Dear Baron Emerging Markets Fund Shareholder:

Performance

Baron Emerging Markets Fund (the "Fund") advanced 13.02% (Institutional Shares) for the first quarter of 2017, while its principal benchmark index, the MSCI EM IMI Growth Index, gained 12.56% for the quarter. Emerging market equities outperformed, while more than reversing the prior quarter loss, which we believe was largely a result of the surprise U.S. election victory by Donald Trump.

In our view, performance and leadership during the first quarter can largely be attributed to a moderation in expectations regarding Trump's policies, sustained global economic traction with international and emerging economies beginning to outpace the U.S., and a broadening recovery in China coupled with a rising likelihood of stability in the currency and capital flows. A key question looking forward is whether global growth momentum may be peaking and how global economies will absorb the impact of ongoing tightening measures in the U.S. and China. Thus far, markets and economic measures suggest that while growth may moderate, there are few risks of a more threatening downturn. While not surprised by the solid first quarter advance in equities, particularly those most threatened by Trump's more controversial policies, we are encouraged and remain optimistic that the cyclical earnings recovery in the emerging markets that we have anticipated now appears well underway.

Table I.
Performance
Annualized for periods ended March 31, 2017

	Baron Emerging Markets Fund Retail Shares[1,2]	Baron Emerging Markets Fund Institutional Shares[1,2]	MSCI EM IMI Growth Index[1]	MSCI EM IMI Index[1]
Three Months[3]	12.97%	13.02%	12.56%	11.65%
One Year	16.33%	16.64%	15.69%	16.83%
Three Years	1.93%	2.19%	1.93%	1.23%
Five Years	5.67%	5.94%	2.45%	1.05%
Since Inception (December 31, 2010)	3.75%	4.01%	0.45%	(0.49)%

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BEXFX
Institutional Shares: BEXIX
R6 Shares: BEXUX

For the first quarter of 2017, we modestly outperformed our key EM benchmark growth index. The quarter was marked by continued evidence of solid global economic momentum and a partial unwind of the Trump impact of the prior quarter. During the quarter, the largest driver of relative performance was stock selection effect in the Consumer Discretionary, Real Estate and Information Technology sectors. Within Consumer Discretionary, **Smiles SA** of Brazil and **TAL Education Group** of China stood out, while several of our India-based investments, notably **Sun TV Network Ltd., Exide Industries Ltd., PVR Ltd., Zee Entertainment Enterprises Ltd.** and **Maruti Suzuki India Ltd.**, delivered solid gains as consumption began to rebound from demonetization and the market discounted the passage of the landmark GST tax reform. Real Estate outperformance resulted from a takeover offer for **Global Logistic Properties Ltd.**, an operator of e-commerce related modern logistics facilities, while Information Technology outperformance was largely paced by two recent additions to

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2016 was 1.38% and 1.13%, 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 MSCI EM (Emerging Markets) IMI indexes cited are unmanaged, free float adjusted market capitalization weighted indexes reflected in U.S. dollars. The MSCI EM (Emerging Markets) IMI Growth Index Net USD and the MSCI EM (Emerging Markets) IMI Index Net USD are designed to measure equity market performance of large, mid and small cap securities in the emerging markets. The MSCI EM (Emerging Markets) IMI Growth Index Net USD screens for growth-style securities. The indexes and Baron Emerging Markets Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

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

[3] Not annualized.

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our portfolio, **Momo Inc.**, which operates the leading social video broadcasting platform in China, and **Catcher Technology Co., Ltd.**, a provider of value-added services for Apple iPhones and other consumer technology products. On the negative side, adverse relative performance resulted principally from our notable cash holding as well as poor stock selection in the Health Care sector, driven by declines in **Divi's Laboratories Ltd.**, which continued to struggle with U.S. FDA inspection issues, and **Ginko International Co., Ltd.**, a Taiwan based manufacturer and marketer of contact lenses principally for the mainland China market. From a country perspective, our South Africa based investments also detracted from relative performance as a result of increased political risk.

Table II.
Top contributors to performance for the quarter ended March 31, 2017

	Percent Impact
Alibaba Group Holding Limited	0.81%
Smiles SA	0.77
TAL Education Group	0.63
Momo Inc.	0.62
Sun TV Network Ltd.	0.60

Shares of **Alibaba Group Holding Limited**, the largest e-commerce company in China, rose in the first quarter as a result of strong mobile and advertising growth. We expect mobile monetization to continue improving through 2017 while the company invests against new growth areas such as groceries, brand advertising, and cloud computing.

Shares of Brazilian loyalty program **Smiles SA** grew during the first quarter. The company continues to gain market share especially among bank customers, the most important and lucrative source of profitability for the loyalty industry. Additionally, Smiles' pace of growth indicates a positive inflection point in Brazil for both airlines and loyalty programs. We believe Smiles has a solid runway for growth as its shares trade at an inexpensive multiple, in our view.

TAL Education Group is a leading Chinese K-12 tutoring company, operating over 470 learning centers in 25 cities. Shares of TAL increased in the first quarter, driven by enrollment growth of about 75%. We see significant opportunity for continued growth as TAL opens new learning centers and expands existing ones, further gaining share in the fragmented Chinese K-12 tutoring market.

Momo Inc. is a Chinese mobile-based social network platform. Shares were up in the first quarter, driven by the company's continued improvement in earnings as it transitions to a content-driven platform that focuses on live streaming and user-generated short videos. We believe that Momo has a strong runway for growth as it gradually establishes itself as a unique pan-entertainment mobile platform in China.

Shares of India's leading media conglomerate **Sun TV Network Ltd.** increased in the first quarter, driven by the favorable resolution of a government-led investigation. We retain conviction in Sun TV due to recent viewership share gains and expect a meaningful increase in subscription revenue and earnings post-digitization. Sun TV is also benefiting from the ongoing digitization of cable systems as mandated by the Government of India.

Table III.
Top detractors from performance for the quarter ended March 31, 2017

	Percent Impact
Magnit PJSC	–0.21%
Tullow Oil plc	–0.21
Divi's Laboratories Ltd.	–0.14
PT Matahari Department Store Tbk	–0.13
Bidvest Group Ltd.	–0.12

Shares of Russia's leading convenience store operator, **Magnit PJSC**, declined in the first quarter following a disappointing earnings announcement. We believe an improved macroeconomic outlook in Russia will improve consumer purchasing power. Magnit has an opportunity, in our view, to regain market share lost to open-air markets over the past 24 months, and re-accelerate cosmetics and pharmacy store growth.

Tullow Oil plc is an international oil exploration and production company focused mainly on Africa. Shares fell in the first quarter due to 2017 production guidance that missed analyst expectations coupled with investor concerns over the impact of falling oil prices on the company's balance sheet. The company announced a rights issue to alleviate debt pressure. We retain conviction based on Tullow's operational improvements, production ramp-up in Ghana, exploration upside in South America, and potential monetization of East Africa assets.

Shares of **Divi's Laboratories Ltd.**, a leading Indian manufacturer of complex active pharmaceutical ingredients, declined in the first quarter. The stock fell after the company was issued an Import Alert by the FDA, owing to unfavorable observations noted during a surprise facility inspection. The company is committed to addressing all outstanding FDA observations with an estimated resolution timeframe of 18-24 months. We retain conviction in Divi's due to its industry-leading profitability and long-term relationships with major pharma clients.

Shares of **PT Matahari Department Store Tbk** declined in the first quarter following a disappointing earnings announcement. Matahari operates middle income department stores in Indonesia. We exited our position because of a growing discounting environment and concerns over e-commerce competition.

Bidvest Group Ltd. is a leading South African conglomerate with business operations in financial services, automotive dealerships, electrical equipment, and freight services. Shares were down in the first quarter, driven by weak earnings growth related to a tough macro environment in South Africa. Increased political instability in the country also weighed on the stock. We retain conviction due to Bidvest's stellar long-term record of creating shareholder value by investing in asset-light businesses with high returns on invested capital.

PORTFOLIO STRUCTURE

Table IV.
Top 10 holdings as of March 31, 2017

	Percent of Net Assets
Alibaba Group Holding Limited	3.5%
Tencent Holdings, Ltd.	2.7
Samsung Electronics Co., Ltd.	2.4
Taiwan Semiconductor Manufacturing Company Ltd.	2.1
Smiles SA	1.8
Copa Holdings, S.A.	1.7
YPF S.A.	1.7
TAL Education Group	1.6
Momo Inc.	1.6
Sberbank of Russia PJSC	1.5

EXPOSURE BY COUNTRY

Table V.
Percentage of securities by country as of March 31, 2017

	Percent of Net Assets
China	26.1%
India	15.5
Taiwan	8.7
Korea	7.6
Brazil	5.1
Mexico	5.1
South Africa	4.4
Russia	3.0
Indonesia	2.5
Philippines	2.3
Chile	1.9
Panama	1.7
Hong Kong	1.7
Argentina	1.7
Singapore	1.4
Malaysia	0.7
Thailand	0.7
United Kingdom	0.6
United States	0.3
Nigeria	0.3

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid- and small-cap companies, as we believe developing world companies of all sizes often exhibit attractive growth potential. At the end of the first quarter of 2017, the Fund's median market cap was $8.0 billion, and we were invested approximately 75.7% in large- and giant- cap companies, 14.1% in mid-cap companies and 1.5% in small- and micro-cap companies as defined by Morningstar, with the remainder in cash.

RECENT ACTIVITY

During the quarter, we took advantage of prior weakness in emerging market equities to initiate several new positions, many of which we have been researching for some time. Our most significant addition was **Housing Development Finance Corporation Limited**, the market leading housing and mortgage lender in India by a wide margin. We have long admired the company's unassailable competitive advantages and further believe that the country is likely on the cusp of a consumer housing upturn. In addition, we believe the spin-off and combination of HDFC's life insurance unit with Max Financial, as well as investor focus on the asset management business post demonetization, will act as catalysts to unlock the value of the company's non-housing finance assets. In China, we made our first mainland A-Share investment via the Hong Kong stock connect program. **Hangzhou Hikvision Digital Technology Co., Ltd.** is a global leader in security and vision systems, though we believe they are aggressively positioning the company to participate in the industrial automation and allied machine vision arena, which could be a game changing opportunity, particularly in the nascent home market. Hikvision is an excellent example of China's shifting emphasis towards home grown leaders in longer-term, value added industries, largely at the expense of established multinational leaders. We also initiated a position in **Momo Inc.**, China's leading social video broadcasting player, which we see potentially evolving into a broad media & entertainment platform with exciting monetization potential. The company is already highly profitable today due to its highly efficient and low cost of subscriber acquisition, partially a reflection of strong popularity and leadership in a rapidly growing field. In addition to the above, we also made initial investments in **Tata Communications Limited**, a global communications services provider with unique advantages in international internet hosting and connectivity, **MyEG Services Berhad**, a secure financial and payment services provider in Malaysia, **Catcher Technology Co., Ltd.**, a Taiwan-based provider of value-added services to the consumer electronics industry, **Sino Biopharmaceutical Ltd.**, a leading research-driven novel and generic drug developer and marketer in China, and **Bitauto Holdings Ltd.**, a leading online automotive finance and marketing services player which we have been following since the company's IPO several years ago.

During the quarter, we also sold a number of positions, principally as a result of concerns over adverse changes in the longer-term fundamental outlook, with the exception of **Cetip S.A. - Mercados Organizados**, which we exited as a consequence of the closing of the principal cash acquisition of the company by BM&FBOVESPA, which we also own. Notable sales during the quarter for longer-term fundamental reasons include **PT Matahari Department Store Tbk** of Indonesia, gaming operator **Wynn Macau Ltd.**, South Africa-based **Aspen Pharmacare Holdings Ltd.**, and **Bharat Financial Inclusion Limited** of India.

OUTLOOK

In our 2016 year-end letter we suggested that while, in our view, the broad market repricing which occurred post the U.S. election was directionally appropriate, the order of magnitude appeared to us exaggerated given the known and unknowns related to President Trump and his policies. For this reason, we generally made few modifications to our investment positioning in the difficult period immediately following the election. While global equities advanced in general, the first quarter of 2017 delivered the mean reversion in performance we had suspected, with a return to outperformance by growth over value and emerging market leadership alongside a solid advance.

Baron Emerging Markets Fund

In our view, three key variables have influenced recent market performance as well as forward-looking expectations. First, the walking back of the level of certainty and moderation in anticipated terms of several of Trump's policy positions relative to what was espoused on the campaign trail and in the early days of his presidency. Challenges in implementing the travel ban, the failure to win Congressional approval of the proposed health care reform bill, and myriad resistance and/or dilution to protectionist measures are but a few examples that have undermined conviction in the economic and foreign policy outlook under Trump. These missteps have also raised questions regarding the impact upon the future fiscal balance and likely tax reform proposals, particularly the controversial border adjustment tax, which in our view remains a principal threat to international and particularly emerging market equities. In summary, reduced visibility over the likelihood of such proposals being enacted has driven a relief rally in the countries, currencies and sectors most directly threatened by Trump, reversing the adverse fourth quarter performance.

Second, evidence of strong global economic momentum, which we believe was likely a principal driver of the post-election rally in U.S. as well as developed world international equities, continued throughout the first quarter. Given the timing of the election, it is difficult to dissect the specific impact of Trump's victory versus accelerating global growth, but we believe that some portion of the first quarter relative performance is also attributable to signs that global trade and international economic expansion, while previously lagging, is now clearly recovering and began to exceed domestic U.S. activity. With regard to emerging markets in particular, we believe the market has finally embraced our view that we are on the cusp of a cyclical earnings recovery, and we suspect this was a second driver of the strong first quarter advance in related equities. Having said this, we believe that leading indicators of U.S. and global growth may well have be peaking, and while this would generally suggest outperformance by quality growth equities in a moderating growth environment, we will remain attuned for any early signs of more troubling risk of a downturn.

Finally, China's economic recovery has gained steam as it has broadened well beyond the property and government- stimulus driven sectors, and this has served to improve sentiment regarding credit risk and currency stability in China. In our view, this is a third and significant support for global equities, particularly in the international and emerging markets. Further, at the recent National People's Congress meeting in mid-March, Chinese authorities introduced new reform measures which we believe can help China continue its transition from a credit-fueled, investment driven economy towards a healthier balance with increased exposure to consumption and value-added industries. In particular, we believe the announcement of the Hong-Kong bond connect program, which for the first time will open mainland Chinese bonds to investment by a broad base international fixed income investors, could be a major catalyst to stabilize capital flows and defuse concerns over the stability of the RMB. Global bond managers are currently well "underweight China" relative to China's global proportion of bonds outstanding. Given that six months remain until China's 19th National Congress, where Communist Party leadership and power will be determined for the next five years and beyond, we believe China is highly unlikely to be the source of any global or market instability in the year 2017.

In summary, while not surprised, we are encouraged that global markets are moving beyond the initial shock of the Trump victory, while reflecting that Trump's more controversial policies may be moderated. Further, we believe the strength in international and emerging market economies and corporate earnings is likely to sustain over the coming months and quarters, though we will continue to monitor for risks to this view, particularly given that the U.S. and China are likely to continue to unwind previous stimulus measures; for now the capital markets appear positioned to absorb this incremental tightening. We remain optimistic regarding the long-term potential for the high quality growth businesses in which we invest, and we look forward to our next update.

Sincerely,

Michael Kass
Portfolio Manager
April 20, 2017

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.

In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and 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.

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