Dear Baron Global Advantage Fund Shareholder:

Performance

It was a rough fourth quarter for global equity investors that changed the outcome of what was shaping up to be another good year. The broad-based declines turned global index returns negative, and we did not fare any better. Baron Global Advantage Fund (the "Fund") lost 14.4% (Institutional Shares) during the quarter, which was more or less in line with the MSCI ACWI Growth Index, down 14.7%. The MSCI ACWI Index was down 12.8%. The Fund ended 2018 down 3.7%, which compares favorably to losses of 8.1% and 9.4%, respectively, for the Fund's benchmarks.

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

	Baron Global Advantage Fund Retail Shares[1,2]	Baron Global Advantage Fund Institutional Shares[1,2]	MSCI ACWI Growth Index[1]	MSCI ACWI Index[1]
Three Months[3]	(14.42)%	(14.37)%	(14.66)%	(12.75)%
One Year	(3.89)%	(3.66)%	(8.13)%	(9.42)%
Three Years	12.43%	12.66%	7.24%	6.60%
Five Years	7.98%	8.20%	5.72%	4.26%
Since Inception (April 30, 2012)	10.82%	11.05%	8.13%	7.19%

Surprisingly, we had a lot of winners for a quarter with a significant drawdown like this, as 13 of our holdings rose in value. **Argenx**, **Mellanox Technologies**, **HDFC Limited**, **Guardant Health**, **Kotak Mahindra Bank**, **Tesla**, and **HDFC Bank** contributed over 20 basis points each to returns. Unfortunately, we had 16 investments that detracted over 50 basis points each, with **Activision Blizzard**, **Amazon**, and **Aerie Pharmaceuticals** costing the Fund over 100 basis points each. We benefited from being overweight India, Brazil, South Africa, and China, generating approximately 250 basis points of relative outperformance, reversing some of the relative underperformance from last quarter, although India was the only one for which we had actual gains. We did well in Financials (actual gains) and Information Technology (lost less due to good stock picking), and poorly in Communication Services (bad stock picking) and Consumer Staples (by not being there).

ALEX UMANSKY
PORTFOLIO MANAGER

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

2018 was a bit of a mixed bag. We do not know any investors who are happy when they lose money, us included. On the other hand, in a relative performance framework, we beat our benchmarks by over 5% on average, in a tough year, and that's pretty good. We did many things well and almost all of the relative outperformance came from stock selection. **Argenx** (+52% on the year), **Amazon** (+29%), **Mellanox Technologies** (+43%), **Okta** (+149%), **Veeva Systems** (+62%), **Illumina** (+37%), and **Splunk** (+27%) were the Fund's largest contributors, with impressive results in a down year. On the other side of the ledger, we made a number of mistakes, some painfully obvious, albeit with the benefit of hindsight. **Naspers** (-28%), **Activision Blizzard** (-33%), **Aerie Pharmaceuticals** (-39%), **Sage Therapeutics** (-42%), **Facebook** (-26%), **Ctrip.com** (-39%), **JD.com** (-37%), and **Bolsas y Mercados Argentinos** (-44%), were our largest detractors.

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2017 was 1.95% and 1.59%, respectively, but the net annual expense ratio is 1.15% and 0.90% (restated to reflect management fee reduction from 1.00% to 0.85% and current fee waivers), respectively. *The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month-end, visit www.BaronFunds.com or call 1-800-99BARON.*

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

1 The indexes are unmanaged. The MSCI ACWI indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes reflected in US dollars. The MSCI ACWI Growth Index Net USD measures the equity market performance of large- and mid-cap growth securities across developed and emerging markets. The MSCI ACWI Index Net USD measures the equity market performance of large- and mid-cap securities across developed and emerging markets. The indexes and the Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

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

3 Not annualized.

BARON FUNDS 1987

Baron Global Advantage Fund

According to Morningstar*, for the period ended December 31, 2018, Baron Global Advantage Fund ranked in the top 10% for 1-year, top 1% for 3-year, top 3% for 5-year, and top 3% for its since inception performance. The Fund has been awarded a 5-star Morningstar rating for its 3-year, 5-year, and overall performance.

Since its inception on April 30, 2012, the Baron Global Advantage Fund has returned 101.1% (Institutional Shares) cumulatively, compared to 68.4% for the MSCI ACWI Growth Index and 58.8% for the MSCI ACWI Index, the Fund's benchmarks. Over that same time period, the Fund has outperformed the Morningstar US Fund World Large Stock Category average, by 44.8% cumulatively.

Over the last five years, the Fund has outperformed the MSCI ACWI Growth Index by 2.5% per year, the MSCI ACWI Index by 3.9% per year, and its Morningstar US Fund World Large Stock Category average, by 4.5% per year.

As of 12/31/2018, the annualized returns of the Morningstar US Fund World Large Stock Category average were (9.64)%, 5.69%, 3.72%, and 6.90% for the 1-, 3-, 5-year, and since inception (4/30/2012) periods.

We have been spending a fair amount of time thinking about volatility. Stock volatility, sector volatility, market volatility, and the resultant impact on the Fund's volatility. Many investors we speak to seem to equate volatility to risk, which makes sense for short-term investors where timing the entry and exit points well can be the difference between a successful investment and a failed one. These investors tell us that volatility management techniques, such as raising significant levels of cash in times of increased uncertainty or tactically rotating into "safer" sectors (such as staples or gold), or safer geographies (away from emerging markets), would reduce the "riskiness" of this Fund and make it a more attractive investment for them. We get it. However, we cannot oblige. First of all, we are long-term investors. That long-term ownership mindset is fundamental to every capital allocation decision we make. Secondly, we believe that superior investment results can be achieved more consistently through bottom-up, company-specific research, rather than top-down, macro driven analysis. We do not view volatility as the same as risk. We define risk as a possibility/probability of a permanent loss of capital and manage it judiciously by understanding and monitoring our investments' uniqueness, sustainability of competitive advantages, and ability to reinvest capital at high rates of return. We also make sure valuations remain reasonable and in line with our estimates of companies' intrinsic values. On the other hand, we are not convinced that volatility needs to be (or even can be) managed. We try to use volatility as an opportunity to upgrade the quality of our portfolio and replace good investment ideas with even better ones.

Somewhat related to this, we think investment performance should be measured over longer periods of time as well. We think rolling 3- to 5-year returns provide the best measure of a long-term investment strategy's success. With the exception of Bernie Madoff, we are not aware of any investment strategy that produced consistently good investment returns every month, every quarter, and every year. Legg Mason's Bill Miller had a great run for a while in beating the S&P 500 Index for many calendar years in a row, but even he was quick to point out, that if years were measured from different months, there wouldn't be much of a streak to talk about. On a monthly basis, the Baron Global Advantage Fund beat its benchmarks on average 63% of the time since its inception on April 30, 2012. On rolling 3-month periods, we improve to 64%. Rolling 12-month results show a success rate of 73%, and rolling 36-month results improve it further to 87%. When measured over 5-year rolling periods, the Fund has outperformed both of its benchmarks 100% of the time.

Table II.

Percentage of time Fund outperformed benchmarks over different time periods from inception through December 31, 2018

Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years
Fund Outperformance vs. MSCI ACWI Growth Index	61%	63%	70%	82%	100%
Fund Outperformance vs. MSCI ACWI Index	65%	65%	75%	91%	100%

Unless otherwise noted, all performance and performance-related calculations are based on the Institutional Shares. Calculation is based on monthly returns.

Table III.

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

	Quarter End Market Cap (billions)	Percent Impact
argenx SE	$ 3.5	0.95%
Mellanox Technologies Ltd.	4.9	0.79
Housing Development Finance Corporation Limited	48.5	0.48
Guardant Health, Inc.	3.2	0.28
Kotak Mahindra Bank Ltd.	34.3	0.27

* Morningstar calculates the **Morningstar US Fund World Large Stock Category** Average using the Morningstar Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. As of 12/31/2018, the Category consisted of 901, 729, 618, and 494 share classes for the 1-, 3-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund Institutional** Share Class in the 10th, 1st, 3rd, and 3rd percentiles, respectively.

As of 12/31/2018, the Category consisted of 729, 618, and 729 share classes for the 3-year, 5-year, and overall periods, respectively. Morningstar has awarded **Baron Global Advantage Fund Institutional** Share Class 5 stars, 5 stars, and 5 stars for its 3-year, 5-year, and overall performance, respectively.

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

Based in Breda, Netherlands, **argenx SE** is a clinical-stage biotechnology company focused on research and development of human monoclonal antibodies for the treatment of cancer and oncological, autoimmune, and inflammatory diseases. Shares of argenx increased 27% during the quarter following the signing of a large licensing deal with Johnson & Johnson for its solution to treat acute myelogenous leukemia. Shares were also helped by the resolution of market confusion regarding a bleeding safety concern. Our research was validated late last year with a publication of a Phase 2 clinical trial for ARGX-113 for several autoimmune diseases, which showed efficacy for treating myasthenia gravis patients. Once commercialized, we believe the product will help patients manage their disease significantly better and spare them the burden of current treatment paradigms. We believe argenx's antibody platform is one of the most valuable assets in the biotech development space, offering significant long-term potential as the company proves its products' effectiveness in multiple autoantibody disorders. With a 52% gain in 2018, argenx was the Fund's top contributor to both absolute and relative returns.

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Mellanox shares were up 26% in the quarter following the company's strong quarterly results, which exceeded its guidance on top-line and operating margins, as the company continued to benefit from the upgrade cycle to faster speeds in data center connectivity. In 2018, Mellanox has been able to accelerate growth while refocusing investments on the core business and cutting costs elsewhere. This has enabled Mellanox to grow operating margins much faster than the market expected (ending the year at over 25%), leading to a 43% increase in the stock price for the year, making it one of our top performers. We believe the opportunity ahead remains attractive due to Mellanox's technological leadership in high-speed interconnects, which are becoming increasingly relevant in a world of big data and AI.

Incorporated in 1977 as the first specialized mortgage company, **Housing Development Finance Corporation Limited** ("HDFC Ltd.") is India's largest and most reputable lender. Today, the company is a $48 billion financial conglomerate with prospering mortgage origination, asset management, life insurance, and real estate businesses. At roughly 20% of the market, it is the largest housing finance company in the country, with gross loans in excess of $45 billion. Shares of HDFC Ltd. increased 16% in the fourth quarter, as the company continued its strong growth in AUM (+17%) with stable spreads and consistent asset quality. We believe HDFC Ltd. has a significant opportunity to grow its business over time driven by rising incomes, a growing middle class, and several positive government initiatives to increase home ownership in the country, including tax incentives and private sector partnerships. HDFC Ltd.'s mortgage book has been growing consistently between 16% and 18% per year, and we expect this growth to persist for a long time. We think the backdrop is particularly favorable. At 9%, India's mortgage penetration as a percent of nominal GDP is one of the lowest in the world. The mortgage penetration rate is 20% in Thailand, 22% in China, 32% in Malaysia, in the mid 60s in the U.S. and U.K., and 90% in Denmark. As the only AAA-rated private mortgage issuer in India, HDFC Ltd. also has a significant funding advantage over its competitors, allowing it to issue loans at lower rates while enjoying higher profit margins.

Guardant Health, Inc., a new investment for the Fund, offers liquid biopsy tests for advanced-stage cancer as well as tests for recurrence detection in cancer survivors and early detection of cancer in higher risk individuals. The company went public in early October, with shares rising 42% during the quarter, reflecting investor excitement about its leading position in an attractive, and potentially very large new market. Guardant's first commercial product, 'Guardant 360' is a 73-gene test that supports treatment selection for advanced-stage cancer patients with solid tumors, and can identify clinically actionable mutations in almost twice as many patients as tissue biopsy alone. We estimate Guardant to have a multi-billion dollar market opportunity in the U.S. in three key areas: therapy selection for 700,000 metastatic patients with advanced cancers; recurrence detection for 15 million solid tumor cancer survivors; and early detection of cancer in a higher risk population of 35 million individuals. We also believe Guardant has significant competitive moats driven by its unique technology, demonstrated clinical utility, regulatory barriers, payor coverage, and the commercial adoption of its solutions.

Kotak Mahindra Bank Ltd. is a leading financial services group in India offering products across many verticals, including banking, securities, asset management, and life insurance. It has a diversified loan portfolio with a focus on retail, agribusiness, and small-to-medium enterprises. Shares of Kotak increased 14% during the fourth quarter after reporting solid financial results, with loan and earnings growth in excess of 20%. The shares also benefited from investor anticipation of a more lenient regulatory environment following the leadership changes at India's Central Bank. We retain high conviction in Kotak as a best-in-class risk manager and capital allocator in India, with exciting growth opportunities driven by the increasing penetration of consumer banking and significant cross-selling opportunities through its slate of complementary offerings in life insurance, stock brokering, and trust services.

Table IV.

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

	Quarter End Market Cap (billions)	Percent Impact
Activision Blizzard, Inc.	$ 35.5	–2.06%
Amazon.com, Inc.	734.4	–1.51
Aerie Pharmaceuticals, Inc.	1.6	–1.09
Alibaba Group Holding Limited	355.3	–0.74
Sage Therapeutics, Inc.	4.5	–0.72

Activision Blizzard, Inc. is a global leader in digital interactive entertainment. The company develops, markets, publishes, and distributes video games on consoles, PCs, and mobile. Key game franchises include Call of Duty, Destiny, World of Warcraft, Overwatch, and Candy Crush. Shares of Activision declined 44% in the quarter as uncertainty regarding the launch slate for 2019, some management turnover, and the broad negative sentiment around the video game sector intensified. There is also continued concern that the popularity of Fortnite (a new video game from a different publisher) will impact near-term performance. We think 2019 may prove to be a transition year and hence have muted short-term expectations, despite the undemanding valuation. Longer term, we believe that Activision has the opportunity to significantly increase revenues, continue to expand margins, and effectively allocate capital for years to come. We believe the company still has a deep and competent management team and stands to be a major beneficiary from many tailwinds benefiting the video game industry, including the shift to higher-margin digital revenue, mobile gaming, in-game advertising, eSports, and international expansion.

Amazon.com, Inc. shares were down 25% in the quarter driven by the broader market decline, year-end profit-taking, and a general assault on high-multiple companies. In the meantime, Amazon continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com. Paid Prime membership has exceeded 100 million households globally with over 2 billion products ordered with one-day delivery or faster. While e-commerce is growing significantly faster than overall retail, Amazon continues to increase its total addressable market at an unprecedented pace. For instance, Solimo, Amazon's health care-related private label products are growing 70% *month-over-month*, while the company has applied for prescription filling licenses in 17 states. Then there was this "Festive Season Sale" in India where apparently 1 million Xiaomi devices were sold on Amazon in one day! In the next several years, Amazon will continue to build out its advertising business with the potential to reach $30 billion in revenues over the next few years. As the largest online retailer, Amazon can tap into the $1 trillion+ global advertising market, over a third of which is trade promotions, where brands spend to promote their products. Advertising is not only a large revenue opportunity, but it has the ability to substantially improve Amazon's core margins going forward. In the meantime, AWS remains the runaway leader in the vast, and still rapidly growing, cloud infrastructure market. This is a market that we believe is in the early innings of growth and can grow to be many multiples of its current size driven by the secular trend of digitization. Startups adopt AWS to reduce time to market and utilize a best-in-class PaaS (Platform as a Service) offering. Enterprises adopt AWS as they try to accelerate their innovation cycle and avoid being disrupted. Amazon remains one of our highest conviction investment ideas, and we think a good bet to become the most valuable company on earth sometime in the future.

Aerie Pharmaceuticals, Inc. is a clinical stage pharmaceutical company focused on discovery, development, and commercialization of therapies, such as its eye drops Rhopressa and Roclatan, for the treatment of glaucoma and diseases of the eye. Aerie shares declined 41% during the quarter driven by broader declines in biopharmaceutical stocks, which was exacerbated by recent prescription trends making it difficult to gauge the ultimate potential of Aerie's glaucoma franchise. Given the novel mechanism of the action and the large unmet need in this disease, we retain conviction in the market's ultimate potential and continue to monitor this investment closely.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China, operating the shopping platforms Taobao and Tmall. Alibaba also holds 33% of Ant Financial, whose brand, Alipay, is the largest third-party online payment provider in China. Shares of Alibaba declined 17% in the fourth quarter due to a macro-driven slowdown potentially weighing on consumer spending in China, and trade war driven uncertainties, prompting the company to reduce annual guidance. Additionally, Alibaba decided to postpone the monetization of incremental inventory from new recommendation feeds in order to help merchants who are being pressured by the deteriorating macro environment. This is a good example of management's long-term approach, willing to forgo short-term gains for the benefit of their customers, which we think could accrue in multiples to shareholders over time. Alibaba continues to be one of our highest conviction investments, and we expect many exciting growth opportunities to be realized by the company in the years to come.

Sage Therapeutics, Inc. is focused on developing novel drugs for central nervous system disorders. Recent developments have been numerous and include a near unanimous FDA advisory board vote in favor of Sage's first intravenous drug to treat postpartum depression, followed by the subsequent delay of the FDA approval that follows such a vote into the first quarter of 2019. Unrelated to this approval, Sage's oral follow-on drug to treat postpartum/major depression had a Phase 3 read out delayed into the first quarter of 2019 (this trial subsequently read out positively in January). These delays led to the fourth quarter's underperformance although we do not view them as particularly meaningful given Sage's strengthening investment case. This year we expect additional maturation of the pipeline with initial proof of concept studies into disease indications like bipolar depression, Parkinson's disease and essential tremor as the base business concomitantly builds a commercial footprint treating postpartum depression.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the most significant 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 42.7% of the Fund, and the top 20 represented 69.6%. Our investments in the Information Technology, Consumer Discretionary, Communication Services, Health Care, and Financials sectors, as classified by GICS, represented 98.2% of the Fund's assets. Our investments in companies domiciled outside the U.S. represented 48.7% of assets.

The Fund's turnover was 19.8% in 2018, which compares to Fund turnover of 28.0% and 21.5% in the prior two years.

Table V.
Top 10 holdings as of December 31, 2018

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$734.4	$4.4	4.9%
Naspers Limited	88.4	4.4	4.9
Alphabet Inc.	723.2	4.3	4.8
argenx SE	3.5	4.2	4.7
Alibaba Group Holding Limited	355.3	4.2	4.7
Veeva Systems Inc.	13.0	3.5	4.0
Mellanox Technologies Ltd.	4.9	3.5	3.9
Housing Development Finance Corporation Limited	48.5	3.3	3.7
Constellation Software, Inc.	13.6	3.2	3.6
EPAM Systems, Inc.	6.3	3.2	3.5

Exposure By Country

Table VI.

Percentage of securities by country as of December 31, 2018

	Percent of Net Assets
United States	50.1%
China	9.4
India	8.4
Israel	6.5
Netherlands	6.3
South Africa	4.9
Argentina	4.7
Canada	3.6
Brazil	3.2
United Kingdom	1.5
Japan	0.2

Recent Activity

During the quarter, we initiated 6 new investments and added to 19 existing positions, as we put the Fund's inflows to work. We also closed out seven investments that were not able to graduate into "core" holdings, and reduced one other. We exited the fourth quarter with 48 holdings.

Table VII.

Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Worldpay, Inc.	$23.9	$1.1
RingCentral, Inc.	6.6	0.9
Yext, Inc.	1.5	0.8
Guardant Health, Inc.	3.2	0.8
Wix.com Ltd.	4.4	0.6

During the fourth quarter, we took advantage of market weakness to increase our investments in **Worldpay, Inc.**, **Yext, Inc.**, and **Wix.com Ltd.**, and initiate small positions in **RingCentral, Inc.** and **Guardant Health, Inc.**

RingCentral is a software as a service (SaaS) company focused on the unified communications as a service (UCaaS) market. RingCentral's software provides a unified solution across multiple locations and devices and allows for communication across multiple channels, including voice, video, messaging (collaboration) and online meetings. RingCentral is disrupting a large category of 300 million to 400 million knowledge workers, representing an addressable market of over $100 billion. It is the fastest growing UCaaS player, while also being almost two times larger than its closest competitor thanks to its high quality of service (controlling a larger percentage of the path a communications packet passes during its route), its differentiated strategy (offering an open platform, integrating best-of-breed partners instead of owning the entire stack) and robust execution (met or beaten expectations every quarter since its 2013 IPO). We believe RingCentral will continue showing accelerating growth rates driven by best-in-class unit economics with customer lifetime value representing over 10 times the customer acquisition cost. We also believe that RingCentral's co-founder CEO, Vlad Shmunis, is a savvy industry leader who is not afraid to invest in the business in the near term, penalizing margins in the short term, in order to grow the company's intrinsic value for the benefit of long-term shareholders. RingCentral is a beneficiary of the early stages of an industry migration to the cloud, and it is the leader in that industry with a multi-year opportunity for growth. We define "best-in-class" businesses as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital, and lower leverage that are leaders in their respective markets. Note that this statement represents our opinion and is not based on a third-party ranking.

Founded in 2012, by two Illumina alumni, Redwood City, California-based Guardant Health focuses on the provision of precision oncology testing and development services. The company's stated goal is to help the world conquer cancer through its liquid biopsy tests for advanced-stage cancer as well as tests for recurrence detection in cancer survivors and early detection of cancer in higher risk individuals. We acquired a small position in Guardant Health after the company went public in early October. We believe Guardant holds a leading position in an attractive and potentially very large new market. The company's first commercial product, 'Guardant 360' is a 73-gene test that supports treatment selection for advanced-stage cancer patients with solid tumors, and can identify clinically actionable mutations in almost twice as many patients as tissue biopsy alone. We estimate Guardant to have a multi-billion dollar market opportunity in the U.S. alone, in three key areas: therapy selection for 700,000 metastatic patients with advanced cancers; recurrence detection for 15 million solid tumor cancer survivors; and early detection of cancer in a higher risk population of 35 million individuals. We also believe Guardant has significant competitive moats driven by its unique technology, demonstrated clinical utility, regulatory barriers, payor coverage, and the commercial adoption of its solutions.

Table VIII.

Top net sales for the quarter ended December 31, 2018

	Market Cap When Sold (billions)	Amount Sold (millions)
Baidu, Inc.	$ 56.2	$1.5
KEYENCE CORPORATION	56.5	1.4
Taiwan Semiconductor Manufacturing Company Ltd.	190.2	1.2
Booking Holdings, Inc.	90.1	0.9
NEXTDC Limited	2.0	0.7

Unlike last quarter's exits, which were deemed to be mostly investment mistakes, we think the investment theses for the five companies above are still largely intact. However, a significant pullback in the prices of many of our higher conviction long-term investments caused us to take action and reallocate capital to what we believe are better risk/reward opportunities.

Outlook

Lao Tzu, the sixth century B.C. Chinese philosopher, said: "Those who have knowledge, don't predict. Those who predict, don't have knowledge." The latter part of this quote has always resonated with us, though we should warn you that our consistent lack of desire to issue any predictions does not necessarily signify that we possess any meaningful knowledge. Or does it…?

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

Baron Global Advantage Fund

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

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.

Risks: 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.