DEAR BARON DURABLE ADVANTAGE FUND SHAREHOLDER:

PERFORMANCE

Baron Durable Advantage Fund (the "Fund") returned 3.1% (Institutional Shares) during the quarter, outperforming the 1.7% return of the S&P 500 Index, the Fund's benchmark. In the first nine months of the year, the Fund is up 27.9% compared to 20.6% for the S&P 500 Index, and over the last year, the Fund is up 10.2% compared to an increase of 4.3% for the S&P 500 Index.

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

	Baron Durable Advantage Fund Retail Shares[1,2]	Baron Durable Advantage Fund Institutional Shares[1,2]	S&P 500 Index[1]
Three Months[3]	3.06%	3.14%	1.70%
Nine Months[3]	27.66%	27.92%	20.55%
One Year	9.97%	10.23%	4.25%
Since Inception (December 29, 2017)	9.98%	10.25%	8.46%

The Fund outperformed the S&P 500 Index by 144 basis points ("bps") during the third quarter with almost all of the outperformance (137 bps) coming from stock selection. As a matter of fact, our exposure to several risk factors such as momentum hurt performance such that our risk factor-adjusted alpha in the quarter was 190 bps, according to attribution analysis using MSCI Barra's USE3 factor model. Information Technology, Financials, and lack of investments in Energy were the top three contributing sectors to our relative performance (138 bps tailwind in total). Our semiconductor holdings **ASML** and **Texas Instruments** had strong returns and contributed 34 bps and 17 bps, respectively, to our performance. **S&P Global**, **CME Group**, and **Moody's**, which are all classified as Financials, also performed well, contributing 26 bps, 22 bps, and 15 bps, respectively, to our outperformance.

The biggest drag on returns came from Health Care costing us 48 bps, driven largely by our investments in **Mettler-Toledo** and **UnitedHealth Group**, both of which corrected during the third quarter and represented headwinds of 47 bps and 37 bps, respectively. Not owning any **Utilities** also hurt us and detracted 25 bps from relative results, as this was the best performing sector of the S&P 500 Index during the quarter.

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BDAFX
Institutional Shares: BDAIX
R6 Shares: BDAUX

In total, we had seven positions contributing at least 30 bps each to our performance: **Apple**, **Alphabet**, **ASML**, **S&P Global**, **Equinix**, **CME Group**, and **Sherwin-Williams**. We also had five holdings contributing at least 20 bps each to our performance and five more that contributed at least 15 bps to our performance. But mostly, our solid performance this quarter came down to avoiding losers as we only had four investments detracting more than 20 bps from performance: **Mettler-Toledo**, **UnitedHealth Group**, **LVMH**, and **Iqvia**.

Year-to-date, we have 16 holdings in the Fund, whose stock prices are up at least 35% each, 11 of which saw their stock prices appreciate at least 40%, with the top 3 names up a remarkable 66%, 61%, and 54% (**Equinix**, **ASML**, and **Estée Lauder**, respectively). Does that mean the intrinsic values of those businesses just 9 months ago were so much lower? We believe the answer is no and while stock prices tend to be volatile as the market's sentiment moves between optimism and pessimism, intrinsic values tend to be much more stable. On January 1, 2019, the market was on the cusp of bear-market territory (typically defined as a 20% decline from the most

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2018 was 7.45% and 5.71%, respectively, but the net annual expense ratio was 0.95% and 0.70% (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 reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term 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 index is unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The index 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 redemption of Fund shares.
3 Not annualized.

recent peak), investors were concerned that the Federal Reserve's tightening cycle and growing international uncertainties (trade wars, Brexit, political instabilities, etc.) would lead to a global recession, driving a significant correction in stock prices during the fourth quarter of 2018. A 1991 memo by Howard Marks from Oaktree Capital offers a time-tested explanation to this phenomenon:

"The mood swings of the securities markets resemble the movement of a pendulum. Although the midpoint of its arc best describes the location of the pendulum "on average," it actually spends very little of its time there. Instead, it is almost always swinging toward or away from the extremes of its arc. But whenever the pendulum is near either extreme, it is inevitable that it will move back toward the midpoint sooner or later. In fact, it is the movement toward the extreme itself that supplies the energy for the swing back."

Relative stability in intrinsic values is especially true for the companies we hold in this Fund–great businesses with entrenched competitive moats. We believe that over the long term, the performance of our Fund will correlate very closely with the performance of the businesses we invest in and the growth in their intrinsic values, rather than the mood of investors.

Our largest holding, **Microsoft**, had an excellent quarter growing revenues 14% year-over-year and operating profits by 24% year-over-year with operating margins expanding 230 bps to 36.8%. This pace of growth is remarkable for a company of its size. Commercial cloud revenues grew 42% and its cloud business, Azure, grew 68% with expanding margins. Microsoft also signed its largest cloud deal ever during the quarter with AT&T and its CEO remarked during the earnings call that he *"has a line of sight to many more such deals."* **IHS Markit**, the data and analytics leader, grew revenues by 11% and EBITDA by 16% with organic revenue growth of 6%, accelerating from 5% last quarter as the company continues to benefit from the continued demand to its critical data platform across the financial services, transportation, and resources verticals. We further increased our IHS Markit position during the quarter. **Mastercard** also had strong results with revenues growing 15% year-over-year and EPS growing 17% on accelerating purchase volume, which was up 13.4% during the quarter, up from 11.9% last quarter. **S&P Global** saw improved debt issuing trends as interest rates declined, driving solid 7% organic revenue growth with 12% EPS growth, raising its full-year earnings guidance. **Moody's** also had good results with organic revenue growth of 4% and EPS above expectations, leading the company to raise its 2019 EPS guidance to 8% to 10% growth, while targeting high single-digit revenue growth with low-teens EPS growth longer term.

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

	Quarter End Market Cap (billions)	Percent Impact
Apple, Inc.	$1,012.2	0.48%
Alphabet Inc.	845.9	0.42
ASML Holding N.V.	105.7	0.37
S&P Global Inc.	60.3	0.34
Equinix, Inc.	48.9	0.32

Apple, Inc. is a mega-cap consumer electronics company with iconic products such as iPhone, iPad, Apple Watch, and the Macs. Apple also offers software services and subscription solutions. Shares were up 13% during the third quarter after the company saw a stabilization in revenues, following two quarters of declines along with 18% growth in services, a successful product launch of the new iPhone 11, and its new attractively priced streaming and gaming solutions Apple TV+ and Arcade. Our conviction in Apple is rooted in the company's leading brand, the breadth of its ecosystem, creating sustainable and hard-to-replicate network effects, the ability of the company to earn high returns on invested capital, and its significant cash generation.

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares of Alphabet increased 13% in the quarter on robust second quarter revenue growth driven by strength in mobile search and YouTube. We retain high conviction in Alphabet's opportunity as it continues to benefit from growth in mobile and online video advertising, benefiting its core assets of search, YouTube, and the Google ad network. We are further encouraged by Alphabet's increased investments in its cloud business, its focus on enterprise go-to-market, and its significant optionality from its AI, autonomous driving (Waymo), and life science (Verily, Calico) investments.

ASML Holding N.V. designs and manufactures semiconductor production equipment. It specializes in EUV photolithography equipment in which light sources are used to create patterns on wafers that ultimately become printed circuits. Shares were up 20% in the quarter. The company has continued to gain share in the semiconductor equipment market driven by EUV adoption in leading edge manufacturing and improved market sentiment around the anticipated recovery in the memory cycle. With EUV, ASML has widened its moat and strengthened the value of its technology to the industry, which should support growth for years to come.

S&P Global Inc. is the largest credit rating agency in the world. The company also provides benchmarks, analytics, and data to the financial and commodities markets. With falling interest rates and easier year-over-year comparisons debt issuance trends improved and the shares appreciated 8%. The company also reported better-than-expected quarterly results with 7% organic revenue growth and 12% EPS growth and raised full-year earnings guidance. We continue to own the stock as we believe the company benefits from various secular trends including bond issuance, passive investing, and demand for data and analytics. It operates in attractive markets, enjoying meaningful and durable competitive advantages.

Equinix, Inc. is a global operator of network-dense, carrier-neutral colocation data centers. Shares increased 15% during the third quarter following robust second quarter results as EBITDA margins were better than expected at 48.9%, full-year revenue guidance was raised to $5.58 billion and the company has seen its debt rating upgraded. The lower interest rate environment benefited REITs broadly as well. We retain conviction in Equinix due to a long demand runway driven by cloud adoption and IT outsourcing and Equinix's unique position as one of the only operators with a global diversified platform that generates network effects via the inter-connectivity layer it offers its customers. We also believe that Equinix can add incremental value through executing on its strategic M&A program.

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

	Quarter End Market Cap (billions)	Percent Impact
Mettler-Toledo International, Inc.	$ 17.3	–0.45%
UnitedHealth Group Incorporated	205.9	–0.42
LVMH Moet Hennessy Louis Vuitton SE	200.9	–0.20
Iqvia Holdings Inc.	29.3	–0.20
BlackRock Inc.	69.3	–0.15

Shares of the world's largest provider of weighing instruments for use in laboratory, industrial, and food retailing applications, **Mettler-Toledo International, Inc.**, declined 16% and detracted from performance. The company reported quarterly financial results that fell short of investor expectations due to weakness in the non-core food retailing business causing the stock price to correct. The increased market focus on macro uncertainties including the trade war rhetoric with China also contributed to the decline in stock price. We continue to believe Mettler is a good business with stable growth, strong pricing power, robust free cash flow, and shareholder-friendly management.

Shares of **UnitedHealth Group Incorporated**, the U.S.'s leading health care franchise, were weak in the third quarter, along with those of other managed care companies, on concerns about single payer risk, with the stock declining 10%. We believe private insurance will remain a major part of the U.S. health care system for years to come and think UnitedHealth will see strong growth in revenues and profits driven by positive demographic trends and its ability to manage health care costs by leveraging its size and scale, making industry-leading technology investments, expanding its expertise in population health, and growing its portfolio of health care providers.

Shares of **LVMH Moet Hennessy Louis Vuitton SE**, a leading global luxury goods group, declined 7% during the quarter as investors became increasingly concerned over the protests in Hong Kong and the trade war dynamics, hurting luxury investor sentiment. LVMH reported a second quarter sales beat with strong organic year-over-year growth of 12%; however, margins missed by 70 bps due to high levels of reinvestment. We think these investments will help strengthen LVMH brands and drive sustainable long-term outperformance. We think that LVMH is the highest quality diversified luxury group with the strongest competitive advantages– a portfolio of iconic brands, vertical integration, and pricing power.

Shares of **Iqvia Holdings Inc.**, the world's largest contract research organization and provider of advanced analytics and technology solutions to the life sciences industry, gave back 7% of its almost 40% year-to-date gains in the third quarter, despite a solid second quarter when the company beat expectations and raised guidance. Fundamentals remain strong at the company, with a second quarter book-to-bill ratio of 1.59 times and a 15% increase in its backlog. Three years post-IMS merger, Iqvia appears to be delivering on its promise to bring a novel, data-driven approach to clinical trials that is driving market share gains with industry-leading organic growth rates. With an estimated $11 billion in expected 2019 sales and a total addressable market exceeding $230 billion, Iqvia has a significant growth runway for years to come.

Shares of **BlackRock Inc.**, an asset manager with a dominant share of exchange traded funds, declined 4% during the quarter. Investors became concerned that increased market volatility might lead to outflows from BlackRock's products. While flows have remained strong, they have come at a lower fee rate, as price competition in the industry remains significant. Expenses have also been higher as the company launches new products. We remain confident that the business can continue to attract assets and expand margins over the long term and believe the company's technology solutions will gain industry acceptance resulting in high-margin revenue and improved client retention.

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."

The top 10 positions represented 43.9% of the Fund, the top 20 were 70.6%, and we exited the quarter with 36 investments.

Information Technology and Health Care represent our biggest exposures and make up 51.0% of the Fund. Financials, Consumer Staples, Communication Services, Industrials, and Real Estate make up another 40.5% of the Fund with the remaining 5.1% made up of Consumer Discretionary (**LVMH** and **Booking Holdings**) as well as **Sherwin-Williams**, which is considered a Materials business. We also held a small cash buffer of 3.4% and had no Energy or Utilities investments.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Microsoft Corporation	$1,061.6	$365.1	5.2%
IHS Markit Ltd.	26.8	347.9	4.9
Mastercard Incorporated	275.5	346.3	4.9
S&P Global Inc.	60.3	334.2	4.7
Moody's Corporation	38.8	327.1	4.6
Constellation Brands, Inc.	39.7	300.1	4.3
Danaher Corporation	103.6	293.0	4.2
Apple, Inc.	1,012.2	283.5	4.0
Accenture plc	122.7	269.7	3.8
UnitedHealth Group Incorporated	205.9	229.3	3.3

Recent Activity

We initiated four new investments during the quarter: **Thermo Fisher Scientific Inc.**, **SS&C Technologies Holdings, Inc.**, **Fidelity National Information Services, Inc.**, and **The Walt Disney Company**. We also used the positive flows into the Fund to add to 25 existing holdings including one of our newer positions, **Alexandria Real Estate Equities, Inc**. We eliminated **Home Depot, Inc.** and **A. O. Smith Corporation** as we reallocated capital to higher conviction positions.

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

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Thermo Fisher Scientific Inc.	$116.6	$198.0
SS&C Technologies Holdings, Inc.	13.1	180.9
Alexandria Real Estate Equities, Inc.	17.5	143.7
Fidelity National Information Services, Inc.	81.4	142.4
Moody's Corporation	38.8	114.9

During the third quarter, we initiated a medium-sized position in **Thermo Fisher Scientific Inc.**, a leading life sciences tools company. Thermo Fisher provides analytical instruments, laboratory equipment, software, services, consumables, and reagents for life sciences research, manufacturing, analysis, discovery, and diagnostics. The company serves a large, $160 billion total addressable market, and it is growing 3% to 5% annually driven by favorable demographics (aging populations with chronic conditions, rising standards of living in emerging markets, scientific advances, and increasing regulations). We think Thermo Fisher is a well-managed company with industry-leading scale, customer reach, and capabilities. A successful M&A strategy has led to acquisitions of attractive growth assets, including the recent acquisition of Brammer Bio, a leading manufacturer of gene and cell therapies, a category that holds significant growth potential for many years into the future. Thermo Fisher has also been generating above market growth driven by share gains and a portfolio with greater exposure to faster growth areas. Going forward, management expects the business to grow 5% to 7% per year organically on the top line and 13% to 15% per year on the bottom line while deploying its significant free cash flow on M&A, share buybacks, dividends, and expanding returns on invested capital.

We also bought **SS&C Technologies Holdings, Inc.** during the quarter. SS&C is a leading provider of mission critical software products and services that allow financial service providers to automate and outsource business processes. The company offers a portfolio of tools including front-office functions like trading and modeling, middle-office functions like portfolio management and reporting, and back-office functions like accounting, transfer agency, compliance, regulatory services, performance measurement, reconciliation, reporting, processing, and clearing.

SS&C is an industry leader in a large addressable market. Financial institutions spend a lot of money on software/IT services, and the increasing trend towards outsourcing these services provides SS&C with ample opportunity to win new business. The company's products are mission critical and extremely sticky, which creates high retention rates (above 90%) and a recurring base of revenue. SS&C is very profitable with an adjusted EBITDA margin in the high 30% range with robust free cash flow. CEO (and founder) Bill Stone also has an excellent long-term track record of capital allocation through a combination of M&A, dividends, and select share repurchases. The company has been particularly effective at completing acquisitions and then generating significant synergies once the deals close. All of these factors have allowed SS&C to generate over 25% compounded annual growth in adjusted EPS since going public in 2010. Bill is also the company's largest shareholder, which aligns his interests with other shareholders.

In 2018, SS&C spent more than $7 billion acquiring DST, EZE, and Intralinks. This was an unusually large amount of M&A activity, and the company is still working to reignite organic growth at the acquired businesses, which led to some underperformance in the stock price lately. With that being said, we believe SS&C will continue to generate attractive earnings growth over time through market share gains, cross selling, new product innovation, additional M&A, and synergy-led margin expansion.

We also initiated a mid-sized position in **Fidelity National Information Services, Inc.** ("FIS"), a financial services technology company with bank technology and payments solutions. FIS offers leading solutions in core IT systems, software, and payment processing for financial institutions. FIS recently acquired Worldpay, and the acquisition created significant top-line synergy opportunities by utilizing FIS' broad bank relationships (thousands of bank customers) as a distribution channel for Worldpay's merchant acquiring business. Additional opportunities exist to enter new regions with significant total addressable markets, such as India and Brazil, and to generate several hundred million dollars' worth of cost savings. We believe that FIS will enjoy a long runway of growth driven by the secular transition from cash to credit as well as the growth in e-commerce.

Lastly, we bought a small position in **The Walt Disney Company** during the third quarter. Disney is a diversified global family entertainment and media company offering television networks, live-action and animated movie production, parks and resorts, as well as consumer products. We are positive on the long-term outlook for Disney given the company's scale, distinct global brand and IP assets, and the high barriers to entry across its business lines. We are encouraged by the continued growth in Disney's core business, while the Fox deal brings significant synergies to the table. We also believe that Disney has the potential to meaningfully accelerate growth with the upcoming November launch of Disney+, its direct-to-consumer streaming service, which will be added to its current ESPN+ and Hulu offerings. We believe the company's rich content library, competitive pricing strategy, and extensive marketing capabilities will enable it to meet management's goals of reaching 100 million households across all of Disney's touchpoints over time.

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

	Market Cap When Sold (billions)	Amount Sold (thousands)
Home Depot, Inc.	$232.5	$110.3
A. O. Smith Corporation	7.4	42.3

During the third quarter, we sold our **Home Depot, Inc.** and **A. O. Smith Corporation** positions in order to reallocate capital to our higher conviction ideas. We sold Home Depot as the company's growth continued slowing due to housing market headwinds. It also has limited opportunities from new store openings or margin expansion as the company reinvests in distribution and technology. We sold A. O. Smith following continued reports of disappointing business trends. China has become a significant headwind due to high channel inventory, weak consumer demand, and a potentially narrower competitive moat around its business.

Outlook

While the Fund has performed well year-to-date with a 27.9% gain, we put a limited weight on our performance on a quarterly or even an annual basis and remain focused on the long term.

It is our belief that investing in great businesses at attractive valuations will enable us to earn excess risk-adjusted returns for our shareholders over the long term. We do so by investing in businesses with strong and durable competitive advantages, proven track records of successful capital allocation, high returns on invested capital, and high free cash flow generation, a significant portion of which is regularly returned to shareholders in the form of dividends or share repurchases. We hope to maximize long-term returns without taking significant risks of permanent loss of capital. We are optimistic about the prospects of the companies in which we are invested and will continue to search for new ideas and 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 contain 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: 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.

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 is 1.00 by definition.

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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