DEAR BARON DISCOVERY FUND SHAREHOLDER:

PERFORMANCE

We were pleased with our performance in the second quarter. Baron Discovery Fund (the "Fund") was up 16.8% (Institutional Shares), exceeding the Russell 2000 Growth Index by 9.6%. Year-to-date, the Fund is up 15.4%, exceeding the Russell 2000 Growth Index by 5.7%. Whereas we underperformed in the first quarter of 2018, we more than made up for that with excess performance in the second quarter.

We mention this simply to point out that given our medium- to long-term investment strategy, short-term fluctuations versus the index can occur. However, like every other Baron Fund, we strive to earn excess returns over the medium to long run and we believe that this is the appropriate time period in which to benchmark our progress. So far we've been successful, earning 17.7% annualized returns net of fees since inception, which is 6.1% per year in excess of the benchmark.

We work hard every day to prove we deserve your investments and we are excited that as we approach the Fund's five-year anniversary on September 30, 2018, we are executing on the same investment strategy that we've targeted since the Fund's inception at the end of September 2013. This is plain vanilla, long-term, fundamentally-based investing. We believe this strategy is evergreen and works no matter how much noise we see with regard to politics, international trade or geopolitical flash points. At the end of this report, you will find two investment stories that we believe encapsulate our process. We think they are worth reading as they bring life to what we do every day, and to the power of our conviction-based style of investing.

Table I.
Performance
Annualized for periods ended June 30, 2018

	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]	16.76%	16.82%	7.23%	3.43%
Six Months[3]	15.22%	15.36%	9.70%	2.65%
One Year	25.35%	25.69%	21.86%	14.37%
Three Years	15.50%	15.80%	10.60%	11.93%
Since Inception (September 30, 2013) (Annualized)	17.37%	17.66%	11.55%	12.95%
Since Inception (September 30, 2013) (Cumulative)[3]	114.01%	116.49%	68.06%	78.35%

RANDY GWIRTZMAN AND LAIRD BIEGER
PORTFOLIO MANAGERS

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

Table II.
Top contributors to performance for the quarter ended June 30, 2018

	Percent Impact
Sientra, Inc.	2.21%
The Trade Desk	2.20
Teladoc, Inc.	1.52
Yext, Inc.	0.98
TPI Composites, Inc.	0.91

Sientra, Inc. is an aesthetics medical device company. It has one of only three FDA-approved silicone breast implant franchises in the U.S., and it recently purchased a company that uses a device to stop excessive sweating and odor in patients' underarms. In April 2018, it received FDA approval to restart U.S.-based implant production at a respected third-party manufacturer, and in May it raised $115 million in a very well received secondary offering. Shares were up in the quarter on these very positive developments.

The Trade Desk is the leading Internet advertising Demand Side Platform (DSP). The company enables advertising agencies to more efficiently purchase digital advertising through PC, mobile, and online video

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2017 was 1.47% and 1.23%, 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.*

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.

channels. The company had exceptional results for the first quarter and raised its outlook for the year. After growing more than 50% year-over-year in 2017, we believe the company can once again grow at a similar rate in 2018. The company's international business is growing at more than twice the domestic business and the growth in over the top video (transmitted through high speed internet connections versus standard set top boxes or broadcast), while early, is also noteworthy. The company's CEO, Jeff Green, is spending a substantial amount of his time in China developing relationships to incubate the next stage of the company's growth. Finally, the company just completed a major upgrade of its product which now incorporates elements of intelligence, to provide more efficiency and return on investment for its media buyer clients. We remain positive on shares of Trade Desk as the company only has an estimated 10% share in the $12 billion programmatic advertising market, which itself is a small growing subset of the $1 trillion spent on global advertising annually.

Teladoc, Inc. is the leading worldwide provider of tele-health services. The company had a very good operational first quarter (it beat on revenues, earnings and cash flow), which was announced in May. Teladoc also announced a major acquisition (for $350 million) of Advance Medical which expands its geographical reach to Asia and Latin America and provides chronic care and medication management capabilities as well. This acquisition further solidifies Teladoc's leadership position in the industry, and provides significant cross-sell opportunities. We continue to believe the company has significant growth prospects in front of it, including both organic and inorganic opportunities. Because the company has very high recurring revenue, it has 90% visibility into revenues each quarter. We are excited about the company's prospects in the coming years.

Yext, Inc. is a "trusted source" cloud leader that enables customers to sync location data such as addresses, phone numbers and hours of operation across the largest web properties (Google, Facebook, Bing, Apple Maps, Yelp, etc.). The company had a 3% revenue beat in the first quarter and also slightly raised its outlook for the year. This "beat" seemed to wake up investors to looking at the company (which until that point had been somewhat off the radar). We still believe the company has a very large addressable market and is the "winner" in what we believe is a winner-take-most market. We also believe the valuation is reasonable even after its appreciation in the second quarter.

TPI Composites, Inc. is a large independent producer of composite blades for wind turbine manufacturers. We wrote in our fourth quarter 2017 letter that we believed TPI should have a good 2018 as it continued to fill growing factory lines and started a new business line producing composite chassis for electric commuter buses. Utilization in 2018 will be artificially low, given a number of line transitions to new customers or higher-end blades. This makes TPI look more expensive on 2018 numbers than its normalized cash flow would suggest. However, in our opinion, the company is downright cheap on 2019 estimates. Shares have rebounded as investors have started discounting 2019 cash flow growth, as we suspected would occur. It pays to have a longer-term view.

Table III.
Top detractors from performance for the quarter ended June 30, 2018

	Percent Impact
Mercury Systems, Inc.	–0.64%
Esperion Therapeutics, Inc.	–0.60
GCI Liberty, Inc.	–0.40
Coherent, Inc.	–0.34
CareDx, Inc.	–0.34

Mercury Systems, Inc. is a provider of complex electronic subsystems to major defense contractors. During the second quarter, shares declined as a short seller took aim at the company. We believe the claims are mistaken, particularly the main claim which asserts that a big Mercury contract is at risk due to poor performance (in fact the poor performance was attributable to a previous contractor, not Mercury). And Mercury continued to win contract awards in the quarter. We believe that this is a unique company in the space, positioned for continued multi-year growth.

Esperion Therapeutics, Inc. is a pharmaceutical company developing a drug geared toward lowering low density lipids (LDL) in patients. High LDL is thought to be linked to higher risk of heart disease and is currently controlled by drugs called statins (the most well-known of which is Lipitor). The stock was down in the quarter after the company released clinical trial results that met its endpoints for LDL and inflammatory marker reductions, but had a couple of anomalous adverse events in the patient mix. We believe that the events were not related to the drug, particularly given the types of events and the overall poor health of the patients in the clinical trial. We own a small position and continue to monitor this closely.

GCI Liberty, Inc. offers broadband, telecommunications and cable television services. The stock underperformed in the quarter due to the underperformance of Charter Communications stock in which GCI Liberty has an economic interest. Charter underperformed because both the number of cable TV subscribers and the number of broadband subscribers were below consensus expectations. Despite this miss, Charter was able to slightly beat on profitability during the quarter showing the power of its business model. Despite the recent weakness, our long-term thesis on Charter and GCI Liberty is unchanged. We expect Charter to begin generating significant free cash flow in 2019 which it will use to repurchase stock. We also think that with the recent strength in oil prices, we could see a recovery in the Alaskan economy which would be a tailwind to GCI Liberty's core Alaskan assets.

Coherent, Inc. designs and manufactures lasers used for numerous industrial, medical and military end markets. One of the company's important products is a specialized laser system used in the manufacture of OLED screens for mobile phones and other small displays including usage in vehicles. Coherent earns revenues not only for the sale of the lasers, but also for high-margin recurring maintenance, as these high-powered lasers need refurbishment at least once per year. OLED is better than current LCD display technology in terms of image quality and energy efficiency (critical for mobile battery life). And new versions of OLED screens will be foldable, allowing a phone sized device to open up into a tablet-sized form factor. This can't be done with LCD technology. Coherent is the only company that can produce this laser system which is a critical part of the manufacturing process. Shares sold off in the second quarter on two concerns related to OLED including poor iPhone X sales which used the technology and reports that Apple is working on a new screen technology called MicroLED. We believe that such concerns are overdone (we believe that OLED phone volumes will rebound as pricing comes down and foldable devices are promoted, and even if MicroLED comes mainstream in a few years, Coherent lasers will still be needed in their manufacture). Currently, only Samsung has commercially deployed the technology mainly for its own phones and for Apple devices. However, it is well known that other manufacturers such as LG in Korea and BOE and others in China are moving into the OLED market (and are therefore implicitly buying Coherent lasers). This will allow pricing to come down for the displays, which will in turn drive increased demand for OLED phones and for Coherent's equipment and recurring maintenance. After the recent sell-off, shares of Coherent are now cheap, giving little valuation credit to the OLED business. We believe shares are poised to rebound quickly upon news of increased OLED usage by Samsung and the new entrant manufacturers.

CareDX, Inc. is a new position in the portfolio that we are very excited about. It is the market leader in transplant diagnostics, with presence in nearly all U.S. and EU centers. Its tests are used to determine compatibility between recipients and donated organs, and to determine optimization of post-transplant immunosuppression medications to ensure the best chance that the organs are not rejected by the recipient. It is the current market leader in pre-transplant HLA typing (a $500 million market opportunity), and heart transplant testing (a $100 million market). CareDX is looking to grow its revenues with a new kidney transplant test called AlloSure which launched in the third quarter of 2017. This test addresses a large market opportunity (over $2 billion), and AlloSure also has higher margins than the existing CareDX tests. We believe that sales can grow from $65 million in 2018 to well over $200 million in 2022 as penetration of the company's tests increases. Shares were down in the quarter due to the announcement of a potential competitive product coming to the kidney market some time in 2019. While this is always a cause for concern, we believe that CareDX has many advantages versus this competitor including substantial clinical data, reimbursement from insurers, and a long-term reputation in the end markets in which it operates (whereas this is a new market for the competitor). Moreover, the kidney market is substantial (at over $2 billion) and is significantly underpenetrated, leaving room even for competitive solutions.

Portfolio Structure

Table IV.

Top 10 holdings as of June 30, 2018

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Teladoc, Inc.	2017	$11.4	4.1%
The Trade Desk	2016	10.9	3.9
Myriad Genetics, Inc.	2016	9.7	3.5
Mercury Systems, Inc.	2015	8.6	3.1
Red Rock Resorts, Inc.	2016	8.4	3.0
TPI Composites, Inc.	2016	8.2	3.0
Novanta Inc.	2017	8.0	2.9
Americold Realty Trust	2018	7.7	2.8
Qualys, Inc.	2013	7.6	2.7
Sientra, Inc.	2016	7.4	2.7

Our key sector weightings per the GICS methodology at the end of June 2018 were 31.2% in IT, 27.8% in Health Care, 14.1% in Industrials, and 13.8% in Consumer Discretionary.

At June 30, 2018, our top 10 holdings represented 31.7% of the portfolio. This is consistent with our practice, since inception, of holding about 30% of the Fund's value in our top 10 positions.

Recent Activity

Table V.

Top net purchases for the quarter ended June 30, 2018

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
CareDx, Inc.	2018	$0.4	$5.9
IntriCon Corporation	2018	0.3	3.8
Red Lion Hotels Corporation	2018	0.3	3.5
Limoneira Company	2018	0.4	2.8
RIB Software SE	2018	1.2	2.7

We initiated a position in **IntriCon Corporation**, a medical device company which focuses on body-worn devices. The company has two businesses. In the medical business, IntriCon manufactures microelectronics, micro-mechanical assemblies, high-precision injection-molded plastic components and complete bio-telemetry devices for medical device manufacturers. IntriCon's biggest medical customer is Medtronic, for which IntriCon manufactures Medtronic's wireless continuous glucose monitors, sensors, and accessories associated with Medtronic's insulin pump and CGM system for patients with diabetes. IntriCon's other business relates to hearing aids. In this business, IntriCon sells value-based hearing devices focused on the direct-to-consumer channel. We believe IntriCon's medical business will provide stable growth over the next few years driven by the growth of Medtronic's diabetes franchise. We believe IntriCon's hearing business is on the verge of explosive growth driven by legislative and regulatory changes that will make it easier for consumers to obtain hearing aids over-the-counter at much lower cost than existing hearing aid products.

Red Lion Hotels Corporation is a midscale hotel management company out of the Northwest U.S. Currently the company has almost 1,100 hotels and 70,000 rooms. The company announced in 2017 that it was going to sell off its owned hotels and become a pure play hotel management company. Since that time, the company has sold approximately half of its hotels with expectations that it will sell the rest over the next six to nine months. We believe this transformation will significantly improve the company's balance sheet and free cash flow generation. Our expectation is that the company will use this free cash to do additional acquisitions similar to the Knights Inn purchase it announced in April. We think the company is in the early stages of becoming a much bigger hotel management company.

Limoneira Company is a 125 year-old company specializing in the growing and packing of lemons (80% of revenues with four varieties) and avocados (9% of revenues). The remaining revenues are mostly specialty citrus (mandarins, blood oranges, pummelos, cara cara navels, super red grapefruit), pistachios and wine grapes. Limoneira has over 10,000 acres of production and roughly 2,000 acres more expected to bear fruit over the next five years. We believe this will provide mid-teens cash flow growth over the next five years. In addition to organic growth, the company intends to do bolt-on acquisitions such as the recently announced acquisition of a

3,300 acre ranch in San Pablo, Chile. This is the company's second acquisition in the southern hemisphere as it attempts to diversify its production to regions where it can harvest lemons in seasonal periods when U.S. production is out of season. This allows Limoniera to deliver produce to its customers year round (what it calls its "One World of Citrus" strategy).

RIB Software SE is a German company that develops and markets high-end construction software. RIB's iTWO software package combines three-dimensional (3D) computer aided design (CAD) models with integrated project time and cost calculations (which is called 5D by the company). RIB is free cash flow positive and just did a big capital raise (130 million Euro) to support growth (it has a bullet proof balance sheet now, even accounting for expected marketing spend). We got involved after the capital raise occurred, and shares dropped over 50%. We are excited by the potential for the company to take its iTWO software core and market it in two additional ways. First, via a subscription-oriented, cloud-based version co-marketed with Microsoft (called MTwo). Second, with a version that will be co-owned in a joint venture with Flextronics (a leading contract manufacturer) that has a payment model based on royalties against materials ordered through the system (YTwo). We believe that these new products have the potential to add hundreds of millions of Euro in increased cash flow to RIB over the next few years as they provide a way for smaller businesses to access the power of iTWO which is extremely expensive on a standalone basis.

Table VI.
Top net sales for the quarter ended June 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Foundation Medicine, Inc.	2013	$0.9	$5.1	$4.0
Tabula Rasa Healthcare, Inc.	2018	0.6	1.1	3.2
Inogen, Inc.	2015	0.7	3.9	3.1
Sientra, Inc.	2016	0.2	0.5	3.0
Wingstop Inc.	2015	0.9	1.5	2.5

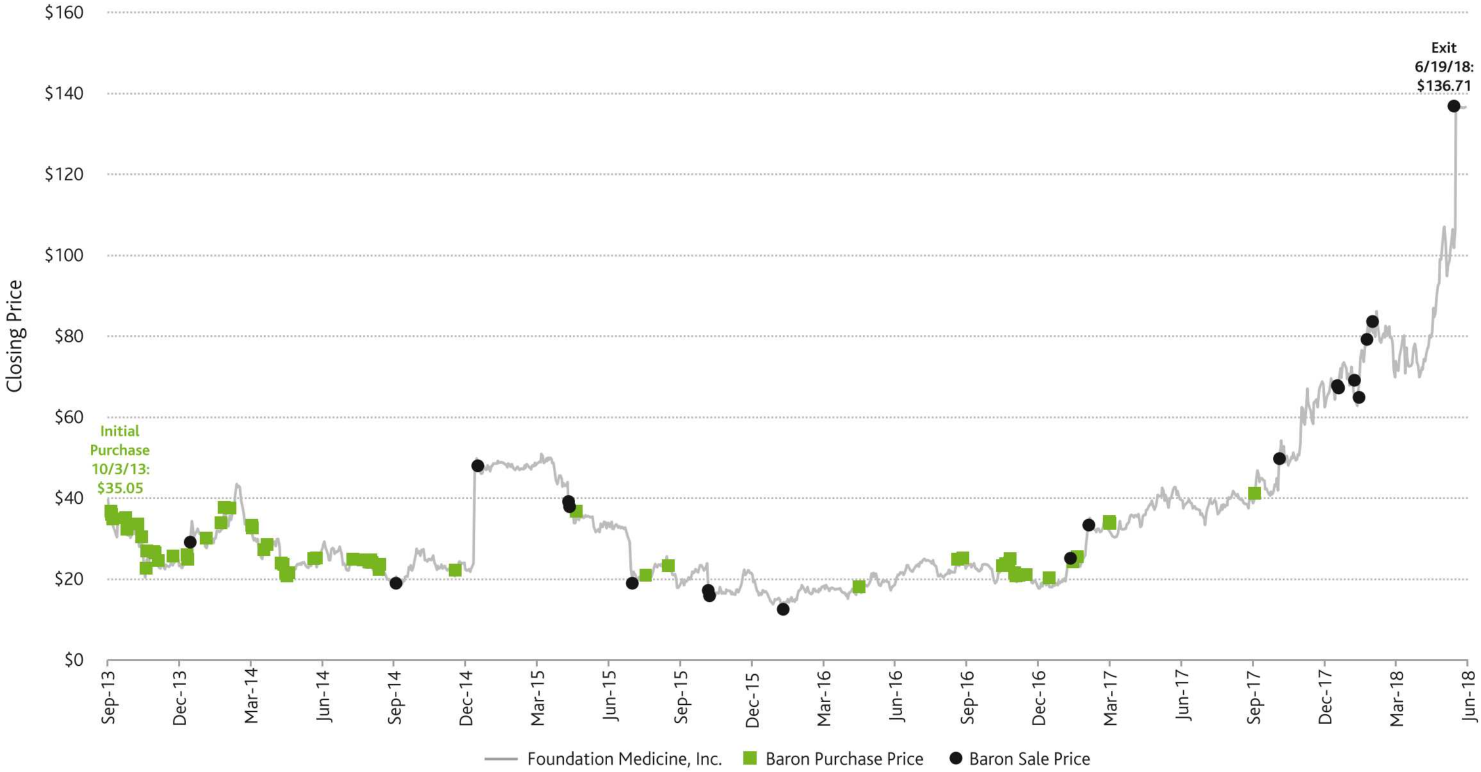
In the quarter, nearly every sale was based upon our opinion that valuations had become extended. As a reminder, we are extremely focused on valuation across the medium- and long-term time horizon. When valuations get stretched, particularly as against our longer-term targets, we are apt to trim and reapply the proceeds to ideas that have more embedded value. In this manner, we dynamically readjust the overall valuation of the portfolio downward, and further dampen the effects of broad market price moves against the portfolio. It is a key element of our risk management process and it is continuous and fluid. This was the case for **Tabula Rasa Healthcare, Inc**. (a provider of specialized information services to lessen the negative effects of drug interactions for patients with multiple prescriptions), **Inogen, Inc**. (a provider of portable oxygen concentrators (POC's) for patients with breathing issues), **Sientra, Inc**. (a medical aesthetics company) and **Wingstop Inc**. (a franchisor of chicken wing restaurants). We completely sold our investments in the former two companies, and partially sold down our investments in the latter two. We are still enamored with the business plans of Inogen and Tabula Rasa, but could not find comfort with the risk of what we view as extremely pricey valuations. As always, we will follow those companies closely and may reinvest at lower valuations.

Two of our former investments deserve mention, as they are among the five best investments we have ever made for the Fund.

Foundation Medicine, Inc. was a very good investment. It was just our kind of investment story. A management team that came from a company that we made money on in the past. And a unique differentiated product (in this case a high-end cancer diagnostics test and associated database) which will improve patient outcomes and lower costs to the health care system. This had it all. Foundation became one of the Fund's first investments in 2013. Valuation moved between $20 and $40 throughout 2014, and we ended that year about flat on our overall investment at a $22 closing price. However, in early January, the company agreed to be partly acquired (about 47%) by Roche Holding AG for $50. Shares immediately rose to as high as $54 before settling in at around $49 until the late April completion of the transaction (we sold most of our position during this period at about 12x enterprise value to sales for the next year, due to what we viewed as an extreme valuation at the time). When Roche didn't immediately tender for the rest of the shares as the market had hoped, Foundation's price fell back to about $20, before bottoming out in the $17-$18 range (or about 4x EV/Sales) in late 2015 and early 2016. At this point we were eager buyers, and made Foundation a meaningful investment in the Fund again. In June of this year, Roche tendered for the remaining equity in Foundation at an astounding $137 or 15x next year's EV/Sales! While we had been trimming our position based on valuation all the way up from around $50, we still kept a meaningful investment since we believed so strongly in the company. We are glad we did, and we are looking forward to seeing what's next for the founders of the company.

Inogen, Inc. was a company we initially purchased in a February 2014 IPO at $16. Our recent high sale was at $190. Unlike our investment in Foundation Medicine, for the most part Inogen tracked steadily up and to the right. This was the case of a great management team executing on their vision of providing truly portable, tankless oxygen delivery to some of the sickest patients around the world. Ultimately, we believe that Inogen will replace the antiquated oxygen tank delivery networks that now have the lion's share of business. We continue to believe that Inogen will increase penetration of its POC's and will maintain its 50% share of the overall oxygen market. However, at over 8x EV/Sales and at nearly 37x EV/EBITDA (a measure of cash flow), we think that many years of success are already embedded in the valuation. We continue to watch the company, and will surely reinvest should prices return to more reasonable levels.

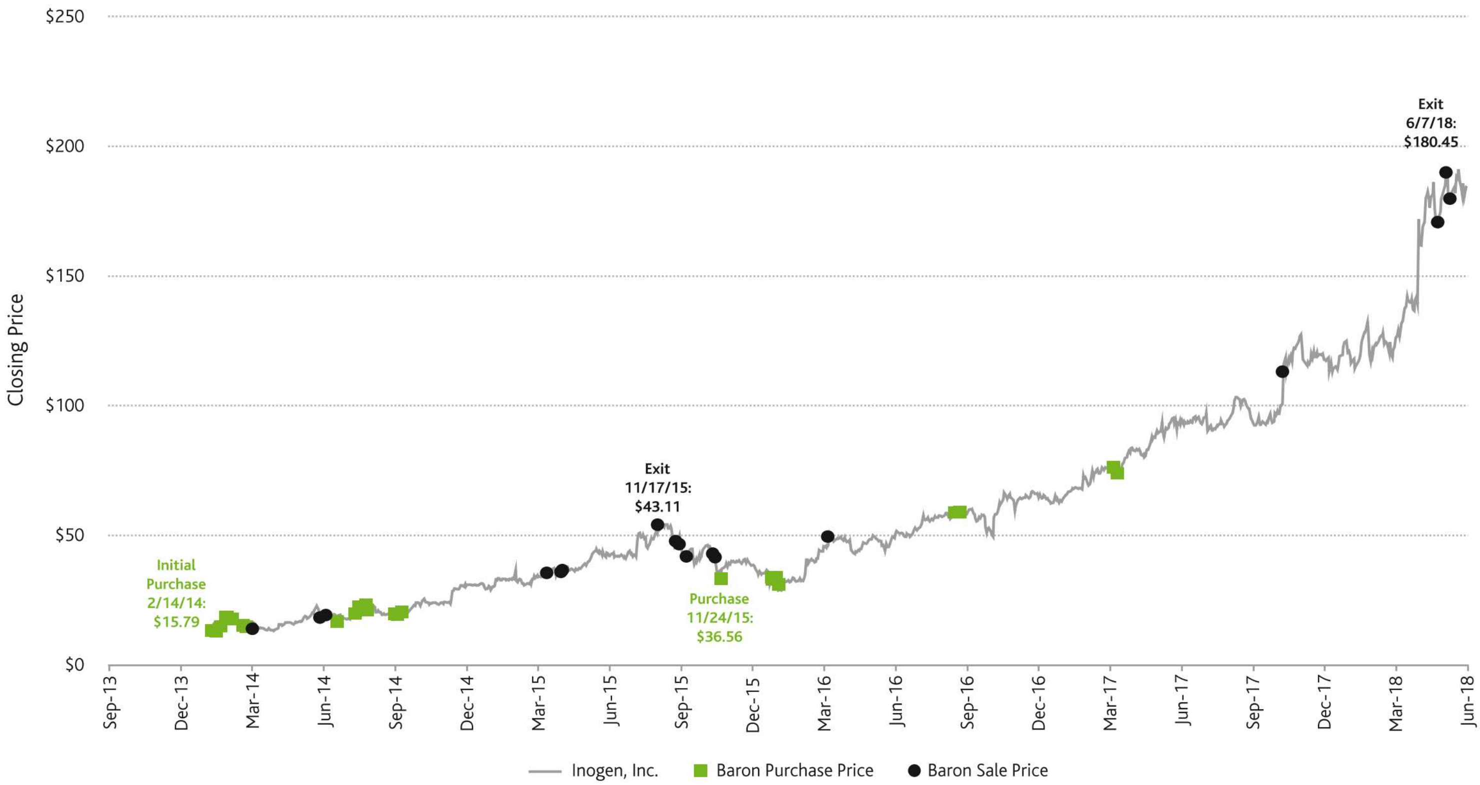
Investment Example: Foundation Medicine, Inc.



Sources: FactSet prices and Baron Capital. Charts are for illustrative purposes only. Performance data quoted represents past performance and is no guarantee of future results.

If multiple transactions occur on the same day, the weighted average price is reflected. This example reflects purchase and sale activity from September 2013 to June 2018. Baron publishes holdings at quarter end, so purchase and sale activity is not publicly available on an intra-quarter basis.

Investment Example: Inogen, Inc.



Sources: FactSet prices and Baron Capital. Charts are for illustrative purposes only. Performance data quoted represents past performance and is no guarantee of future results.

If multiple transactions occur on the same day, the weighted average price is reflected. This example reflects purchase and sale activity from September 2013 to June 2018. Baron publishes holdings at quarter end, so purchase and sale activity is not publicly available on an intra-quarter basis.

Outlook

As we head into the summer, despite day-to-day geopolitical noise, macroeconomic indicators remain strong. Job growth and employment are robust, while inflation seems to be under control, at least for the time being. We also continue to be bullish on the earnings prospects for our companies. Nevertheless, we will continue to obsess about the "micro" elements of the companies in which we invest such as business execution and valuation. We find it far more gratifying to focus our energy on finding companies that are trying to cure cancer, protect the country, create exciting new industrial technology, and delight consumers rather than worry about the unknowable spasms of politics and transnational feuds.

We are very grateful to our investors for helping us to get this far with this much success. We look forward to updating everyone next quarter on our five-year anniversary!

Randy Gwirtzman & Laird Bieger
Portfolio Managers

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.