DEAR BARON DURABLE ADVANTAGE FUND SHAREHOLDER:

PERFORMANCE

Baron Durable Advantage Fund (the "Fund") returned 4.3% (Institutional Shares) during the quarter and lagged the 7.7% return for the S&P 500 Index, the Fund's benchmark. Year-to-date, the Fund has returned 7.6% compared to 10.6% for the S&P 500 Index.

Table I.
Performance
For periods ended September 30, 2018

	Baron Durable Advantage Fund Retail Shares[1,2]	Baron Durable Advantage Fund Institutional Shares[1,2]	S&P 500 Index[1]
Three Months[3]	4.17%	4.26%	7.71%
Nine Months and Since Inception (December 29, 2017)[3]	7.40%	7.60%	10.56%

ALEX UMANSKY
PORTFOLIO MANAGER

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

Performance attribution analysis shows that the Fund's underperformance came from stock picking. A portion of the underperformance came from not owning Amazon and NVIDIA, two stocks that are not appropriate for this kind of portfolio. We lost approximately 100 basis points in Financials because our preferred investments in the space, **S&P Global**, **BlackRock**, and **Moody's**, underperformed. Negative stock selection in Health Care was exacerbated by double-digit gains from Pfizer, Johnson & Johnson, Merck, and other big pharma stocks we don't own. Add to it poor results in Communication Services from **Electronic Arts** and a questionable portfolio decision on **Naspers** and, in a nutshell, that was it. Frankly, we are not terribly unhappy with the absolute result and would expect to struggle, on a relative basis, in a quarter when the index returns 7.7%.

Our biggest winners this quarter were **Apple, Microsoft, Mastercard, UnitedHealth Group**, and **Alphabet**, companies that are so well represented in the index that it is difficult to generate much active share (differentiation) through their ownership. We are reluctant to go above 5% in any single investment in an effort to mitigate portfolio volatility. We are focused on high-quality large-cap companies that, for the most part, no longer have the ability to reinvest excess capital at high rates of return, so a significant portion of their free cash flow is regularly returned to shareholders in the form of dividends or share repurchases. As a result, we manage and expect the Fund to be less sensitive to short-term market volatility than our other large-cap fund, Baron Fifth Avenue Growth Fund is, although we cannot guarantee that it will prove to be the case.

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

	Quarter End Market Cap (billions)	Percent Impact
Apple, Inc.	$1,090.3	0.83%
Microsoft Corporation	877.0	0.76
Mastercard Incorporated	231.2	0.59
UnitedHealth Group Incorporated	256.1	0.43
Alphabet Inc.	834.7	0.31

Apple, Inc. is one of the most innovative consumer electronics companies in the world with iconic products such as iPhone, iPad, Apple Watch, and Macs. Apple is a platform company with rapidly growing, recurring revenue services businesses that benefit from network effects and meaningful barriers to entry. The company's shares rose 22% during the quarter that saw better-than-expected iPhone results with evidence of consumer attraction to higher priced phones. The company is continuing to innovate and announced an exciting set of new product launches that revealed opportunities for the business in new novel services, in health care and augmented reality. We believe Apple to be a shining example of a company with durable competitive advantages and expect to be investors in the stock for years to come.

Performance listed in the table above is net of annual operating expenses. Annual estimated expense ratio for the Retail and Institutional Shares is 1.86% and 1.61%, respectively, but the net annual estimated expense ratio is 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 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 index is unmanaged. 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.

Microsoft Corporation is a leading software solutions provider focusing on cloud software with its Infrastructure and Platform-as-a-service offering Azure and its Software-as-a-Service offerings Office 365 and Dynamics 365. Shares of Microsoft appreciated 16% following another strong quarter for its cloud business, which grew 53% year-over-year, while continuing to demonstrate margin leverage. Our conviction in Microsoft's durability and future growth opportunities is rooted in the strong moat it has built around its business based on the wide reach of its sales channel into enterprises, its hybrid cloud offering, and its positioning in the public cloud market.

Mastercard Incorporated is a leading global commerce payment solutions network. The stock outperformed, rising 13% after reporting good quarterly results with 20% revenue growth and 52% earnings per share growth. Purchase volume growth accelerated to 16% on a currency-neutral basis, with faster growth outside the U.S. where Mastercard generates two-thirds of its revenue. We believe Mastercard is a prime beneficiary of global consumer spending growth and the secular shift from cash to electronic payments.

UnitedHealth Group Incorporated ("United") is the largest health care franchise owner and operator in the U.S. and a leading provider of health care services, IT and analytics, and pharmacy benefit management services ("PBM"). The company generates approximately $200 billion in revenue, while touching over 40% of the nation's population. Shares rose 9%, basically in line with the market, in recognition of consistently solid financial results. We believe United possesses a uniquely diversified and complementary skillset, services, and expertise that allows it to deliver higher quality lower cost health care to its members and customers. We view United as a core holding that allows us to participate in the strong secular growth of health care. United operates under four divisions: the United Healthcare division is the nation's largest insurer–twice the size of its next largest competitor; the Optum Insight division offers IT services and analytics; the Optum RX division is the U.S.'s third largest PBM; and the Optum Health division is a provider of population health management and is the owner of physician groups, outpatient surgery centers, and urgent care facilities. United's unmatched size, scale, differentiated offerings, and leadership positions in all the areas in which it competes–both in terms of market segments and geography–is unparalleled, and we expect the company to continue to take market share and deliver leading growth and profitability. Particularly strong areas of growth include its Medicare and Medicaid books of business and international expansion, primarily in Latin America. United also has a heretofore largely overlooked $600 million venture capital portfolio, which could be the beneficiary of future transactions. The company's significant excess free cash flow has been used to fund provider acquisitions and make more than $3 billion in annual technology investments, which serve to reinforce United's competitive moat.

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares of Alphabet increased by 7% in the quarter, essentially in line with the market. Recent performance has been impacted by renewed privacy concerns due to news of Google Plus, Alphabet's lagging social network, having had security breaches that exposed user data, very similar to what we know happened to Facebook. Alphabet responded by announcing that Google Plus will be shut down, which we think was long overdue. We remain optimistic about Google's opportunity set and the durability of its competitive advantages because we think Google possesses the greatest collection of human intellectual capital anywhere in the world and is the undisputed frontrunner in the areas of Artificial Intelligence (AI), Autonomous driving (via Waymo), Life Sciences (via Calico) as well as its core revenue and profit-producing core businesses like the search engine and YouTube videos.

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

	Quarter End Market Cap (billions)	Percent Impact
Electronic Arts Inc.	$36.7	–0.62%
Naspers Limited	94.9	–0.40
BlackRock Inc.	75.7	–0.18
S&P Global Inc.	49.1	–0.15
ASML Holding N.V.	81.1	–0.12

Shares of **Electronic Arts Inc.**, a leading video game publisher, declined 15% in the third quarter. In late August, the company lowered its fiscal year 2019 financial guidance due to three issues: 1) a delay in the launch of Battlefield V; 2) a more conservative mobile forecast; and 3) ongoing FX headwinds. While this near-term execution misstep is unfortunate, we retain long-term conviction in Electronic Arts due to strong industry tailwinds that should benefit the company going forward, including the shift to digital, in-game monetization, mobile gaming, advertising, and a leading position in eSports.

Naspers Limited is a South African company that operates a pay television business in Sub-Saharan Africa, a small print media business, and an internet division with substantial holdings in global internet companies. The majority of Naspers' value is attributed to its large ownership of publicly-traded Chinese internet giant Tencent Holdings. The shares of Naspers declined 15% during the quarter due to heightened concerns about the regulatory environment in China which led to a decline in the price of Tencent and due to a general lack of appetite for Chinese investments during the trade tensions between China and the U.S. The company continues to trade at a massive discount to its net asset value and is evaluating potential strategies to narrow or rectify the situation, including potentially listing itself on other stock exchanges (outside of South Africa) and accelerating growth of the late stage venture businesses in an effort to bring them to breakeven and IPO sooner.

Shares of **BlackRock Inc.**, an asset management firm, declined 5% in the quarter on its decelerated organic growth rate and investor expectations of a potential slowdown in revenue growth due to competitor price cuts. The company had been a standout for its organic growth rate fueled by its successful ETF offerings. We still believe BlackRock remains a dominant player in asset management and should continue to win market share. Its technology business should result in high-margin revenue and improved client retention, in our view.

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. The company reported solid quarterly results with 7% revenue growth and 26% EPS growth. However, the stock underperformed, declining 4% due to softer issuance volumes and the lack of a guidance increase. We continue to believe that S&P Global benefits from numerous secular growth trends (bond issuance, passive investing, demand for data and analytics) and operates in attractive markets where it enjoys meaningful and durable competitive advantages.

ASML Holding N.V. designs and manufactures semiconductor production equipment. It specializes in photolithography equipment, where light sources are used to photo-reactively create patterns on wafers which ultimately become printed integrated circuits. Shares of ASML were down 5% in the quarter as continued strength in the next generation EUV lithography business has taken a backseat to industry-wide concerns regarding the broader semiconductor cycle. We maintain conviction in ASML as it is the de-facto standard in the next generation lithography, which is a required step for chip production at 5 nanometer and below.

Portfolio Structure

We expect the Fund to consist of 30-to-50 investments with position sizes ranging from 1% to 5% at the time of initiation. The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark weights and sector composition) having the highest roles in 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 holdings were 40.7% of the Fund, the top 20 holdings represented 66.7%, and we exited the third quarter with 36 investments.

Table IV.
Top 10 holdings as of September 30, 2018

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Microsoft Corporation	$ 877.0	$202.3	5.0%
UnitedHealth Group Incorporated	256.1	195.0	4.8
Mastercard Incorporated	231.2	184.3	4.6
Alphabet Inc.	834.7	175.4	4.4
Apple, Inc.	1,090.3	167.3	4.1
S&P Global Inc.	49.1	161.4	4.0
Moody's Corporation	32.1	147.6	3.7
Electronic Arts Inc.	36.7	142.4	3.5
LVMH Moet Hennessy Louis Vuitton SE	178.6	134.7	3.3
BlackRock Inc.	75.7	132.0	3.3

Recent Activity

We added to our investments in **Activision Blizzard, Inc.** and **Danaher Corporation** as we put some of the inflows to work. Our attempt to establish a position in **Elanco Animal Health Incorporated**, which was being spun off from Eli Lilly, had to be aborted as the price of the stock quickly exceeded our parameters and we ended up with a stub position of 1 basis point.

Table V.
Top net purchases for the quarter ended September 30, 2018

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Activision Blizzard, Inc.	$63.4	$12.0
Danaher Corporation	76.0	8.2
Elanco Animal Health Incorporated	12.8	0.3

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

	Market Cap When Sold (billions)	Amount Sold (thousands)
Waters Corporation	$15.1	$53.2
Rockwell Automation, Inc.	21.4	33.8

We eliminated positions in **Waters Corporation** and **Rockwell Automation, Inc.** as further research weakened our conviction in the durability of their competitive advantages and we decided to move on.

Outlook

Our goal is to invest in large-cap companies with, in our view, 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 always 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 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: 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.