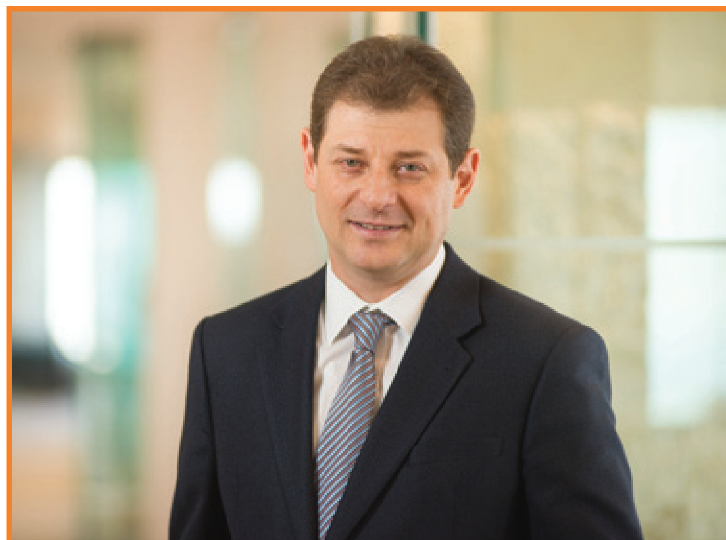
Dear Baron Fifth Avenue Growth Fund Shareholder:

Performance

After a strong start to the year, we gave back some of our outperformance in the third quarter with Baron Fifth Avenue Growth Fund (the "Fund") declining 1.3% (Institutional Shares), against the gains of 1.5% and 1.7% for the Russell 1000 Growth Index and the S&P 500 Index, respectively, the Fund's benchmarks. Year-to-date the Fund has gained 24.9%, which still compares favorably to returns of 23.3% and 20.6% for the benchmarks, respectively.



ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

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

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(1.38)%	(1.32)%	1.49%	1.70%
Nine Months[4]	24.66%	24.86%	23.30%	20.55%
One Year	3.48%	3.73%	3.71%	4.25%
Three Years	18.38%	18.68%	16.89%	13.39%
Five Years	13.78%	14.08%	13.39%	10.84%
Ten Years	14.11%	14.39%	14.94%	13.24%
Fifteen Years	9.58%	9.77%	10.40%	9.01%
Since Inception (April 30, 2004)	9.23%	9.42%	9.95%	8.85%

The Fund underperformed the Russell 1000 Growth Index by 281 basis points ("bps") during the third quarter. While the Fund generated positive stock selection effect of 19 bps, it faced headwinds from being overexposed to style factors such as volatility and growth, which corrected sharply during the quarter.[5] This was partly due to higher risk aversion in the market and rotation into more defensive sectors such as Utilities and Real Estate, which were the two best performing sectors of the S&P 500 Index during the quarter. Unfavorable industry exposures also detracted from relative performance during the quarter. Essentially all of our "bad" stocks were in Health Care and Consumer Discretionary where some of our largest holdings such as **Amazon**, **Illumina**, and **Veeva Systems** underperformed. In total, we had nine holdings detracting over 20 bps each against seven investments that contributed over 20 bps each and ended up with a modest absolute loss in the quarter against the benchmarks that showed a modest gain.

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 1.09% and 0.82%, but the net annual expense ratio was 1.00% and 0.75% (net of the Adviser's fee waivers, restated to reflect current fee waivers). 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.

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The Russell 1000® Growth Index measures the performance of large-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 Not annualized.

5 According to analysis using MSCI Barra's USE3-L factor model.

Baron Fifth Avenue Growth Fund

According to Morningstar, for the period ended September 30, 2019, the Fund ranked in the top 7% for its 3-year return, top 9% for its 5-year return, and top 9% since the Fund's restructuring at the end of calendar year 2011. The Fund has been awarded a 5-star Morningstar rating for its 3-year risk-adjusted performance, and a 4-star rating for its 5-year and overall risk-adjusted performance.*

Since we completed the restructuring of the Fund at the end of 2011, it has returned 233.1% cumulatively, outperforming the Russell 1000 Growth Index by 21.9%, the S&P 500 Index by 54.8%, and the Morningstar US Fund Large Growth Category average by 59.7%. Good results, in our view.**

As the market became increasingly more volatile and the focus appeared to have shifted to the very near term, the high-growth names that we favor in this Fund went on sale. While this dynamic hurt our third quarter results, we took advantage of the declines to increase our positions in existing holdings whose stock prices declined during the quarter, including **Splunk**, **Twilio**, and **MercadoLibre**. Our conviction in these companies is rooted in our belief that they have widened their moats and increased their intrinsic values during the quarter, while the market volatility fueled by macro-related concerns enabled us to increase our positions at more attractive valuations:

- Splunk (the leading operational intelligence software provider) is transitioning to a ratable business faster than previously expected and, while this transition hurts near-term cash flow, it creates a steadier, more profitable long-term model. Additionally, Splunk's acquisition of SignalFX enhances its platform while adding the multi-billion dollar application performance management opportunity.
- Twilio (the leading communications platform as a service) extended its platform with several new product introductions such as Twilio conversations, enabling two-sided interactions for Twilio's customers and their customers, improving end-user experiences and enhancing the value of its platform.
- MercadoLibre's (the leading e-commerce player in Latin America) year-over-year revenue growth accelerated to over 100% with the company further reinforcing its moat via strengthening momentum in payments.

Understanding and investing in businesses that benefit from disruptive change is one of the key tenets of our investment philosophy. It isn't always obvious what makes some companies innovative, agile, and disruptive while others fail to change and, as a result, are susceptible to disruption.

A few months ago, Guy Tartakovsky, one of our research analysts, attended Twilio's annual user conference in California. Jeff Lawson, the company's CEO, shared on stage that Twilio was scheduled to deliver 125 thousand code releases in 2019. 125 THOUSAND??? In the good old days, 4 annual releases represented quite an achievement, and, even if delivered, customers wouldn't be able to take advantage of the new features until they upgraded to the latest version of the software, which typically happened every three to five years, depending on the software and the industry. In the cloud world, the software gets better constantly. No wonder Twilio is growing over 50% year after year.

What enables Twilio to be so innovative and agile? Part of the answer is in the underlying code architecture and supporting organizational infrastructure. Twilio is organized in small teams each of which is responsible for a piece of the software, a module, or a microservice. Then an abstraction layer on top, removes all the complexity underneath, such that when one of the teams changes their code, every other code piece is automatically compatible with it. The following paragraph from the company's blog explains this dynamic:

"At Twilio, we run thousands of microservices and over tens of thousands of instances. These microservices are owned and operated by many small teams. We strongly believe this is the best way to design and operate a large-scale distributed system. ***An individual team is closest to the problem space and they can make the proper judgments for operational excellence. Incentives are aligned to build robust systems that can be easily maintained."***

Another part of the answer is that this structure creates agility and **enables intense customer focus.** So, while all companies want to have the customer focus that Amazon, Twilio, and Alibaba have, not many can. A linear company, like IBM or Ford, gets customer input by engaging their customers (e.g., via focus groups) and then it goes into a waterfall type production cycle (teams work in sequence), where the new features would take months (if not years) to be released, and by that point, customer needs would likely have changed. Platform businesses like Amazon or Twilio are

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* Morningstar calculates the **Morningstar US Fund Large Growth Category** average using the Morningstar Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. As of 9/30/2019, the Category consisted of 1,388, 1,243, 1,110, and 822 share classes for the year-to-date, 1-, 3-, 5-, and 10-year periods. Morningstar ranked **Baron Fifth Avenue Growth Fund** Institutional Share Class in the 31st, 7th, 9th, and 23rd percentiles, respectively.

As of 9/30/2019, the Morningstar US Fund Large Growth Category consisted of 1,243, 1,110, 822, and 1,243, share classes for the 3-year, 5-year, 10-year, and overall periods, respectively.

Morningstar has awarded **Baron Fifth Avenue Growth Fund** Institutional Share Class 5 stars, 4 stars, 3 stars, and 4 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.
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** Mr. Umansky became the portfolio manager of the Fund on November 1, 2011. Since that date, the Fund has returned 222.94% cumulatively, which compares to 210.13% for the Russell 1000 Growth Index and 180.54% for the S&P 500 Index, outperforming the Morningstar US Fund Large Growth Category average by 55.61% over the 7+ year period. As of 9/30/2019, the annualized returns of the Morningstar US Fund Large Growth Category average were 1.87%, 14.62%, 11.04%, and 13.13% for the 1-, 3-, 5, and 10-year periods, respectively.

engaging in continuous feedback loops between the small teams that run those microservices and the relevant customers, as new features constantly move from the whiteboards to production.

Here is an example from **Wix**'s blog on the new features released from the **last week**:

- Sep 30 – Wix Blog: Email Marketing Blog Post Campaigns Now Available
- Sep 30 – Wix ADI: New Languages on Mobile
- Sep 26 – Wix Stores: Automatic Fulfillment Status Updates
- Sep 25 – Wix Editor: New Image Filters
- Sep 24 – Wix Video: Create Videos on Mobile
- Sep 23 – Wix SEO Tools: New SEO Panel for Stores

And from AWS (Amazon Web Service) blog from the **last two days**:

- Oct 8 – Amazon EC2 High Memory Instances with up to 24 TB of memory, Purpose-built to Run Large In-memory Databases, like SAP HANA
- Oct 8 – New Training Courses Teach New APN Partners to Better Help Their Customers
- Oct 7 – Amazon Cognito Increases CloudFormation Support
- Oct 7 – AWS Direct Connect Announces Resiliency Toolkit to Help Customers Order Resilient Connectivity to AWS
- Oct 7 – Two New Solution Accelerators for AWS IoT Greengrass Machine Learning Inference and Extract, Transform, Load Functions
- Oct 7 – Amazon EventBridge now supports AWS CloudFormation
- Oct 7 – Amazon AppStream 2.0 Now Supports FIPS 140-2 Compliant Endpoints
- Oct 7 – AWS Managed Services Console now supports search and usage-based filtering to improve change type discovery
- Oct 7 – Amazon VPC Traffic Mirroring Now Supports AWS CloudFormation
- Oct 7 – Amazon Pinpoint Adds Support for Message Templates

Is it possible to increase the agility of the organization? Sure, but it is not easy, and many fail trying. Companies not only need to change how they write code, but they also need to change the structure of their organizations, particularly its decision making. It needs the incentives, the culture, and the management to support more distributed decision making. This is difficult to accomplish and, more often than not, it requires external help, which is the reason why we own a company like **EPAM** in our portfolio.

The bottom line is that while every company wants to be innovative, agile, and customer-centric, most of them do not succeed. Those who do will likely become the disruptors, and those who fail will likely be left behind. Our goal is to invest in the former and avoid the latter.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Alphabet Inc.	$845.9	0.50%
ASML Holding N.V.	105.7	0.48
Equinix, Inc.	48.9	0.46
PagSeguro Digital Ltd.	15.2	0.44
Worldpay, Inc.	42.0	0.31

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 and 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 19% in the quarter. The company 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.

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 interconnectivity layer it offers its customers. We also believe that Equinix can add incremental value through executing on its strategic M&A program.

PagSeguro Digital Ltd. is a Brazilian payment processor, focused on facilitating the ability of small and micro merchants in Brazil to accept different forms of credit, debit, and digital currency transactions. For most of its merchant customers, PagSeguro's simple product offering, an internet-enabled payment device along with a mobile wallet, allows the merchant to instantly accept credit transactions without the need for a bank account. Shares of PagSeguro continued their strong performance rising 19% during the third quarter after the company reported continued rapid revenue growth (up 43% year-over-year) along with solid adoption of its PagBank offering. The company has 1.4 million consumers, and the runway is still long since approximately 70 million people are unbanked in Brazil. We believe that PagSeguro's platform, increasingly recognized brand, and rapidly improving penetration, have the potential to dramatically lower transaction costs for these micro merchants. Over time, we expect PagSeguro to gain significant market share from the bank-controlled incumbent payment processors who continue to underserve this growing merchant community.

Worldpay, Inc. ("WP") provides technology solutions that enable merchants to accept electronic payments. The stock outperformed during the quarter; it was up 9% through the end of July when Fidelity National Information Services ("FIS")'s acquisition of WP closed. Both FIS and WP announced good quarterly results, and management sounded optimistic about early integration progress. The acquisition is now expected to be accretive to next year's EPS due to faster synergy realization and lower interest expense. Organic revenue growth is expected to accelerate into the high single-digits over the next few years. We continue to own the stock due to the combined company's growth opportunities driven by e-commerce growth and the shift

from cash to electronic payments as well as its strong competitive advantages.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Amazon.com, Inc.	$858.7	-0.99%
Illumina, Inc.	44.7	-0.82
Sage Therapeutics, Inc.	7.2	-0.58
Wix.com Ltd.	6.0	-0.36
SmileDirectClub	1.4	-0.30

Amazon.com, Inc. is the world's largest retailer and cloud service provider. Shares of Amazon declined 8% during the third quarter driven by the rotation out of quality and growth and as a result of mixed quarterly results that saw revenue and unit growth accelerate while profits decelerated driven by increased investments in one-day shipping, video, and AWS headcount. While Wall Street is focused on the near-term hit to margins, our belief that Amazon's intrinsic value has increased with the one-day shipping announcement just got its first data point with accelerating growth. Amazon has already proven that it can drive profitability at a later stage.

Illumina, Inc. is the market-leading provider of next generation DNA sequencing systems and consumables. Illumina's shares declined 17% during the third quarter after the company reported a revenue miss and lowered revenue guidance for the year to over 6% growth from its prior guidance of 13% to 14%. The shortfall was due to delays in population genomics programs, slower growth in the consumer genomics market, and a slowdown in sales of certain low throughput instruments. While others focus on the exact levels of growth, punishing shares as growth has slowed, we focus more on growth durability realizing that growth rarely comes in a straight line. We continue to believe Illumina has a long runway for growth driven by expanding applications that utilize DNA sequencing, as less than 0.1% of the world's population had been sequenced thus far.

Sage Therapeutics, Inc. is a biopharmaceutical company focused on developing novel drugs for central nervous system disorders. Shares fell 23% during the third quarter (although still up 47% year-to-date) after the company updated investors regarding its efforts in bipolar depression with a neutral reading. We retain conviction in Sage for its lead assets SAGE-547/SAGE-217 for postpartum depression and major depressive disorders as well as a potential expansion into disease indications such as Parkinson's and tremor.

Wix.com Ltd. provides an operating system to help micro-businesses build and maintain websites and operate their businesses. Wix has over 145 million registered users and over 4 million premium users. Shares declined 18% in the third quarter and detracted from performance as the market rotation out of rapidly growing software and internet stocks weighed on the stock. We retain conviction in Wix as it expands its platform to target professional website builders and agencies in addition to its core do-it-yourself customers, increasing its total addressable market multi-fold while continuing to rapidly introduce new features and products to improve its original offering.

While we were excited by the business prospects for dental aligner company **SmileDirectClub**, including its large addressable market, first mover advantage, unique, vertically integrated business model, and commanding direct-to-consumer presence, its IPO performed poorly out of the box, with shares opening below the deal price and trading down sharply from there. It became apparent to us that shares had been mispriced and poorly placed by underwriters who misjudged demand for the company's stock. We felt it was best to limit our losses and exit the position.

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 53.5% of the Fund, the top 20 were 81.0%, and we exited the quarter with 34 investments.

Information Technology, Consumer Discretionary, Health Care, Communication Services, and Financials made up 93.7% of the portfolio. The remaining 6.3% was made up of Equinix, Inc., which is a REIT classified under Real Estate, as well as cash.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$858.7	$36.1	11.7%
Mastercard Incorporated	275.5	18.2	5.9
Alibaba Group Holding Limited	435.4	15.5	5.0
Veeva Systems Inc.	22.6	15.3	5.0
Alphabet Inc.	845.9	14.9	4.9
Visa, Inc.	341.3	14.7	4.8
Illumina, Inc.	44.7	13.6	4.4
Intuitive Surgical, Inc.	62.2	13.2	4.3
Fidelity National Information Services, Inc.	81.4	11.9	3.8
Facebook, Inc.	508.1	11.5	3.7

RECENT ACTIVITY

We initiated two new investments and added to nine existing holdings. We eliminated several smaller positions mainly because we did not have enough conviction to make them larger ones. The acquisitions of Red Hat and Worldpay finally closed during this quarter. We exited the quarter with 34 holdings.

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

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Datadog, Inc.	$10.0	$3.8
MercadoLibre, Inc.	27.4	2.5
Splunk, Inc.	17.8	1.2
Intuitive Surgical, Inc.	62.2	1.0
Twilio Inc.	14.9	0.9

During the third quarter, we initiated a medium-sized position in **Datadog, Inc.**, which provides monitoring of cloud-scale applications through an SaaS-based big data analytics platform. The company uses infrastructure monitoring, application performance monitoring, and log management to provide close to real-time visibility of customers' IT environments. This is important because it helps companies reduce the probability of downtime, increase app performance, and solve problems faster as they occur. Datadog has built a strong brand with a viral bottom-up go-to-market strategy, and a growing product line enabling it to generate hyper growth through its "land and expand" model (over 80% growth with over 140% net-dollar-expansion rates). As more companies transition to the cloud, and the complexity of their infrastructure grows due to increasing technology diversity, scale, and agility, the value of Datadog's real-time monitoring platform increases. According to Datadog's CEO Olivier Pomel, they tend to be ***the "first call" after customers adopt a cloud solution and "a critical part of their cloud journey."*** This should drive Datadog's growth for a very long time as we are still early in the cloud penetration s-curve. According to Gartner, public cloud represented about 5% of total IT spending in 2018.

Datadog has the potential to become a platform as it deployed across infrastructure, is used by everyone in the IT organization (Development, Operations and Business teams), and integrates data from a multitude of sources, broadening the problem set that it can handle. The following paragraph from the co-founders' shareholder letter presents this opportunity:

"The problem we solve for our customers is, at its core, the explosion of complexity faced by their teams as they become software companies, and as the cloud technology innovation cycles keep accelerating. Our long-term vision for addressing this problem is the same as when we started: it doesn't make sense for data and teams to live in silos when technical and business issues rarely stop at the boundaries between tools. So the most important characteristics of a platform to solve this new complexity are that it be broadly deployed and broadly used."

As companies digitally transform, become more agile, and break down silos, we believe that they would need a solution like Datadog to make sure their IT keeps pace. After meeting with representatives from Datadog multiple times while it was still private and studying its business, we decided to participate in its IPO this quarter, an IPO that was well received by investors, generating positive returns, leading the stock to rise 26% during the period since the IPO.

We added to existing investments in **MercadoLibre, Inc.**, **Splunk, Inc.**, **Intuitive Surgical, Inc.**, and **Twilio Inc.**, taking advantage of market weakness to add to our higher conviction holdings.

We also initiated a small position in **10X Genomics, Inc.** after participating in the company's IPO. 10X is a tools provider focused on a new innovative technology for **single cell biology**. In essence, biological research over the past centuries has all been done via analyzing averages. Take a biopsy or scrape cells off of a lab dish and then run your experiments using thousands to millions of cells at once. While this has clearly been important for scientific progress, it leaves behind critical information that only single cell technology can answer:

- What are the characteristics of the single cell that started the tumor, and can we screen for it?
- How many total cell types are in the body (an answer biologists still don't know)?
  - For example, only recently did biologists find the cell type responsible for cystic fibrosis using 10X technology.
- How do cell populations behave before and after stresses like exercise or delivery of a therapeutic?
- And the list goes on and on.

In essence, this is a transformative technology in importance and the next step for biological research after the advance of sequencing last decade.

The basis of the 10X technology is a gel/oil droplet that can capture individual cells in its Chromium instrument, with additional linkers and barcodes that are compatible with next generation sequencing machines such as Illumina's platforms. While some of this has been done before, 10X has improved the technology and microfluidics, leading to a 10 times improvement in throughput (80,000 cells at maximum). 10X has essentially become the de facto standard and is growing the field rapidly (revenue more than doubled in 2018).

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Red Hat, Inc.	$30.1	$6.3
Tesla, Inc.	41.0	2.2
Ctrip.com International, Ltd.	17.2	1.9
Naspers Limited	67.5	1.2
Zoom Video Communications, Inc.	26.5	1.2

We were trimming our position in **Red Hat, Inc.** as it was approaching the price of its all cash acquisition by IBM, which closed in July. We also sold our small investment in **Tesla, Inc.**, and reduced **Ctrip.com International, Ltd.**, and **Naspers Limited**, reallocating capital to higher conviction ideas. Lastly, we eliminated our stub position in **Zoom Video Communications, Inc.**, after the stock exceeded 120% of our estimate of the company's intrinsic value.

OUTLOOK

After seeing a mostly favorable investment environment over the last two and a half years, this quarter proved to be more challenging given the way we invest. We continue to remind investors that market volatility is an inseparable part of our journey. Rather than focus on managing that volatility, we instead guard against over-diversification. We choose to manage risk at the company-specific level by trying to invest only in what we believe are unique companies, with sustainable competitive advantages, and proven ability to reinvest capital at high rates of returns for extended periods of time.

Baron Fifth Avenue Growth Fund

Every day we live and invest in a world full of uncertainty. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes (up and down), ongoing trade disputes, a partial government shutdown, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why the market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of *taking* risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

Our goal remains to maximize long-term returns without taking significant risks of permanent loss of capital. We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading significantly below their intrinsic values.

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. There is no guarantee that these objectives will be met.

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