DEAR BARON ASSET FUND SHAREHOLDER:

PERFORMANCE

U.S. equity indexes added to their first quarter gains, ending the first half of 2019 at or near all-time highs. As was the case last quarter, the market was periodically unnerved by the prospect of additional tariffs on Chinese and Mexican imports. However, eventual signs of easing trade tensions, coupled with indications that the Federal Reserve was becoming more dovish, helped lead the market higher. Larger-capitalization stocks and mid-caps, in particular, were among the best performers. Growth-oriented stocks also continued to outperform their value-oriented peers.

Against this backdrop, Baron Asset Fund (the "Fund") gained 9.92% (Institutional Shares), while the Russell Midcap Growth Index (the "Index") gained 5.40%, and the S&P 500 Index gained 4.30%. We are pleased that good risk-adjusted performance allowed the Fund's Retail and Institutional Shares to receive a five-star rating from Morningstar, Inc., the well-known publisher of information and rankings for the mutual fund industry.*

ANDREW PECK

PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended June 30, 2019

	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]	9.84%	9.92%	5.40%	4.30%
Six Months[5]	32.19%	32.35%	26.08%	18.54%
One Year	19.39%	19.70%	13.94%	10.42%
Three Years	20.49%	20.82%	16.49%	14.19%
Five Years	13.17%	13.48%	11.10%	10.71%
Ten Years	16.10%	16.41%	16.02%	14.70%
Fifteen Years	10.80%	10.99%	10.25%	8.75%
Since Inception (June 12, 1987)	11.84%	11.93%	10.28%[4]	9.79%

During the quarter, the Fund's investments in Health Care, Information Technology (IT), Financials, and Industrials added the most value. Performance in Health Care was driven by positive stock selection, led by veterinary diagnostics leader **IDEXX Laboratories, Inc.**, weighting instruments manufacturer **Mettler-Toledo International, Inc.**, and life sciences software solutions provider **Veeva Systems Inc.** These stocks performed well in the volatile market environment, buoyed by outstanding financial results. Additionally, minimal exposure to biotechnology stocks, which were down nearly 7% in the Index, and outperformance of DNA sequencing platform **Illumina, Inc.** lifted relative results. Illumina's shares reacted positively to increased investor confidence in the company's ability to meet its 2019 financial guidance.

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, 2018 was 1.30% and 1.04%, respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

1 The indexes are unmanaged. The Russell 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, 2019.

5 Not annualized.

* As of 6/30/2019, the Morningstar US Fund Mid-Cap Growth Category consisted of 539, 484, 367, and 539 share classes for the 3-year, 5-year, 10-year, and overall periods, respectively. Morningstar has awarded **Baron Asset Fund Retail** and **Institutional** Share Class 5 stars, 5 stars, 4 stars and 5 stars for its 3-year, 5-year, 10-year, and overall performance, respectively.
The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Strength in IT was broad-based, led by internet services & infrastructure firms **Verisign, Inc.** and **Wix.com Ltd.** Shares of Verisign rose on strong revenue growth and solid expense management. Wix's shares appreciated after the company's financial results demonstrated continued growth among its premium subscribers. Successful recent IPOs **Zoom Video Communications, Inc.** and **CrowdStrike, Inc.**, also added value after their share prices increased during the quarter.

Within Financials, higher exposure to this top performing sector and outperformance of financial exchanges & data companies **MarketAxess Holdings Inc.** and **FactSet Research Systems, Inc.** added value. MarketAxess gained because of increased trading volume on its platform, while FactSet's shares rose after the company reported solid quarterly results.

Industrials holdings outperformed, with commercial real estate information provider **CoStar Group, Inc.** and data and analytics vendor **Verisk Analytics, Inc.** leading the way. CoStar's shares were up as business trends were excellent, with the company's bookings improving by approximately 36% year-over-year. Verisk's stock price benefited from solid earnings results, featuring impressive performance in its Insurance segment and improved results in the Energy segment.

Few stocks were down during the quarter, although Consumer Discretionary investments weighed the most on relative results. This was driven by the underperformance of venerable jeweler **Tiffany & Co.** Shares fell after the company reported underwhelming earnings results, driven by lower Chinese tourist spending in the U.S. and concerns surrounding the U.S.-China trade war. In addition, shares of **SS&C Technologies Holdings, Inc.**, a financial technology vendor, and **Rollins, Inc.**, a provider of pest and termite control services, fell after both reported first quarter earnings below Wall Street expectations.

Table II.
Top contributors to performance for the quarter ended June 30, 2019

	Year Acquired	Percent Impact
IDEXX Laboratories, Inc.	2006	1.24%
Mettler-Toledo International, Inc.	2008	0.71
MarketAxess Holdings Inc.	2016	0.50
Verisign, Inc.	2013	0.48
CoStar Group, Inc.	2016	0.48

Shares of **IDEXX Laboratories, Inc.**, the leading player in the market for veterinary diagnostics, continued to significantly contribute to the Fund's performance. The company again reported financial results that were ahead of expectations on both revenues and earnings, while also increasing its earnings guidance for the year. Organic revenue growth in its core market for companion animals grew nearly 11%, while its global premium instrument installed base grew 20%, foreshadowing strong future growth for the high-margin consumables used by these same instruments. Its laboratory business also continued to grow its revenues at a double-digit pace. Profit margins also increased, despite ongoing investments back into the business, while share buybacks continued.

Shares of **Mettler-Toledo International, Inc.**, the world's largest provider of weighing instruments for use in laboratory, industrial, and food retailing applications, continued to contribute to performance. Mettler reported strong sales and earnings growth during its first quarter, and it also raised its annual earnings guidance. As was the case last quarter, management commentary about the demand environment for its instruments was positive, with sales, orders, and leads looking strong. We continue to believe Mettler can compound earnings at a mid-teens growth rate over the long term.

MarketAxess Holdings Inc. operates the leading electronic platform for trading corporate and sovereign bonds. Its shares contributed to performance as its second quarter average daily trading volume increased 28%, approximately double the rate of overall market growth. The company also reported solid first quarter earnings, highlighting the rapid growth of its automated credit trading, and it likely gained positive recognition from competitor Tradeweb's recent IPO. We retain conviction in the investment, as we expect MarketAxess to be a prime beneficiary of the secular shift to electronic trading in the corporate bond market.

Verisign, Inc. is a global provider of internet infrastructure services, including management of the '.com' and '.net' domains. Shares appreciated after the company reported strong revenue growth, solid expense management, and a healthy renewal rate among its customer base. We remain positive on Verisign given its highly defensible competitive position, capacity for ongoing growth in the number of global internet domain registrations, and ability to generate substantial free cash flow. In addition, Verisign is likely to benefit from future price increases on its '.com' domains, pending renegotiation of its registry agreement with its primary regulator.

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, added to performance. Business trends remained excellent, with the company's bookings improving by approximately 36% year-over-year. We remained pleased by the successful integration of its ForRent unit into Apartments.com, and we believe 20% or greater growth can be sustained in its multi-family apartment market. We expect the company to begin to raise its prices given its unique competitive position in commercial real estate data. In addition, the company has more than $1.2 billion of cash on its balance sheet, which we expect it to use for accretive acquisitions.

Table III.
Top detractors from performance for the quarter ended June 30, 2019

	Year Acquired	Percent Impact
SS&C Technologies Holdings, Inc.	2014	-0.15%
Rollins, Inc.	2016	-0.14
Tiffany & Co.	2005	-0.14
Waters Corporation	2018	-0.12
The Charles Schwab Corp.	1992	-0.11

Shares of financial technology vendor **SS&C Technologies Holdings, Inc.** detracted from performance after the company reported mixed first quarter earnings, with organic revenue growth coming in below Wall Street expectations. The company also raised its fiscal year 2019 adjusted EPS guidance, but shares nevertheless fell after having increased earlier in the year. We retain conviction, as we believe SS&C will continue to generate attractive earnings growth through market share gains, cross sales of its services portfolio, new product introductions, additional M&A, and synergy-led margin expansion.

Shares of **Rollins, Inc.**, a provider of pest and termite control services, detracted from performance. The company reported first quarter earnings below Wall Street expectations, citing poor weather and one-time cost headwinds. While underlying performance remained steady, the stock traded down given Rollins' relatively high multiple. We retain conviction in the company, and we believe that broader pest control industry trends remain positive. Moreover, pest control has proven to be a defensive industry with a history of growth during even the most difficult economic environments.

Shares of **Tiffany & Co.**, the well-known luxury jewelry retailer, detracted from performance. Tiffany reported underwhelming earnings results, driven by lower Chinese tourist spending in the U.S and concerns surrounding the U.S.-China trade war. We expect a positive inflection in the second half of 2019 as the company laps the negative tourist headwinds, and new initiatives start to drive sales growth. The company's new management team remains focused on new product introductions and marketing campaigns, as well as select store renovations.

Shares of **Waters Corporation** detracted from performance. Waters sells analytical instruments to biopharmaceutical, industrial, academic, and environmental testing laboratories for drug discovery and development, quality control, nutritional safety analysis, and environmental testing. The stock declined because the company reported weak organic revenue growth and lowered revenue growth and earnings guidance for the full year.

Shares of brokerage **The Charles Schwab Corp.** declined. Investors grew concerned about the prospect of lower interest rates curtailing the company's ability to expand net interest margin, an important driver of profitability. However, we remain encouraged that the company continues to attract assets and broaden its services while expanding margins. We believe net interest margins will eventually return to typical levels.

Portfolio Structure

At June 30, 2019, Baron Asset Fund held 61 positions. The Fund's 10 largest holdings represented 38.9% of assets, and the 20 largest represented 60.3% of assets. The Fund's largest weighting was in the IT sector at 27.1% of assets. This sector includes software companies, IT consulting firms, internet services companies, and data processing firms. The Fund held 24.3% of its assets in the Health Care sector, which includes investments in life sciences companies, and health care equipment, supplies, and technology companies. The Fund held 16.5% of its assets in the Industrials sector, which includes investments in research and consulting companies, machinery companies, and industrial conglomerates. The Fund also had significant weightings in Financials at 12.5% of assets and Consumer Discretionary at 8.1% of assets.

Table IV.
Top 10 holdings as of June 30, 2019

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
IDEXX Laboratories, Inc.	2006	$2.5	$23.7	$268.9	6.1%
Gartner, Inc.	2007	2.9	14.5	247.6	5.6
Mettler-Toledo International, Inc.	2008	2.4	20.8	210.9	4.8
Verisk Analytics, Inc.	2009	4.0	24.0	192.8	4.4
Verisign, Inc.	2013	7.1	24.9	146.2	3.3
Vail Resorts, Inc.	1997	0.2	9.0	142.7	3.2
Guidewire Software, Inc.	2013	2.8	8.3	142.6	3.2
FactSet Research Systems, Inc.	2006	2.5	11.0	125.7	2.8
ANSYS, Inc.	2009	2.3	17.2	125.3	2.8
CoStar Group, Inc.	2016	5.0	20.2	121.6	2.7

Recent Activity

During the past quarter, the Fund established four new positions and added to eight others. The Fund eliminated three positions and reduced its holdings in six others.

Table V.
Top net purchases for the quarter ended June 30, 2019

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Amphenol Corporation	$28.7	$23.2
DexCom, Inc.	13.6	10.0
Tradeweb Markets Inc.	9.7	8.8
Ceridian HCM Holding Inc.	7.1	8.6
CrowdStrike, Inc.	13.6	6.3

We took advantage of share price weakness to initiate a position in **Amphenol Corporation** during the quarter. Amphenol is a leading manufacturer of connectors and sensors with a demonstrated history of creating substantial value for its shareholders. The company was founded in 1932 to provide interconnect solutions for military applications, and it has since grown organically and through acquisition to become the second largest interconnect provider in the world.

Interconnects are products used to conduct electrical and optical signals. We believe the interconnect industry has highly favorable characteristics, most notably the strong secular trend towards electrification in products spanning a variety of end markets, including mobile devices, automotive, and the military. Interconnects are used in many mission-critical products, meaning manufacturers cannot afford for these relatively inexpensive components to fail. This has helped enable Amphenol to enjoy a superior growth and margin profile. We particularly like the variety of end markets that the company services, coupled with its focus on applications with high performance requirements. We believe that one of Amphenol's distinguishing features is its decentralized management structure and operating culture. General managers have substantial autonomy over their own businesses, allowing them to rapidly react to meet their customers' needs and to adapt to changing market conditions.

Amphenol generates a substantial amount of cash flow and aims to return half to shareholders through dividends and share buybacks, while using the remainder for acquisitions. The company has been a leader in consolidating the $65 billion connector industry, though it still commands only approximately 12% of the market. Amphenol entered the adjacent market for sensors several years ago, and we believe this affords the company a significant opportunity to replicate its strategy across the fragmented $150 billion sensor market. During the past 10 years, Amphenol has grown its sales at nearly a 10% compounded rate, approximately double the industry average, and we believe its outperformance is likely to continue over time.

Table VI.
Top net sales for the quarter ended June 30, 2019

	Amount Sold (millions)
Ultimate Software Group, Inc.	$23.9
Westinghouse Air Brake Technologies Corporation	14.9
Waters Corporation	13.7
A. O. Smith Corporation	12.3
Fastenal Co.	2.8

We exited our position in **Ultimate Software Group, Inc.**, a provider of payroll and other human capital management software, after the company was acquired by a well-known private equity firm for approximately $11 billion. We exited our position in **Westinghouse Air Brake Technologies Corporation** over ongoing concerns about the financial implications of its combination with General Electric Company's locomotive division. We reduced our holdings in **Waters Corporation**, which sells analytical instruments for drug discovery and development, after the company reported weak organic revenue growth and lowered revenue growth and earnings guidance for the full year.

Outlook

Throughout the past decade's bull market, and particularly during this year's rally, many prominent market commentators and strategists have recommended selling equities. In fact, according to Lipper Analytics, investors around the world have pulled $140 billion from equity funds during the first half of 2019. In contrast, investors who have ignored "short-term noise" in the stock market while pursuing a long-term "buy and hold" strategy have generally been richly rewarded. We believe this straightforward method remains the best approach for investors to follow.

We continue to remain optimistic that the prospects for U.S. equities are bright. We believe that the economy remains generally robust and that the outlook for continued earnings growth from the companies in our portfolio is solid. The U.S. unemployment rate remains near an historic low, and most leading economic indicators remain positive. Inflation is muted, and the Federal Reserve seems poised to ensure that interest rates remain at historically low levels.

We believe that our portfolio of well-managed, competitively advantaged, fast growing companies will continue to perform well, 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.

Sincerely,

Andrew Peck
Portfolio Manager

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Risks: 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. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. 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.

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