,872)**
NET ASSETS			**$3,474,921,676**
RETAIL SHARES (Equivalent to $29.34 per share based on 59,041,047 shares outstanding)			**$1,732,213,008**
INSTITUTIONAL SHARES (Equivalent to $30.22 per share based on 54,810,472 shares outstanding)			**$1,656,409,623**
R6 SHARES (Equivalent to $30.21 per share based on 2,856,220 shares outstanding)			**$ 86,299,045**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 An "Affiliated" investment may include any company in which the Fund owns 5% or more of its outstanding shares.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron Opportunity Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (95.72%)			
Consumer Discretionary (20.53%)			
	Automobile Manufacturers (5.59%)		
40,000	Tesla, Inc.[1]	$ 8,209,677	$ 14,464,400
	Internet & Direct Marketing Retail (13.07%)		
17,375	Amazon.com, Inc.[1]	5,618,015	16,819,000
48,800	Expedia, Inc.	5,484,289	7,268,760
35,425	Netflix, Inc.[1]	1,250,190	5,292,849
2,385	The Priceline Group, Inc.[1]	377,932	4,461,190
		12,730,426	33,841,799
	Movies & Entertainment (1.87%)		
298,014	Manchester United plc, Cl A[2]	4,836,160	4,842,728
Total Consumer Discretionary		25,776,263	53,148,927
Energy (0.95%)			
	Oil & Gas Exploration & Production (0.95%)		
20,315	Concho Resources, Inc.[1]	1,832,910	2,468,882
Financials (3.30%)			
	Financial Exchanges & Data (1.43%)		
18,400	MarketAxess Holdings, Inc.	1,838,545	3,700,240
	Investment Banking & Brokerage (1.87%)		
112,600	The Charles Schwab Corp.	3,276,303	4,837,296
Total Financials		5,114,848	8,537,536
Health Care (10.25%)			
	Biotechnology (3.92%)		
40,800	Acceleron Pharma, Inc.[1]	1,297,591	1,239,912
4,700	Biogen, Inc.[1]	1,307,598	1,275,392
13,600	Clovis Oncology, Inc.[1]	1,285,556	1,273,368
9,600	Incyte Corp.[1]	1,282,052	1,208,736
48,600	Sage Therapeutics, Inc.[1]	1,536,111	3,870,504
9,100	TESARO, Inc.[1]	1,293,325	1,272,726
		8,002,233	10,140,638
	Health Care Equipment (4.41%)		
29,500	Edwards Lifesciences Corp.[1]	2,603,315	3,488,080
97,800	Glaukos Corporation[1]	3,220,314	4,055,766
4,145	Intuitive Surgical, Inc.[1]	2,735,646	3,877,108
		8,559,275	11,420,954
	Life Sciences Tools & Services (1.25%)		
18,615	Illumina, Inc.[1]	1,282,663	3,230,075
	Pharmaceuticals (0.67%)		
40,500	Supernus Pharmaceuticals, Inc.[1]	1,737,989	1,745,550
Total Health Care		19,582,160	26,537,217
Industrials (1.00%)			
	Research & Consulting Services (1.00%)		
30,690	Verisk Analytics, Inc.[1]	1,497,230	2,589,315

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (56.82%)			
	Application Software (10.89%)		
19,675	ANSYS, Inc.[1]	$ 404,723	$ 2,394,054
207,100	Guidewire Software, Inc.[1]	5,332,081	14,229,841
45,680	salesforce.com, Inc.[1]	2,658,650	3,955,888
42,500	Splunk, Inc.[1]	2,363,035	2,417,825
135,000	SS&C Technologies Holdings, Inc.	4,579,511	5,185,350
		15,338,000	28,182,958
	Data Processing & Outsourced Services (5.01%)		
49,200	MasterCard Incorporated, Cl A	4,071,905	5,975,340
74,500	Visa, Inc., Cl A	5,463,796	6,986,610
		9,535,701	12,961,950
	Home Entertainment Software (1.00%)		
24,500	Electronic Arts, Inc.[1]	2,177,214	2,590,140
	Internet Software & Services (23.54%)		
29,500	2U, Inc.[1]	1,300,092	1,384,140
42,000	Alibaba Group Holding Ltd., ADR[1,2]	2,953,721	5,917,800
11,850	Alphabet, Inc., Cl C[1]	7,767,693	10,768,450
197,714	Benefitfocus, Inc.[1]	7,315,343	7,186,904
42,233	CoStar Group, Inc.[1]	1,138,956	11,132,619
37,350	Facebook, Inc., Cl A[1]	2,501,678	5,639,103
147,800	Tencent Holdings Ltd. (Hong Kong)[2]	4,488,314	5,285,434
77,010	The Trade Desk, Inc., Cl A[1]	1,483,955	3,858,971
55,143	Wix.com Ltd.[1,2]	3,059,112	3,837,953
146,000	Yext, Inc.[1]	1,977,843	1,946,180
80,950	Zillow Group, Inc., Cl C[1]	1,808,633	3,967,360
		35,795,340	60,924,914
	IT Consulting & Other Services (8.65%)		
351,700	Acxiom Corp.[1]	6,024,060	9,137,166
107,387	Gartner, Inc.[1]	2,057,871	13,263,368
		8,081,931	22,400,534
	Semiconductors (1.15%)		
69,000	Mellanox Technologies Ltd.[1,2]	2,961,177	2,987,700
	Systems Software (6.58%)		
57,551	Cloudera, Inc.[1,3]	863,265	921,967
31,300	Proofpoint, Inc.[1]	2,524,109	2,717,779
36,800	Red Hat, Inc.[1]	1,615,504	3,523,600
59,900	ServiceNow, Inc.[1]	3,658,480	6,349,400
94,300	Varonis Systems, Inc.[1]	2,654,385	3,507,960
		11,315,743	17,020,706
Total Information Technology		85,205,106	147,068,902
Real Estate (2.87%)			
	Specialized REITs (2.87%)		
10,325	Equinix, Inc.	195,444	4,431,077
22,200	SBA Communications Corp.[1]	74,250	2,994,780
Total Real Estate		269,694	7,425,857
TOTAL COMMON STOCKS		**139,278,211**	**247,776,636**

Baron Opportunity Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (4.42%)			
$11,428,291	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $11,428,405; (Fully collateralized by $11,890,000 U.S. Treasury Note, 2.00% due 11/15/2026; Market value - $11,657,776)	$ 11,428,291	$ 11,428,291
TOTAL INVESTMENTS (100.14%)		$150,706,502	259,204,927
LIABILITIES LESS CASH AND OTHER ASSETS (-0.14%)			(374,749)
NET ASSETS			$258,830,178
RETAIL SHARES (Equivalent to $17.93 per share based on 11,518,032 shares outstanding)			$206,479,984
INSTITUTIONAL SHARES (Equivalent to $18.45 per share based on 2,785,332 shares outstanding)			$ 51,385,933
R6 SHARES (Equivalent to $18.46 per share based on 52,240 shares outstanding)			$ 964,261

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
[ADR] American Depositary Receipt.

Baron Partners Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (117.93%)			
Consumer Discretionary (47.69%)			
	Apparel, Accessories & Luxury Goods (3.61%)		
2,296,100	Under Armour, Inc., Cl A[1]	$ 59,740,975	$ 49,963,136
1,206,500	Under Armour, Inc., Cl C[1]	31,109,238	24,323,040
		90,850,213	74,286,176
	Automobile Manufacturers (19.49%)		
1,110,000	Tesla, Inc.[1]	236,819,490	401,387,100
	Hotels, Resorts & Cruise Lines (8.35%)		
2,600,000	Hyatt Hotels Corp., Cl A[1]	72,054,423	146,146,000
475,000	Norwegian Cruise Line Holdings Ltd.[1,2]	20,954,950	25,787,750
		93,009,373	171,933,750
	Internet & Direct Marketing Retail (2.90%)		
30,000	Amazon.com, Inc.[1]	28,423,718	29,040,000
20,357,182	AO World plc (United Kingdom)[1,2]	43,575,320	30,822,763
		71,999,038	59,862,763
	Leisure Facilities (9.12%)		
925,800	Vail Resorts, Inc.	27,801,851	187,780,014
	Movies & Entertainment (4.22%)		
5,350,000	Manchester United plc, Cl A[2]	91,115,472	86,937,500
Total Consumer Discretionary		611,595,437	982,187,303
Financials (25.69%)			
	Asset Management & Custody Banks (2.77%)		
2,890,000	The Carlyle Group	72,986,195	57,077,500
	Financial Exchanges & Data (6.21%)		
770,000	FactSet Research Systems, Inc.	50,187,585	127,958,600
	Investment Banking & Brokerage (5.84%)		
2,800,000	The Charles Schwab Corp.	42,170,098	120,288,000
	Property & Casualty Insurance (10.87%)		
2,400,000	Arch Capital Group Ltd.[1,2]	31,929,993	223,896,000
Total Financials		197,273,871	529,220,100
Health Care (8.23%)			
	Health Care Equipment (7.05%)		
900,000	IDEXX Laboratories, Inc.[1]	39,330,858	145,278,000
	Health Care Technology (1.18%)		
1,848,249	Inovalon Holdings, Inc., Cl A[1]	48,521,079	24,304,474
Total Health Care		87,851,937	169,582,474

Shares		Cost	Value
Common Stocks (continued)			
Industrials (4.30%)			
	Human Resource & Employment Services (1.40%)		
600,000	Robert Half International, Inc.	$ 22,621,725	$ 28,758,000
	Trading Companies & Distributors (2.90%)		
900,000	Air Lease Corp.	28,439,408	33,624,000
600,000	Fastenal Co.	26,255,045	26,118,000
		54,694,453	59,742,000
Total Industrials		77,316,178	88,500,000
Information Technology (25.99%)			
	Internet Software & Services (20.89%)		
501,683	Benefitfocus, Inc.[1]	17,636,151	18,236,177
1,100,000	CoStar Group, Inc.[1]	112,737,432	289,960,000
2,500,000	Zillow Group, Inc., Cl A[1]	62,518,639	122,100,000
		192,892,222	430,296,177
	IT Consulting & Other Services (5.10%)		
850,000	Gartner, Inc.[1]	70,289,270	104,983,500
Total Information Technology		263,181,492	535,279,677
Real Estate (6.03%)			
	Hotel & Resort REITs (0.54%)		
382,727	MGM Growth Properties LLC, Cl A	8,037,267	11,171,801
	Office REITs (1.83%)		
985,000	Douglas Emmett, Inc.	28,695,526	37,636,850
	Specialized REITs (3.66%)		
2,000,000	Gaming and Leisure Properties, Inc.	61,345,351	75,340,000
Total Real Estate		98,078,144	124,148,651
TOTAL COMMON STOCKS		**1,335,297,059**	**2,428,918,205**
Private Equity Investments (0.17%)			
Financials (0.17%)			
	Asset Management & Custody Banks (0.17%)		
7,579,130	Windy City Investments Holdings, L.L.C.[1,3,4]	**0**	**3,516,716**

Baron Partners Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (0.01%)			
$285,802	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $285,805; (Fully collateralized by $290,000 U.S. Treasury Note, 2.25% due 2/15/2027; Market value - $291,949)	$ 285,802	$ 285,802
TOTAL INVESTMENTS (118.11%)		$1,335,582,861	2,432,720,723
LIABILITIES LESS CASH AND OTHER ASSETS (-18.11%)			(372,959,014)
NET ASSETS			$2,059,761,709
RETAIL SHARES (Equivalent to $47.59 per share based on 25,292,750 shares outstanding)			$1,203,724,869
INSTITUTIONAL SHARES (Equivalent to $48.49 per share based on 17,429,474 shares outstanding)			$ 845,112,183
R6 SHARES (Equivalent to $48.49 per share based on 225,304 shares outstanding)			$ 10,924,657

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At June 30, 2017, the market value of restricted and fair valued securities amounted to $3,516,716 or 0.17% of net assets. This security is not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron Fifth Avenue Growth Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (97.57%)			
Consumer Discretionary (29.79%)			
	Automobile Manufacturers (1.05%)		
5,036	Tesla, Inc.[1]	$ 1,272,774	$ 1,821,068
	Cable & Satellite (2.74%)		
24,450	Naspers Limited, Cl N (South Africa)[2]	3,602,327	4,756,373
	Internet & Direct Marketing Retail (24.74%)		
26,405	Amazon.com, Inc.[1]	6,616,510	25,560,040
91,960	Ctrip.com International Ltd., ADR[1,2]	2,980,456	4,952,966
29,321	Expedia, Inc.	3,507,773	4,367,363
4,337	The Priceline Group, Inc.[1]	2,941,040	8,112,445
		16,045,779	42,992,814
	Restaurants (1.26%)		
37,710	Starbucks Corp.	1,003,746	2,198,870
Total Consumer Discretionary		21,924,626	51,769,125
Energy (1.30%)			
	Oil & Gas Exploration & Production (1.30%)		
18,548	Concho Resources, Inc.[1]	1,774,388	2,254,138
Financials (10.50%)			
	Asset Management & Custody Banks (1.92%)		
84,940	Brookfield Asset Management, Inc., Cl A[2]	1,716,811	3,330,497
	Consumer Finance (1.04%)		
60,667	Synchrony Financial	1,985,245	1,809,090
	Financial Exchanges & Data (2.56%)		
35,570	CME Group, Inc.	2,088,336	4,454,787
	Investment Banking & Brokerage (2.87%)		
116,272	The Charles Schwab Corp.	3,623,115	4,995,045
	Regional Banks (2.11%)		
36,627	First Republic Bank	2,619,742	3,666,363
Total Financials		12,033,249	18,255,782
Health Care (8.98%)			
	Biotechnology (2.56%)		
6,459	Biogen, Inc.[1]	1,734,905	1,752,714
5,489	Regeneron Pharmaceuticals, Inc.[1]	1,763,077	2,695,868
		3,497,982	4,448,582
	Health Care Equipment (2.45%)		
4,562	Intuitive Surgical, Inc.[1]	2,885,519	4,267,158
	Health Care Technology (1.00%)		
28,321	Veeva Systems, Inc., Cl A[1]	1,758,780	1,736,360
	Life Sciences Tools & Services (2.97%)		
29,701	Illumina, Inc.[1]	1,055,541	5,153,718
Total Health Care		9,197,822	15,605,818
Common Stocks (continued)			
Industrials (1.13%)			
	Research & Consulting Services (1.13%)		
23,408	Verisk Analytics, Inc.[1]	$ 870,323	$ 1,974,933
Information Technology (38.92%)			
	Application Software (0.94%)		
12,409	Mobileye N.V.[1,2]	310,225	779,285
48,528	Snap, Inc., Cl A[1,3]	835,904	862,343
		1,146,129	1,641,628
	Data Processing & Outsourced Services (9.05%)		
65,205	MasterCard Incorporated, Cl A	3,418,562	7,919,148
83,299	Visa, Inc., Cl A	2,537,808	7,811,780
		5,956,370	15,730,928
	Internet Software & Services (20.47%)		
92,830	Alibaba Group Holding Ltd., ADR[1,2]	7,959,441	13,079,747
1,948	Alphabet, Inc., Cl A[1]	280,365	1,811,017
10,046	Alphabet, Inc., Cl C[1]	4,142,964	9,129,101
65,002	Facebook, Inc., Cl A[1]	1,611,512	9,814,002
25,018	Wix.com Ltd.[1,2]	1,800,207	1,741,253
		15,794,489	35,575,120
	IT Consulting & Other Services (1.24%)		
25,579	EPAM Systems, Inc.[1]	1,727,106	2,150,938
	Semiconductor Equipment (2.08%)		
27,701	ASML Holding N.V.[2]	1,817,805	3,609,717
	Systems Software (2.10%)		
38,097	Red Hat, Inc.[1]	1,910,187	3,647,788
	Technology Hardware, Storage & Peripherals (3.04%)		
36,662	Apple, Inc.	869,664	5,280,061
Total Information Technology		29,221,750	67,636,180
Materials (2.12%)			
	Fertilizers & Agricultural Chemicals (2.12%)		
31,146	Monsanto Co.	2,616,700	3,686,440
Real Estate (4.83%)			
	Specialized REITs (4.83%)		
19,555	Equinix, Inc.	3,178,515	8,392,224
TOTAL COMMON STOCKS		**80,817,373**	**169,574,640**

Baron Fifth Avenue Growth Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (3.60%)			
Repurchase Agreement (3.23%)			
$5,605,499	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - 5,605,555; (Fully collateralized by $5,835,000 U.S. Treasury Note, 2.00% due 11/15/2026 Market value - $5,721,037)	$ 5,605,499	$ 5,605,499
Shares			
Securities Lending Collateral (0.37%)			
649,645	State Street Navigator Securities Lending Prime Portfolio[4]	649,645	649,645
TOTAL SHORT TERM INVESTMENTS		6,255,144	6,255,144
TOTAL INVESTMENTS (101.17%)		$87,072,517	175,829,784
LIABILITIES LESS CASH AND OTHER ASSETS (-1.17%)			(2,040,387)
NET ASSETS			$173,789,397
RETAIL SHARES (Equivalent to $22.62 per share based on 3,620,952 shares outstanding)			$ 81,902,100
INSTITUTIONAL SHARES (Equivalent to $22.98 per share based on 3,916,073 shares outstanding)			$ 89,997,257
R6 SHARES (Equivalent to $22.99 per share based on 82,214 shares outstanding)			$ 1,890,040

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The value of all securities loaned at June 30, 2017 amounted to $632,559 or 0.36% of net assets.
[4] Represents investment of cash collateral received from securities lending transactions.
[ADR] American Depositary Receipt.

Baron Focused Growth Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (93.19%)			
Consumer Discretionary (52.18%)			
	Automobile Manufacturers (17.35%)		
90,000	Tesla, Inc.[1]	$ 20,342,221	$ 32,544,900
	Hotels, Resorts & Cruise Lines (15.33%)		
150,000	Choice Hotels International, Inc.	5,080,139	9,637,500
340,000	Hyatt Hotels Corp., Cl A[1]	12,201,302	19,111,400
		17,281,441	28,748,900
	Leisure Facilities (14.73%)		
136,230	Vail Resorts, Inc.	8,272,836	27,631,531
	Movies & Entertainment (4.77%)		
550,000	Manchester United plc, Cl A[2]	8,719,506	8,937,500
Total Consumer Discretionary		54,616,004	97,862,831
Consumer Staples (2.77%)			
	Household Products (2.77%)		
100,000	Church & Dwight Co., Inc.	1,274,171	5,188,000
Financials (19.61%)			
	Asset Management & Custody Banks (8.00%)		
435,000	The Carlyle Group	9,519,389	8,591,250
175,000	Financial Engines, Inc.	5,948,430	6,405,000
		15,467,819	14,996,250
	Financial Exchanges & Data (6.64%)		
75,000	FactSet Research Systems, Inc.	5,828,282	12,463,500
	Property & Casualty Insurance (4.97%)		
100,000	Arch Capital Group Ltd.[1,2]	1,800,056	9,329,000
Total Financials		23,096,157	36,788,750
Information Technology (18.63%)			
	Application Software (3.73%)		
101,870	Guidewire Software, Inc.[1]	4,816,692	6,999,488
	Internet Software & Services (14.90%)		
225,000	Benefitfocus, Inc.[1]	5,980,202	8,178,750
75,000	CoStar Group, Inc.[1]	13,824,622	19,770,000
		19,804,824	27,948,750
Total Information Technology		24,621,516	34,948,238
TOTAL COMMON STOCKS		**103,607,848**	**174,787,819**

Shares		Cost	Value
Preferred Stocks (4.58%)			
Telecommunication Services (4.58%)			
	Alternative Carriers (4.58%)		
22,300	Iridium Communications, Inc., Series B, 6.75%	**$ 5,814,082**	**$ 8,598,657**

Principal Amount		Cost	Value
Short Term Investments (2.00%)			
$3,742,796	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $3,742,833; (Fully collateralized by $3,895,000 U.S. Treasury Note, 2.00% due 11/15/2026; Market value - $3,818,927)	**3,742,796**	**3,742,796**
TOTAL INVESTMENTS (99.77%)		**$113,164,726**	**187,129,272**
CASH AND OTHER ASSETS LESS LIABILITIES (0.23%)			**425,000**
NET ASSETS			**$187,554,272**
RETAIL SHARES (Equivalent to $14.84 per share based on 2,823,176 shares outstanding)			**$ 41,882,944**
INSTITUTIONAL SHARES (Equivalent to $15.09 per share based on 8,973,959 shares outstanding)			**$135,389,913**
R6 SHARES (Equivalent to $15.09 per share based on 681,224 shares outstanding)			**$ 10,281,415**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.

Baron International Growth Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (93.28%)			
Argentina (1.83%)			
85,000	Bolsas y Mercados Argentinos SA[1]	$ 800,158	$ 744,044
72,200	YPF SA, ADR	1,563,903	1,581,180
Total Argentina		2,364,061	2,325,224
Australia (2.03%)			
35,169	Domino's Pizza Enterprises Ltd.	237,597	1,407,769
445,000	MYOB Group Ltd.	1,229,236	1,169,732
Total Australia		1,466,833	2,577,501
Belgium (1.02%)			
17,000	KBC Group NV	1,291,968	1,289,453
Brazil (1.71%)			
78,000	Smiles SA	1,021,965	1,421,607
82,000	TOTVS SA	586,404	746,512
Total Brazil		1,608,369	2,168,119
Canada (3.86%)			
5,800	Constellation Software, Inc.	957,462	3,034,221
105,000	Encana Corp.	901,772	924,000
32,000	Suncor Energy, Inc.	1,114,982	934,400
Total Canada		2,974,216	4,892,621
Chile (0.61%)			
23,397	Sociedad Química y Minera de Chile SA, ADR	481,851	772,569
China (10.46%)			
20,000	Alibaba Group Holding Ltd., ADR[1]	1,592,811	2,818,000
8,600	Baidu, Inc., ADR[1]	1,599,272	1,538,196
28,800	Bitauto Holdings Ltd., ADR[1]	903,525	828,000
38,229	China Distance Education Holdings Ltd., ADR	411,302	341,003
22,800	Ctrip.com International Ltd., ADR[1]	844,881	1,228,008
690,571	Haitong Securities Co., Ltd., Cl H	1,158,327	1,116,242
2,251,700	Kingdee International Software Group Co. Ltd.[1]	336,315	940,197
8,500	Momo, Inc., ADR[1]	160,649	314,160
12,000	TAL Education Group, ADR[1]	581,596	1,467,720
75,000	Tencent Holdings Ltd.	393,663	2,682,054
Total China		7,982,341	13,273,580
France (6.80%)			
45,000	BNP Paribas SA	3,053,922	3,241,078
7,000	Eurofins Scientific SE	682,393	3,942,758
5,800	LVMH Moet Hennessy Louis Vuitton SE	1,307,008	1,446,121
Total France		5,043,323	8,629,957
Germany (5.93%)			
22,425	Fresenius Medical Care Ag & Co.	1,872,574	2,155,822
25,566	ProSiebenSat.1 Media SE	1,029,377	1,069,895
187,600	RIB Software AG	1,723,740	3,169,013
16,000	Symrise AG	241,276	1,133,378
Total Germany		4,866,967	7,528,108
Hong Kong (0.51%)			
724,800	Man Wah Holdings Ltd.	662,134	650,769

Shares		Cost	Value
Common Stocks (continued)			
India (5.96%)			
57,000	Divi's Laboratories Ltd.[1]	$ 645,698	$ 570,771
1,349,785	JM Financial Ltd.	1,883,274	2,453,680
77,000	Manpasand Beverages Ltd.[1]	916,693	937,938
13,300	Maruti Suzuki India Ltd.	1,090,079	1,485,114
114,000	Tata Communications Ltd.	1,199,120	1,274,966
109,500	Zee Entertainment Enterprises Ltd.	660,842	832,378
Total India		6,395,706	7,554,847
Indonesia (1.10%)			
1,250,000	PT Sarana Menara Nusantara Tbk.	260,297	355,468
2,051,400	PT Tower Bersama Infrastructure Tbk[2]	877,935	1,041,037
Total Indonesia		1,138,232	1,396,505
Ireland (1.36%)			
16,075	Ryanair Holdings plc, ADR[1]	399,042	1,729,831
Israel (5.27%)			
16,000	Check Point Software Technologies Ltd.[1]	758,407	1,745,280
37,000	Mellanox Technologies Ltd.[1]	1,534,728	1,602,100
21,500	Mobileye N.V.[1]	794,446	1,350,200
28,559	Wix.com Ltd.[1]	1,453,814	1,987,706
Total Israel		4,541,395	6,685,286
Italy (1.53%)			
103,685	UniCredit SpA[1]	1,779,665	1,936,229
Japan (16.88%)			
15,000	Bridgestone Corp.	288,478	645,477
225,000	Daiwa Securities Group, Inc.	1,527,053	1,331,896
9,500	FANUC Corp.	1,191,942	1,829,051
8,500	Kose Corp.	965,200	927,273
145,000	Mitsubishi UFJ Financial Group, Inc., ADR	969,437	978,750
64,000	Mitsui Fudosan Co. Ltd.	1,383,420	1,525,246
52,000	MonotaRO Co. Ltd.	775,483	1,673,616
145,000	Rakuten, Inc.	1,785,841	1,704,290
66,000	Recruit Holdings Co. Ltd.	1,069,916	1,133,105
47,000	SMS Co. Ltd.	1,188,985	1,424,939
38,000	SoftBank Group Corp.	1,682,305	3,073,447
57,000	Sony Corp., ADR	1,836,281	2,176,830
51,000	Square Enix Holdings Co. Ltd.	1,747,222	1,668,637
33,000	TechnoPro Holdings, Inc.	1,162,914	1,326,161
Total Japan		17,574,477	21,418,718
Korea, Republic of (0.78%)			
19,500	KB Financial Group, Inc.	960,812	983,394
Mexico (1.13%)			
1,950,000	Telesites SAB de CV[1]	1,364,426	1,433,322
Netherlands (2.01%)			
10,500	Cimpress NV[1]	943,497	992,565
34,000	InterXion Holding N.V.[1]	1,234,713	1,556,520
Total Netherlands		2,178,210	2,549,085
Nigeria (0.25%)			
1,501,886	Lekoil Ltd.[1]	530,554	315,426
Norway (1.22%)			
69,500	Golar LNG Ltd.	1,272,273	1,546,375

Baron International Growth Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Panama (1.00%)			
10,800	Copa Holdings, S.A., Cl A	$ 868,833	$ 1,263,600
Russia (0.64%)			
78,000	Sberbank of Russia, ADR	904,063	807,300
Spain (3.45%)			
11,000	Aena SA, 144A	1,004,611	2,146,499
20,000	Grifols SA, ADR	102,215	422,600
47,105	Industria de Diseño Textil SA	1,445,248	1,808,250
Total Spain		2,552,074	4,377,349
Switzerland (1.74%)			
42,067	Julius Baer Group Ltd.	1,489,578	2,213,244
United Kingdom (10.91%)			
200,000	Abcam plc	1,362,532	2,535,869
325,214	AO World plc[1]	718,810	492,406
290,000	Domino's Pizza Group plc	943,591	1,110,091
73,000	Experian plc	770,060	1,497,492
350,000	Horizon Discovery Group plc[1]	723,381	945,904
160,000	Howden Joinery Group PLC	763,986	848,364
30,000	Intertek Group plc	816,271	1,647,729
95,159	JUST EAT plc[1]	453,828	811,806
26,825	Reckitt Benckiser Group PLC	2,530,450	2,719,590
300,000	Worldpay Group plc, 144A	1,097,280	1,230,033
Total United Kingdom		10,180,189	13,839,284
United States (3.29%)			
28,000	Agilent Technologies, Inc.	639,432	1,660,680
27,000	Arch Capital Group Ltd.[1]	983,683	2,518,830
Total United States		1,623,115	4,179,510
TOTAL COMMON STOCKS		**84,494,707**	**118,337,206**

Principal Amount		Cost	Value
Short Term Investments (6.84%)			
$8,678,595	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $8,678,682; (Fully collateralized by $9,030,000 U.S. Treasury Note, 2.00% due 11/15/2026; Market value - $8,853,635)	**$ 8,678,595**	**$ 8,678,595**
TOTAL INVESTMENTS (100.12%)		**$93,173,302**	**127,015,801**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.12%)			**(151,498)**
NET ASSETS			**$126,864,303**
RETAIL SHARES (Equivalent to $21.29 per share based on 2,354,428 shares outstanding)			**$ 50,132,421**
INSTITUTIONAL SHARES (Equivalent to $21.52 per share based on 3,537,911 shares outstanding)			**$ 76,123,644**
R6 SHARES (Equivalent to $21.52 per share based on 28,267 shares outstanding)			**$ 608,238**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
ADR American Depositary Receipt
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. These securities have been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted. At June 30, 2017, the market value of Rule 144A securities amounted to $3,376,532 or 2.66% of net assets.

Summary of Investments by Sector as of June 30, 2017	Percentage of Net Assets
Information Technology	24.9%
Financials	15.5%
Consumer Discretionary	15.2%
Industrials	11.9%
Health Care	9.6%
Telecommunication Services	5.7%
Energy	4.2%
Consumer Staples	3.6%
Materials	1.5%
Real Estate	1.2%
Cash and Cash Equivalents*	6.7%
	100.0%

* Includes short term investments.

Baron Real Estate Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (97.72%)			
Consumer Discretionary (33.48%)			
	Casinos & Gaming (6.47%)		
702,950	Boyd Gaming Corp.	$ 14,378,153	$ 17,440,189
1,003,900	MGM Resorts International	19,767,625	31,412,031
472,039	Pinnacle Entertainment, Inc.[1]	7,569,898	9,327,491
204,800	Red Rock Resorts, Inc., Cl A	4,831,678	4,823,040
		46,547,354	63,002,751
	Home Furnishings (5.93%)		
238,857	Mohawk Industries, Inc.[1]	31,252,124	57,729,348
	Home Improvement Retail (5.37%)		
285,000	Home Depot, Inc.	25,869,904	43,719,000
111,300	Lowe's Companies, Inc.	3,800,204	8,629,089
		29,670,108	52,348,089
	Homebuilding (1.30%)		
321,200	Toll Brothers, Inc.	9,525,868	12,690,612
	Hotels, Resorts & Cruise Lines (14.41%)		
556,425	Extended Stay America, Inc.	9,890,262	10,772,388
517,738	Hilton Grand Vacations, Inc.[1]	13,773,503	18,669,632
413,583	Hilton Worldwide Holdings, Inc.	20,760,480	25,580,109
185,700	Marriott International, Inc., Cl A	13,828,654	18,627,567
426,050	Norwegian Cruise Line Holdings Ltd.[1,2]	11,379,116	23,130,255
133,000	Royal Caribbean Cruises Ltd.[2]	10,630,062	14,527,590
290,300	Wyndham Worldwide Corp.	24,420,967	29,149,023
		104,683,044	140,456,564
Total Consumer Discretionary		221,678,498	326,227,364
Financials (2.45%)			
	Asset Management & Custody Banks (2.45%)		
608,200	Brookfield Asset Management, Inc., Cl A[2]	14,811,468	23,847,522
Industrials (9.31%)			
	Building Products (4.08%)		
604,850	Masco Corp.	19,702,790	23,111,319
220,150	Masonite International Corp.[1,2]	12,735,583	16,621,325
		32,438,373	39,732,644
	Electrical Components & Equipment (1.50%)		
72,098	Acuity Brands, Inc.	13,991,136	14,656,081
	Industrial Conglomerates (2.41%)		
299,300	Macquarie Infrastructure Corp.[3]	16,410,197	23,465,120
	Trading Companies & Distributors (1.32%)		
247,301	SiteOne Landscape Supply, Inc.[1]	8,160,933	12,874,490
Total Industrials		71,000,639	90,728,335
Information Technology (8.64%)			
	Internet Software & Services (2.76%)		
84,900	CoStar Group, Inc.[1]	15,701,045	22,379,640
1,310,000	NEXTDC Limited (Australia)[1,2]	4,508,179	4,540,965
		20,209,224	26,920,605
	IT Consulting & Other Services (5.88%)		
1,250,500	InterXion Holding N.V.[1,2]	37,070,378	57,247,890
Total Information Technology		57,279,602	84,168,495

Shares		Cost	Value
Common Stocks (continued)			
Materials (10.29%)			
	Construction Materials (7.48%)		
107,450	Martin Marietta Materials, Inc.	$ 14,818,768	$ 23,916,221
554,500	Summit Materials, Inc., Cl A[1]	15,579,591	16,008,415
260,350	Vulcan Materials Co.	31,720,150	32,981,138
		62,118,509	72,905,774
	Specialty Chemicals (2.81%)		
78,150	The Sherwin-Williams Co.	20,201,693	27,427,524
Total Materials		82,320,202	100,333,298
Real Estate (32.43%)			
	Hotel & Resort REITs (2.03%)		
501,644	MGM Growth Properties LLC, Cl A	10,534,524	14,642,988
188,999	Park Hotels & Resorts, Inc.	5,174,141	5,095,413
		15,708,665	19,738,401
	Industrial REITs (2.64%)		
270,350	Prologis, Inc.	13,620,215	15,853,324
361,050	Rexford Industrial Realty, Inc.	7,738,049	9,907,212
		21,358,264	25,760,536
	Office REITs (2.29%)		
307,950	Douglas Emmett, Inc.	6,366,859	11,766,769
306,957	Hudson Pacific Properties, Inc.	10,568,567	10,494,860
		16,935,426	22,261,629
	Real Estate Services (2.26%)		
605,900	CBRE Group, Inc., Cl A[1]	12,675,866	22,054,760
	Residential REITs (5.64%)		
208,850	American Campus Communities, Inc.	8,201,675	9,878,605
664,900	American Homes 4 Rent, Cl A	14,938,717	15,006,793
227,900	Equity Residential	13,867,083	15,002,657
698,500	Invitation Homes, Inc.	13,970,000	15,108,555
		50,977,475	54,996,610
	Specialized REITs (17.57%)		
107,400	Alexandria Real Estate Equities, Inc.[3]	6,696,760	12,938,478
454,850	American Tower Corp.	43,772,329	60,185,752
102,015	Digital Realty Trust, Inc.	11,986,376	11,522,594
104,091	Equinix, Inc.	20,316,609	44,671,694
393,769	Gaming and Leisure Properties, Inc.	10,358,066	14,833,278
229,950	QTS Realty Trust, Inc., Cl A	12,387,174	12,033,284
111,300	SBA Communications Corp.[1]	7,206,724	15,014,370
		112,724,038	171,199,450
Total Real Estate		230,379,734	316,011,386
Telecommunication Services (1.12%)			
	Integrated Telecommunication Services (1.12%)		
528,850	Cellnex Telecom SA, 144A (Spain)[2]	10,949,874	10,908,707
TOTAL COMMON STOCKS		**688,420,017**	**952,225,107**

Baron Real Estate Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (1.87%)			
$18,187,008	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity -$18,187,190; (Fully collateralized by $18,925,000 U.S. Treasury Note, 2.00% due 11/15/2026; Market value - $18,555,376)	**$ 18,187,008**	**$ 18,187,008**
TOTAL INVESTMENTS (99.59%)		**$706,607,025**	**970,412,115**
CASH AND OTHER ASSETS LESS LIABILITIES (0.41%)			**4,041,627**
NET ASSETS			**$974,453,742**
RETAIL SHARES (Equivalent to $27.37 per share based on 14,436,252 shares outstanding)			**$395,056,860**
INSTITUTIONAL SHARES (Equivalent to $27.70 per share based on 20,819,485 shares outstanding)			**$576,742,687**
R6 SHARES (Equivalent to $27.70 per share based on 95,812 shares outstanding)			**$ 2,654,195**

% Represents percentage of net assets.

[1] Non-income producing securities.

[2] Foreign corporation.

[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

[144A] Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted. At June 30, 2017, the market value of Rule 144A securities amounted to $10,908,707 or 1.12% of net assets.

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (91.08%)			
Argentina (2.40%)			
361,154	Banco Macro SA, ADR	$ 32,358,982	$ 33,294,787
2,445,573	YPF SA, ADR	49,117,874	53,558,049
Total Argentina		81,476,856	86,852,836
Brazil (4.28%)			
4,449,684	BM&FBOVESPA SA	14,301,419	26,526,988
8,104,914	Kroton Educacional SA	33,976,913	36,379,025
1,273,729	Multiplus SA	14,374,757	14,929,185
2,841,653	Smiles SA	40,341,397	51,791,183
2,784,495	TOTVS SA	34,451,931	25,349,503
Total Brazil		137,446,417	154,975,884
Chile (1.81%)			
1,377,929	Banco Santander Chile, ADR	31,601,010	35,013,176
928,127	Sociedad Química y Minera de Chile SA, ADR	20,150,800	30,646,753
Total Chile		51,751,810	65,659,929
China (26.66%)			
1,107,250	Alibaba Group Holding Ltd., ADR[1]	96,732,682	156,011,525
319,161	Baidu, Inc., ADR[1]	59,400,298	57,085,137
1,168,888	Bitauto Holdings Ltd., ADR[1]	30,620,257	33,605,530
11,684,390	China Everbright Ltd.	30,080,094	25,441,678
19,577,732	China Mengniu Dairy Co. Ltd.	39,568,105	38,365,830
3,453,689	China Mobile Ltd.	43,371,434	36,649,371
902,087	Ctrip.com International Ltd., ADR[1]	31,645,663	48,586,406
21,161,346	Haitong Securities Co., Ltd., Cl H	34,858,716	34,205,302
9,959,613	Hangzhou Hikvision Digital Technology Co. Ltd.	30,330,857	47,451,213
49,988,944	Kingdee International Software Group Co. Ltd.[1]	16,659,533	20,872,879
7,189,823	Midea Group Co. Ltd.	37,331,186	45,644,957
584,294	Momo, Inc., ADR[1]	11,434,643	21,595,506
23,265,378	PetroChina Co. Ltd.	19,922,818	14,243,896
4,700,497	Shenzhou International Group Holdings Ltd.	21,096,662	30,885,308
49,183,577	Sino Biopharmaceutical Ltd.	42,042,042	43,467,032
8,862,150	Sinopharm Group Co. Ltd., Cl H	34,736,970	40,068,639
2,960,592	Sunny Optical Technology Group Co., Ltd.	6,742,987	26,544,062
470,773	TAL Education Group, ADR[1]	12,809,272	57,580,246
3,394,541	Tencent Holdings Ltd.	74,522,780	121,391,216
12,296	Weibo Corp., ADR[1]	918,789	817,315
64,967,812	WH Group Ltd., 144A	55,470,093	65,571,519
Total China		730,295,881	966,084,567
Hong Kong (1.74%)			
37,324,980	Man Wah Holdings Ltd.	18,183,092	33,512,620
6,430,950	Techtronic Industries Co. Ltd.	25,735,892	29,570,616
Total Hong Kong		43,918,984	63,083,236
India (15.64%)			
1,922,609	Amara Raja Batteries Ltd.[1]	15,703,059	24,973,468
1,919,154	Bank of Baroda	4,053,800	4,799,555
325,000	Britannia Industries Ltd.	18,300,629	18,553,723
8,350,110	Coal India Ltd.	45,316,757	31,553,113
353,092	DEN Networks Ltd.[1]	729,899	426,086
2,059,609	Divi's Laboratories Ltd.[1]	21,790,943	20,623,971
8,560,090	Edelweiss Financial Services Ltd.	24,218,334	25,354,155
10,856,122	Exide Industries Ltd.	29,646,102	37,033,841
2,109,126	Housing Development Finance Corp. Ltd.	44,319,919	52,695,928
13,182,686	JM Financial Ltd.	21,329,503	23,963,885
2,995,685	Kotak Mahindra Bank Ltd.	34,548,038	44,295,122
2,211,253	Manpasand Beverages Ltd.[1]	23,160,327	26,935,294

Shares		Cost	Value
Common Stocks (continued)			
India (continued)			
482,962	Maruti Suzuki India Ltd.	$ 37,857,461	$ 53,928,857
2,815,000	Max Financial Services Ltd.	28,415,672	27,484,765
4,960,066	Motherson Sumi Systems Ltd.[1]	25,403,418	35,452,338
985,337	Multi Commodity Exchange of India Ltd.	14,907,291	16,590,095
1,037,187	PVR Ltd.	9,177,892	22,601,891
2,849,240	Sun TV Network Ltd.	17,679,602	35,987,152
3,264,748	Tata Communications Ltd.	33,927,195	36,512,649
3,558,914	Zee Entertainment Enterprises Ltd.	18,563,745	27,053,528
Total India		469,049,586	566,819,416
Indonesia (2.64%)			
25,982,128	PT Bank Mandiri (Persero) Tbk	22,190,145	24,904,406
65,999,445	PT Bank Negara Indonesia (Persero) Tbk	28,630,395	32,451,706
31,533,127	PT Sarana Menara Nusantara Tbk.	10,053,366	8,967,215
58,193,858	PT Tower Bersama Infrastructure Tbk[2]	29,582,216	29,531,997
Total Indonesia		90,456,122	95,855,324
Korea, Republic of (7.80%)			
1,292,453	KB Financial Group, Inc.	54,525,341	65,178,987
59,143	LG Household & Health Care Ltd.	41,781,569	51,381,499
31,430	NAVER Corporation	18,397,254	23,020,006
40,694	Samsung Electronics Co., Ltd.	51,182,227	84,542,794
279,955	Samsung Life Insurance Co. Ltd.	27,709,348	28,628,008
691,622	Shinhan Financial Group Co., Ltd.	27,488,694	29,801,132
Total Korea, Republic of		221,084,433	282,552,426
Malaysia (0.96%)			
68,395,000	My EG Services Bhd	27,170,531	34,893,376
Mexico (4.76%)			
371,751	Fomento Económico Mexicano, S.A.B. de C.V., ADR	34,233,174	36,557,993
1,967,086	GRUMA S.A.B. de C.V., Cl B	28,079,349	25,663,841
4,328,190	Grupo Financiero Banorte S.A.B. de C.V., Cl O	23,248,512	27,461,455
12,570,018	Grupo Lala S.A.B. de C.V.	24,494,719	23,043,157
8,706,701	Infraestructura Energetica Nova S.A.B. de C.V.	40,656,765	46,405,355
5,755,711	Wal-Mart de Mexico S.A.B de C.V.	12,705,206	13,345,289
Total Mexico		163,417,725	172,477,090
Nigeria (0.19%)			
32,618,323	Lekoil Ltd.[1,3]	14,881,766	6,850,500
Panama (1.52%)			
470,143	Copa Holdings, S.A., Cl A	29,638,052	55,006,731
Philippines (2.29%)			
40,650,465	Ayala Land, Inc.	30,282,093	32,022,513
13,849,776	BDO Unibank, Inc.	29,488,050	34,034,329
134,582,635	Metro Pacific Investments Corp.	14,670,819	17,042,866
Total Philippines		74,440,962	83,099,708
Russia (2.96%)			
390,804	Magnit PJSC, GDR	15,485,052	13,287,336
4,520,087	Sberbank of Russia, ADR	40,226,492	46,782,901
1,803,560	Yandex N.V., Cl A[1]	33,107,977	47,325,414
Total Russia		88,819,521	107,395,651
Singapore (1.25%)			
21,811,763	Global Logistic Properties Ltd.	38,763,148	45,310,799

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
South Africa (4.21%)			
2,008,360	Bid Corp. Ltd.	$ 39,106,106	$ 45,934,759
2,110,560	Bidvest Group Ltd.	17,993,496	25,421,903
4,400,000	FirstRand Ltd.	15,959,561	15,857,825
7,717,133	Life Healthcare Group Holdings Ltd.	17,118,860	15,130,477
566,590	Sasol Limited	18,633,905	15,872,749
384,195	Sasol Limited, ADR	12,413,252	10,738,250
4,603,699	Steinhoff International Holdings N.V.	22,342,423	23,445,927
Total South Africa		143,567,603	152,401,890
Taiwan, Province of China (8.41%)			
3,412,000	Catcher Technology Co. Ltd.	24,364,817	40,771,269
7,570,879	Delta Electronics, Inc.	40,159,805	41,438,243
1,514,231	Eclat Textile Co., Ltd.	17,906,356	18,467,446
14,589,000	Far EasTone Telecommunications Co., Ltd.	32,669,143	37,167,899
2,404,000	Ginko International Co., Ltd.	32,887,319	18,373,767
2,678,513	Makalot Industrial Co. Ltd.	13,173,869	12,943,505
7,168,000	Novatek Microelectronics Corp.	28,464,915	28,983,037
9,935,000	Taiwan Mobile Co., Ltd.	34,339,445	37,395,053
1,977,674	Taiwan Semiconductor Manufacturing Company Ltd., ADR	45,352,005	69,139,483
Total Taiwan, Province of China		269,317,674	304,679,702
Thailand (0.75%)			
1,045,929	Bangkok Bank PCL, Cl F	5,890,958	6,065,588
3,872,664	Bangkok Bank Public Co., Ltd., NVDR	20,554,524	21,090,457
Total Thailand		26,445,482	27,156,045
United Kingdom (0.52%)			
9,542,618	Tullow Oil plc[1]	24,638,468	18,730,171
United States (0.29%)			
2,107,221	TerraForm Global, Inc., Cl A[1]	14,243,275	10,641,466
TOTAL COMMON STOCKS		**2,740,824,296**	**3,300,526,747**
Preferred Stocks (0.01%)			
India (0.01%)			
3,098,340	Zee Entertainment Enterprises Ltd., 6.00% due 3/5/2022	**367,971**	**464,002**

Principal Amount		Cost	Value
Short Term Investments (8.24%)			
$298,589,374	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $298,592,360; (Fully collateralized by $310,630,000 U.S. Treasury Note, 2.00% due 11/15/2026; Market value - $304,563,086)	**$ 298,589,374**	**$ 298,589,374**
TOTAL INVESTMENTS (99.33%)		**$3,039,781,641**	**3,599,580,123**
CASH AND OTHER ASSETS LESS LIABILITIES (0.67%)			**24,121,074**
NET ASSETS			**$3,623,701,197**
RETAIL SHARES (Equivalent to $13.16 per share based on 67,678,586 shares outstanding)			**$ 890,466,967**
INSTITUTIONAL SHARES (Equivalent to $13.21 per share based on 206,710,243 shares outstanding)			**$2,729,623,235**
R6 SHARES (Equivalent to $13.21 per share based on 273,318 shares outstanding)			**$ 3,610,995**

% Represents percentage of net assets.
1 Non-income producing securities.
2 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
3 An "Affiliated" investment may include any company in which the Fund owns 5% or more of its outstanding shares.
ADR American Depositary Receipt.
GDR Global Depositary Receipt.
NVDR Non-Voting Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted. At June 30, 2017, the market value of Rule 144A securities amounted to $65,571,519 or 1.81% of net assets.

Summary of Investments by Sector as of June 30, 2017	Percentage of Net Assets
Information Technology	24.3%
Financials	19.3%
Consumer Discretionary	17.0%
Consumer Staples	9.9%
Telecommunication Services	5.1%
Health Care	3.8%
Energy	3.5%
Industrials	2.9%
Real Estate	2.1%
Materials	1.6%
Utilities	1.6%
Cash and Cash Equivalents*	8.9%
	100.0%

* Includes short term investments.

Baron Energy and Resources Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (98.98%)			
Consumer Discretionary (6.74%)			
	Automobile Manufacturers (6.74%)		
14,100	Tesla, Inc.[1]	$ 3,242,965	$ 5,098,701
Energy (81.95%)			
	Oil & Gas Drilling (0.97%)		
89,800	Nabors Industries Ltd.[2]	986,727	730,972
	Oil & Gas Equipment & Services (16.92%)		
10,550	Core Laboratories N.V.[2]	1,132,829	1,068,398
54,500	Forum Energy Technologies, Inc.[1]	978,787	850,200
127,500	GlobeLTR Energy Inc., Cl A, 144A[1,3,4]	1,498,125	1,417,800
66,596	Halliburton Co.	2,794,747	2,844,315
29,200	Keane Group, Inc.[1]	554,800	467,200
54,800	NCS Multistage Holdings, Inc.[1]	946,144	1,379,864
17,400	Schlumberger Limited[2]	1,225,387	1,145,616
66,600	Smart Sand, Inc.[1]	1,165,500	593,406
54,100	TechnipFMC plc[1,2]	1,899,116	1,471,520
43,800	U.S. Silica Holdings, Inc.	1,132,709	1,554,462
		13,328,144	12,792,781
	Oil & Gas Exploration & Production (41.84%)		
19,800	Anadarko Petroleum Corporation	1,166,171	897,732
67,300	Antero Resources Corp.[1]	1,893,149	1,454,353
40,300	Concho Resources, Inc.[1]	3,901,301	4,897,659
330,100	Encana Corp.[2]	2,158,608	2,904,880
25,866	Energen Corp.[1]	1,148,098	1,277,005
20,768	EOG Resources, Inc.	1,668,068	1,879,919
439,653	Jones Energy, Inc., Cl A[1]	1,844,122	703,445
2,496,354	Lekoil Ltd. (Nigeria)[1,2]	1,228,382	524,284
98,900	Newfield Exploration Co.[1]	2,797,116	2,814,694
171,700	Parsley Energy, Inc., Cl A[1]	2,819,327	4,764,675
7,200	Pioneer Natural Resources Co.	1,334,408	1,148,976
86,600	Rice Energy, Inc.[1]	784,780	2,306,158
133,900	RSP Permian, Inc.[1]	3,117,563	4,320,953
180,500	WPX Energy, Inc.[1]	2,226,930	1,743,630
		28,088,023	31,638,363
	Oil & Gas Refining & Marketing (3.83%)		
21,500	Tesoro Corp.	1,786,621	2,012,400
13,100	Valero Energy Corporation	740,209	883,726
		2,526,830	2,896,126
	Oil & Gas Storage & Transportation (18.39%)		
122,500	Energy Transfer Equity L.P.	819,446	2,200,100
118,235	Golar LNG Ltd.[2]	2,561,074	2,630,729
31,100	MPLX LP	961,416	1,038,740
39,238	Noble Midstream Partners LP	882,855	1,781,405
125,000	Sanchez Midstream Partners LP (formerly, Sanchez Production Partners LP)	1,375,000	1,606,250
46,900	SemGroup Corp., Cl A	1,435,245	1,266,300
41,900	Targa Resources Corp.	1,172,871	1,893,880
32,600	Valero Energy Partners LP	1,224,650	1,487,864
		10,432,557	13,905,268
Total Energy		55,362,281	61,963,510
Industrials (1.95%)			
	Heavy Electrical Equipment (1.95%)		
79,600	TPI Composites, Inc.[1]	1,359,587	1,471,008
Information Technology (2.62%)			
	Application Software (2.62%)		
35,900	Aspen Technology, Inc.[1]	1,376,294	1,983,834
Materials (4.07%)			
	Specialty Chemicals (4.07%)		
344,552	Flotek Industries, Inc.[1]	3,766,812	3,080,295

Shares		Cost	Value
Common Stocks (continued)			
Utilities (1.65%)			
	Gas Utilities (1.65%)		
233,666	Infraestructura Energetica Nova S.A.B. de C.V. (Mexico)[2]	$ 982,031	$ 1,245,403
TOTAL COMMON STOCKS		66,089,970	74,842,751

Principal Amount		Cost	Value
Short Term Investment (0.99%)			
$745,696	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $745,703; (Fully collateralized by $760,000 U.S. Treasury Note, 2.25% due 2/15/2027; Market value - $765,107)	745,696	745,696
TOTAL INVESTMENTS (99.97%)		$66,835,666	75,588,447
CASH AND OTHER ASSETS LESS LIABILITIES (0.03%)			21,413
NET ASSETS			$75,609,860
RETAIL SHARES (Equivalent to $7.74 per share based on 6,496,672 shares outstanding)			$50,273,830
INSTITUTIONAL SHARES (Equivalent to $7.85 per share based on 3,176,070 shares outstanding)			$24,919,991
R6 SHARES (Equivalent to $7.84 per share based on 53,069 shares outstanding)			$ 416,039

% Represents percentage of net assets.

1 Non-income producing securities.

2 Foreign corporation.

3 At June 30, 2017, the market value of restricted and fair valued securities amounted to $1,417,800 or 1.88% of net assets. This security is not deemed liquid.

4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security is not deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted. At June 30, 2017, the market value of Rule 144A securities amounted to $1,417,800 or 1.88% of net assets.

Baron Global Advantage Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (94.72%)			
Argentina (1.50%)			
10,221	Globant SA[1]	$ 370,027	$ 444,000
Brazil (0.71%)			
11,094	Netshoes Cayman Limited[1]	199,692	211,119
Canada (2.76%)			
1,556	Constellation Software, Inc.	540,378	814,008
China (19.11%)			
18,562	Alibaba Group Holding Ltd., ADR[1]	1,940,170	2,615,386
2,229	Baidu, Inc., ADR[1]	365,101	398,679
19,968	Ctrip.com International Ltd., ADR[1]	783,151	1,075,476
16,398	JD.com, Inc., ADR[1]	517,860	643,130
7,416	TAL Education Group, ADR[1]	240,306	907,051
Total China		3,846,588	5,639,722
India (6.29%)			
4,288	HDFC Bank Ltd., ADR	331,828	372,927
25,600	Housing Development Finance Corp. Ltd.	583,048	639,609
212,000	JM Financial Ltd.	415,777	385,380
31,000	Kotak Mahindra Bank Ltd.	468,158	458,376
Total India		1,798,811	1,856,292
Israel (6.59%)			
2,689	Check Point Software Technologies Ltd.[1]	228,596	293,316
16,744	Mellanox Technologies Ltd.[1]	730,395	725,015
10,077	Mobileye N.V.[1]	471,746	632,836
4,232	Wix.com Ltd.[1]	304,096	294,547
Total Israel		1,734,833	1,945,714
Japan (1.57%)			
2,400	FANUC Corp.	482,349	462,076
Netherlands (1.99%)			
4,499	ASML Holding N.V.	483,005	586,307
South Africa (4.15%)			
6,293	Naspers Limited, Cl N	984,100	1,224,207
Taiwan, Province of China (1.40%)			
11,790	Taiwan Semiconductor Manufacturing Company Ltd., ADR	391,429	412,178
United Kingdom (1.73%)			
59,967	JUST EAT plc[1]	258,537	511,581
United States (46.92%)			
24,774	Acxiom Corp.[1]	602,305	643,629
5,511	Aerie Pharmaceuticals, Inc.[1]	140,968	289,603
1,413	Alphabet Inc., Cl C[1]	968,705	1,284,035
1,933	Amazon.com, Inc.[1]	846,352	1,871,144
4,399	Benefitfocus, Inc.[1]	117,819	159,904
4,564	Blackline, Inc.[1]	77,588	163,117
3,981	CBOE Holdings, Inc.	329,761	363,863
9,128	Cloudera, Inc.[1,2]	138,828	146,231
11,174	EPAM Systems, Inc.[1]	785,715	939,622
5,143	Expedia, Inc.	644,518	766,050
8,011	Facebook, Inc., Cl A[1]	592,376	1,209,501
46,074	FireEye, Inc.[1]	945,037	700,786
4,431	First Republic Bank	362,383	443,543
10,158	Glaukos Corporation[1]	292,910	421,252
3,383	Illumina, Inc.[1]	360,767	587,018
4,557	Luxoft Holding, Inc.[1]	270,704	277,293
11,944	Okta, Inc.[1,2]	203,048	272,323
7,034	Pacira Pharmaceuticals, Inc.[1]	410,605	335,522
260	The Priceline Group, Inc.[1]	294,563	486,335
3,184	Sage Therapeutics, Inc.[1]	188,745	253,574
8,187	Snap, Inc., Cl A[1,3]	142,007	145,483

Shares		Cost	Value
Common Stocks (continued)			
United States (continued)			
5,146	Splunk, Inc.[1]	$ 304,741	$ 292,756
4,009	Take-Two Interactive Software, Inc.[1]	302,603	294,180
1,059	Tesla, Inc.[1]	270,853	382,945
13,912	Varonis Systems, Inc.[1]	405,714	517,526
4,786	Veeva Systems, Inc., Cl A[1]	297,106	293,430
23,111	Yext, Inc.[1]	313,642	308,070
Total United States		10,610,363	13,848,735
TOTAL COMMON STOCKS		**21,700,112**	**27,955,939**

Principal Amount		Cost	Value
Short Term Investments (8.48%)			
Repurchase Agreement (8.18%)			
$2,415,834	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $2,415,858; (Fully collateralized by $2,450,000 U.S. Treasury Note, 2.25% due 2/15/2027; Market value - $2,466,464)	2,415,834	2,415,834
Shares			
Securities Lending Collateral (0.30%)			
87,271	State Street Navigator Securities Lending Prime Portfolio[4]	87,271	87,271
TOTAL SHORT TERM INVESTMENTS		**2,503,105**	**2,503,105**
TOTAL INVESTMENTS (103.20%)		**$24,203,217**	**30,459,044**
LIABILITIES LESS CASH AND OTHER ASSETS (-3.20%)			**(943,571)**
NET ASSETS			**$29,515,473**
RETAIL SHARES (Equivalent to $17.36 per share based on 1,006,098 shares outstanding)			**$17,462,063**
INSTITUTIONAL SHARES (Equivalent to $17.51 per share based on 669,226 shares outstanding)			**$11,717,452**
R6 SHARES (Equivalent to $17.52 per share based on 19,175 shares outstanding)			**$ 335,958**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
[3] The value of all securities loaned at June 30, 2017 amounted to $84,976 or 0.29% of net assets.
[4] Represents investment of cash collateral received from securities lending transactions.
ADR American Depositary Receipt.

Summary of Investments by Sector as of June 30, 2017	Percentage of Net Assets
Information Technology	51.1%
Consumer Discretionary	25.6%
Financials	9.0%
Health Care	7.4%
Industrials	1.6%
Cash and Cash Equivalents*	5.3%
	100.0%

* Includes short term investments.

Baron Discovery Fund — PORTFOLIO HOLDINGS

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (92.90%)			
Consumer Discretionary (15.87%)			
	Cable & Satellite (1.37%)		
125,000	MSG Networks, Inc., Cl A[1]	$ 2,693,778	$ 2,806,250
	Casinos & Gaming (4.05%)		
180,000	Pinnacle Entertainment, Inc.[1]	2,996,771	3,556,800
200,000	Red Rock Resorts, Inc., Cl A	4,492,573	4,710,000
		7,489,344	8,266,800
	Home Improvement Retail (0.56%)		
55,000	The Tile Shop Holdings, Inc.	1,132,515	1,135,750
	Internet & Direct Marketing Retail (2.38%)		
90,000	Liberty Expedia Holdings, Inc., Cl A[1]	4,056,511	4,861,800
	Movies & Entertainment (1.25%)		
73,000	Liberty Media Corporation-Liberty Formula One, Cl A[1]	2,046,926	2,557,190
	Restaurants (4.85%)		
57,000	Bob Evans Farms, Inc.	3,827,961	4,094,310
35,000	Chuy's Holdings, Inc.[1]	1,054,805	819,000
375,000	Domino's Pizza Group plc (United Kingdom)[2]	1,672,761	1,435,462
115,000	Wingstop, Inc.[1]	2,805,937	3,553,500
		9,361,464	9,902,272
	Specialty Stores (1.41%)		
183,500	Party City Holdco, Inc.[1]	2,636,624	2,871,775
Total Consumer Discretionary		29,417,162	32,401,837
Consumer Staples (0.29%)			
	Packaged Foods & Meats (0.29%)		
750,000	Barfresh Food Group, Inc.[1]	417,200	592,500
Energy (0.82%)			
	Oil & Gas Exploration & Production (0.19%)		
239,233	Jones Energy, Inc.[1]	1,090,123	382,773
	Oil & Gas Storage & Transportation (0.63%)		
45,000	Dominion Energy Midstream Partners, L.P. (formerly, Dominion Midstream Partners, L.P.)	1,060,812	1,298,250
Total Energy		2,150,935	1,681,023
Financials (1.35%)			
	Property & Casualty Insurance (1.35%)		
74,000	Kinsale Capital Group, Inc.	1,752,967	2,760,940
Health Care (24.09%)			
	Biotechnology (8.40%)		
103,200	Adamas Pharmaceuticals, Inc.[1]	1,700,198	1,804,968
209,500	Flexion Therapeutics, Inc.[1]	3,888,859	4,236,090
90,900	Foundation Medicine, Inc.[1]	2,242,316	3,613,275
215,500	Myriad Genetics, Inc.[1]	4,150,559	5,568,520
24,200	Sage Therapeutics, Inc.[1]	1,354,557	1,927,288
		13,336,489	17,150,141
	Health Care Equipment (4.13%)		
112,000	Glaukos Corporation[1]	4,137,421	4,644,640
23,000	Inogen, Inc.[1]	1,179,820	2,194,660
21,300	Nevro Corp.[1]	1,653,257	1,585,359
		6,970,498	8,424,659

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Health Care Services (2.90%)		
170,900	Teladoc, Inc.[1]	$ 4,530,954	$ 5,930,230
	Health Care Supplies (4.94%)		
560,900	Cerus Corp.[1]	2,711,287	1,407,859
471,500	Sientra, Inc.[1]	3,907,167	4,582,980
106,500	The Spectranetics Corporation[1]	2,757,120	4,089,600
		9,375,574	10,080,439
	Pharmaceuticals (3.72%)		
65,300	Pacira Pharmaceuticals, Inc.[1]	2,862,126	3,114,810
850,000	TherapeuticsMD, Inc.[1]	4,615,083	4,479,500
		7,477,209	7,594,310
Total Health Care		41,690,724	49,179,779
Industrials (11.80%)			
	Aerospace & Defense (4.74%)		
468,000	The KEYW Holding Corporation[1]	4,335,427	4,375,800
126,000	Mercury Systems, Inc.[1]	3,022,920	5,303,340
		7,358,347	9,679,140
	Heavy Electrical Equipment (2.11%)		
233,500	TPI Composites, Inc.[1]	4,028,672	4,315,080
	Industrial Machinery (3.29%)		
24,500	ESCO Technologies, Inc.	1,053,145	1,461,425
170,000	Kornit Digital Ltd.[1,2]	2,614,585	3,289,500
46,000	Sun Hydraulics Corp.	1,716,970	1,962,820
		5,384,700	6,713,745
	Trading Companies & Distributors (1.66%)		
65,000	SiteOne Landscape Supply, Inc.[1]	2,496,022	3,383,900
Total Industrials		19,267,741	24,091,865
Information Technology (33.32%)			
	Application Software (1.20%)		
50,000	QAD, Inc., Cl A	1,469,585	1,602,500
32,000	QAD, Inc., Cl B	648,407	859,200
		2,117,992	2,461,700
	Electronic Equipment & Instruments (3.53%)		
6,100	Coherent, Inc.[1]	480,442	1,372,439
162,000	Novanta, Inc.[1,2]	4,893,990	5,832,000
		5,374,432	7,204,439
	Internet Software & Services (12.27%)		
194,200	Amber Road, Inc.[1]	1,494,499	1,664,294
135,000	CommerceHub, Inc., Series C[1]	2,135,264	2,354,400
85,700	Envestnet, Inc.[1]	3,141,909	3,393,720
475,000	JUST EAT plc (United Kingdom)[1,2]	3,074,814	4,052,246
20,000	MINDBODY, Inc., Cl A[1]	556,339	544,000
200,000	Quotient Technology, Inc.[1]	2,190,188	2,300,000
110,000	The Trade Desk, Inc., Cl A[1]	3,342,047	5,512,100
135,000	TrueCar, Inc.[1]	1,888,949	2,690,550
190,000	Yext, Inc.[1]	2,613,098	2,532,700
		20,437,107	25,044,010
	IT Consulting & Other Services (1.40%)		
110,000	Acxiom Corp.[1]	2,909,793	2,857,800
	Semiconductor Equipment (1.11%)		
112,000	Ichor Holdings Ltd.[1,2]	1,507,334	2,257,920

Baron Discovery Fund — PORTFOLIO HOLDINGS (Continued)

June 30, 2017 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Semiconductors (8.02%)		
32,000	Ambarella, Inc.[1,2]	$ 1,819,147	$ 1,553,600
202,725	Everspin Technologies, Inc.[1]	1,646,197	4,050,445
50,000	Impinj, Inc.[1]	1,183,553	2,432,500
149,500	MACOM Technology Solutions Holdings, Inc.[1]	6,348,259	8,337,615
		10,997,156	16,374,160
	Systems Software (5.79%)		
34,949	Cloudera, Inc.[1,3]	524,235	559,883
28,132	Okta, Inc.[1,3]	478,244	641,410
161,600	Qualys, Inc.[1]	5,298,572	6,593,280
108,000	Varonis Systems, Inc.[1]	3,110,092	4,017,600
		9,411,143	11,812,173
Total Information Technology		52,754,957	68,012,202
Materials (0.88%)			
	Specialty Chemicals (0.88%)		
200,000	Flotek Industries, Inc.[1]	2,256,168	1,788,000
Real Estate (1.34%)			
	Industrial REITs (1.34%)		
100,000	Rexford Industrial Realty, Inc.	2,253,563	2,744,000
Telecommunication Services (3.14%)			
	Integrated Telecommunication Services (3.14%)		
175,000	General Communication, Inc., Cl A[1]	6,482,841	6,412,000
TOTAL COMMON STOCKS		**158,444,258**	**189,664,146**
Warrants (0.04%)			
Consumer Staples (0.04%)			
	Packaged Foods & Meats (0.04%)		
300,000	Barfresh Food Group, Inc. Warrants Exp 3/13/2020[1,4]	**0**	**87,000**

Principal Amount		Cost	Value
Short Term Investments (7.67%)			
$15,650,604	Repurchase Agreement with Fixed Income Clearing Corp., dated 6/30/2017, 0.12% due 7/3/2017; Proceeds at maturity - $15,650,760; (Fully collateralized by $15,860,000 U.S. Treasury Note, 2.25% due 2/15/2027; Market value - $15,966,579)	**$ 15,650,604**	**$ 15,650,604**
TOTAL INVESTMENTS (100.61%)		**$174,094,862**	**205,401,750**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.61%)			**(1,253,412)**
NET ASSETS			**$204,148,338**
RETAIL SHARES (Equivalent to $16.68 per share based on 6,650,840 shares outstanding)			**$110,905,380**
INSTITUTIONAL SHARES (Equivalent to $16.83 per share based on 5,362,319 shares outstanding)			**$ 90,248,149**
R6 SHARES (Equivalent to $16.83 per share based on 177,938 shares outstanding)			**$ 2,994,809**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
4 At June 30, 2017, the market value of restricted and fair valued securities amounted to $87,000 or 0.04% of net assets. This security is not deemed liquid.

Notes

Notes

Notes

Go Paperless !
It’s fast, simple and a smart way to help the environment.
Enjoy the speed and convenience of receiving Fund documents electronically.
For more information and to enroll today go to www.baronfunds.com/edelivery

BARON
FUNDS®
1987

767 Fifth Avenue, 49th Fl.
New York, NY 10153
1.800.99.BARON
212-583-2000
www.BaronFunds.com

BARON FUNDS
1987

June 30