DEAR BARON FIFTH AVENUE GROWTH FUND SHAREHOLDER:

PERFORMANCE

2019 is off to a good start and we were able to reverse most of last quarter's losses. Baron Fifth Avenue Growth Fund (the "Fund") gained 18.7% (Institutional Shares) in the March quarter, outperforming the Russell 1000 Growth Index, which returned 16.1%, and the S&P 500 Index, which rose 13.7%.

Table I.
Performance
Annualized for periods ended March 31, 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]	18.64%	18.69%	16.10%	13.65%
One Year	11.74%	12.04%	12.75%	9.50%
Three Years	20.25%	20.57%	16.53%	13.51%
Five Years	13.63%	13.91%	13.50%	10.91%
Ten Years	17.04%	17.33%	17.52%	15.92%
Since Inception (April 30, 2004)	9.19%	9.38%	9.85%	8.73%

ALEX UMANSKY

PORTFOLIO MANAGER

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

After steep losses to end last year, global equity markets rallied sharply, and U.S. large-cap equities participated fully, registering the best start to the year since 1998. Investors appear to have shrugged off concerns over declining earnings growth, weakening economic data, and the continued lack of a resolution in U.S.-China trade negotiations, choosing instead to focus on more attractive valuations. Fed Chairman Powell must have read our last quarterly letter and abruptly reversed course, returning the U.S. monetary policy back to its "data dependent" path and, in the process, signaling more accommodative interest rates for the foreseeable future. OK, maybe he did not read our letter, but we are still convinced it was that change, more than anything else, that caused the first quarter equity rally.

The Fund's strong performance was largely attributable to stock selection, which contributed over 400 basis points to outperformance relative to the Russell 1000 Growth Index, while allocation effect detracted approximately 140 basis points mostly due to cash, which diluted returns in a rising market. We saw broad-based strength across the portfolio, with **Amazon.com**, **Alibaba**, **Veeva Systems**, **Worldpay**, **Mastercard**, **Sage Therapeutics**, and **EPAM Systems** contributing over 100 basis points each to absolute returns. Another 10 investments contributed over 50 basis points each, and 23 of our holdings posted double-digit percentage gains during the quarter. We had seven decliners with **CME Group, Tesla,** and **Biogen**, the bottom three, costing us approximately 90 basis points combined.

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 with an 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 indexes are unmanaged. 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.

BARON FUNDS 1987

Baron Fifth Avenue Growth Fund

Here is a more detailed look at some of our best and worst investment decisions and outcomes over the last three months, as well as over the last three years:

Table II.
Best and worst investment decisions and outcomes - quarter ended March 31, 2019

Top Contributors

Company Name	Total Return** (%)	Alpha Added (bps)†
Veeva Systems Inc.	42.03	86.40
Alibaba Group Holding Limited	33.11	84.80
Worldpay, Inc.	48.50	83.97
Sage Therapeutics, Inc.	66.24	78.04
EPAM Systems, Inc.	45.79	62.45
PagSeguro Digital Ltd.	61.88	58.74
Ctrip.com International, Ltd.	61.46	54.42
Equinix, Inc.	29.28	29.73
Mastercard Incorporated	25.02	28.86
Wix.com Ltd.	33.75	26.62
Amazon.com, Inc.	18.65	23.31
RingCentral, Inc.	30.76	13.65
S&P Global Inc.	24.25	11.34
ASML Holding N.V.	20.84	10.72
Intuitive Surgical, Inc.	19.23	10.40
Naspers Limited	19.33	7.15
Alphabet Inc.	12.63	5.89
Facebook, Inc.	27.20	5.05
Visa, Inc.	18.58	4.93
Splunk, Inc.	18.76	4.38
Top Contributors Alpha (bps)		**690.85**
Total Alpha Added (bps) - Baron Fifth Avenue Growth Fund		**259.43**
Top 10 Contributors as a % Alpha		**229%**
Top 20 Contributors as a % Alpha		**266%**

Bottom Contributors

Company Name	Total Return** (%)	Alpha Added (bps)†
CME Group, Inc.	–12.14	–107.04
Illumina, Inc.	3.59	–47.77
Apple, Inc.	–1.11	–36.49
Red Hat, Inc.	4.02	–28.43
Tesla, Inc.	–15.91	–26.78
Booking Holdings, Inc.	1.46	–24.54
The Charles Schwab Corp.	3.31	–23.88
Biogen, Inc.	–24.24	–21.61
Domino's Pizza, Inc.	1.66	–17.04
Activision Blizzard, Inc.	0.75	–13.88
Vertex Pharmaceuticals Incorporated	11.01	–8.38
IAC/InterActiveCorp	8.06	–4.23
Alphabet Inc.	13.30	–3.47
Kotak Mahindra Bank Ltd.	–1.82	–2.70
Bottom Contributors Alpha (bps)		**–366.24**
Total Alpha Added (bps) - Baron Fifth Avenue Growth Fund		**259.43**
Bottom 10 Contributors as a % Alpha		**–134%**
Bottom 20 Contributors as a % Alpha		**–141%**

† Measure of relative performance (positive and negative alpha contribution) versus Russell 1000 Growth Index benchmark from 12/31/2018 to 3/31/2019.
** Not annualized.

Table III.
Best and worst investment decisions and outcomes - trailing 3-year period ended March 31, 2019

Top Contributors

Company Name	Annualized Total Return (%)	Alpha Added (bps)†
Amazon.com, Inc.	44.25	999.52
Alibaba Group Holding Limited	32.15	421.13
Mastercard Incorporated	36.52	207.33
Intuitive Surgical, Inc.	52.40	171.25
Mobileye N.V.	48.14	166.62
Veeva Systems Inc.	46.11	154.13
Red Hat, Inc.	34.86	112.99
EPAM Systems, Inc.	36.03	111.42
Worldpay, Inc.	40.66	88.52
Visa, Inc.	27.76	88.17
ASML Holding N.V.	24.48	79.43
CME Group, Inc.	24.50	64.07
Naspers Limited	19.61	63.10
Illumina, Inc.	24.17	52.14
PagSeguro Digital Ltd.	21.44	31.46
RingCentral, Inc.	32.24	24.98
TerraForm Global, Inc.	64.37	19.19
Wix.com Ltd.	33.38	18.76
The Charles Schwab Corp.	16.28	15.50
Facebook, Inc.	13.15	14.34
Top Contributors Alpha (bps)		**2,904.07**
Total Alpha Added (bps) - Baron Fifth Avenue Growth Fund		**1,636.04**
Top 10 Contributors as a % Alpha		**154%**
Top 20 Contributors as a % Alpha		**178%**

Bottom Contributors

Company Name	Annualized Total Return (%)	Alpha Added (bps)†
FireEye, Inc.	–35.83	–153.00
Under Armour, Inc.	–53.98	–137.64
Activision Blizzard, Inc.	–24.83	–123.30
Ctrip.com International, Ltd.	–0.47	–113.73
Allergan PLC	–18.79	–82.58
Apple, Inc.	15.61	–70.82
athenahealth, Inc.	–28.28	–68.70
Starbucks Corporation	0.75	–67.13
Expedia Group, Inc.	–1.17	–66.93
Synchrony Financial	6.32	–59.39
Brookfield Asset Management, Inc.	10.02	–56.37
Regeneron Pharmaceuticals, Inc.	–5.93	–48.38
The Stars Group Inc.	–38.12	–48.02
Verisk Analytics, Inc.	2.07	–43.74
Alexion Pharmaceuticals, Inc.	–10.43	–42.33
Snap, Inc.	–29.77	–24.02
Concho Resources, Inc.	6.70	–23.25
Equinix, Inc.	13.41	–22.92
Biogen, Inc.	–1.78	–21.72
Twitter, Inc.	–13.05	–20.49
Bottom Contributors Alpha (bps)		**–1,294.46**
Total Alpha Added (bps) - Baron Fifth Avenue Growth Fund		**1,636.04**
Bottom 10 Contributors as a % Alpha		**–58%**
Bottom 20 Contributors as a % Alpha		**–79%**

† Measure of relative performance (positive and negative alpha contribution) versus Russell 1000 Growth Index benchmark from 3/31/2016 to 3/31/2019.

Sources: FactSet PA, Russell, Inc., and BAMCO.

Since we completed the restructuring of the Fund at the end of calendar year 2011, it has returned 216.6% cumulatively, outperforming the Russell 1000 Growth Index by 23.6%, the S&P 500 Index by 54.3%, and the Morningstar Large Growth Category average by 54.0%. A reasonably good outcome, in our view. *

Intuition, curiosity, and the power of wandering–was the headline of a sub-section of Jeff Bezos's most recent shareholder letter, dated April 11, 2019 (the entire letter can be viewed here: https://blog.aboutamazon.com/company-news/2018-letter-to-shareholders). We continue to find nuggets of wisdom in Jeff's writings that both shed light on Amazon's unique culture and resonate with us in our own endeavors. "*From very early on in Amazon's life, we knew we wanted to create a culture of builders – people who are curious, explorers. They like to invent. Even when they're experts, they are 'fresh' with a beginner's mind. They see the way we do things as just the way we do things now. A builder's mentality helps us approach big, hard-to-solve opportunities with a humble conviction that success can come through iteration: invent, launch, reinvent, relaunch, start over, rinse, repeat, again and again.* ***They know the path to success is anything but straight*** [emphasis added].

"*Sometimes (often actually) in business, you do know where you're going, and when you do, you can be efficient. Put in place a plan and execute. In contrast, wandering in business is not efficient … but it's also not random. It's guided – by hunch, gut, intuition, curiosity, and powered by a deep conviction that the prize for customers is big enough that it's worth being a little messy and tangential to find our way there. Wandering is an essential counter-balance to efficiency. You need to employ both.* ***The outsized discoveries – the 'non-linear' ones–are highly likely to require wandering*** [emphasis added]."

After spending some time internalizing the above, we have come to a happy realization that Jeff's insights play an important role in our own process as well. Intellectual curiosity, lateral thinking, an interdisciplinary approach,

* Mr. Umansky became the portfolio manager of the Fund on November 1, 2011. Since that date, the Fund has returned 206.99% cumulatively, which compares to 192.03% for the Russell 1000 Growth Index and 164.47% for the S&P 500 Index, outperforming the Morningstar US Fund Large Growth Category average by 50.2% over the 7+ year period. As of 3/31/2019, the annualized returns of the Morningstar US Fund Large Growth Category average were 10.71%, 15.35%, 11.26%, and 15.94% for the 1-, 3-, 5, and 10-year periods.

pragmatism, and most importantly, a willingness to fail have always been key tenets, or core values, if you will, of our investment process. We understood and accepted at the onset that "the path to success is anything but straight" and that "the outsized discoveries," the "truly big ideas," the "non-linear" ones – are highly likely to require "wandering" or imagining "what if things really go right?" We attribute a lot of our investment success to "intellectual curiosity and the power of wandering."

Another key tenet of our process is to focus on and understand disruptive change. We pay a lot of attention to truly transformative technological innovations that we think hold the potential of changing the way we conduct business and live. Artificial Intelligence and Machine Learning, Augmented/Virtual Reality, Electric Autonomous Shared mobility, Blockchain, and so on. We frequently field questions on all of these, but few seem to fascinate investors as much as **CRISPR**, which we think has the potential to change the way health care is being delivered today. **So, what is CRISPR and why do we think it is so important**?

***C**lustered **R**egularly **I**nterspaced **S**hort **P**alindromic **R**epeats* is a molecular swiss army knife with a rapidly expanding number of tools. Joshua Riegelhaupt, Ph.D, our resident rocket scientist and biotechnology analyst, explains:

"CRISPR is one of biology's first known forms of immune memory in one of biology's simplest lifeforms: the bacteria. Back in the early days of evolution, the greatest existential threat to a bacteria's life primarily came from an invading virus that aimed to seize the bacteria's "factory" to make more copies of itself for future propagation. The end stage of this process is bacterial death via viral overload and this, for obvious reasons, is a fate unacceptable to the bacteria. So, like all of evolution, the bacteria adapted. A virus like a bacteria has genetic code, i.e DNA or RNA, and all genetic code can be cut open and read for replication, protein production or alternatively for destruction. How the first cut of a viral sequence by a bacteria happened and how a bacteria then learned to remember this event remains an evolutionary secret, but what scientists now know is that the CRISPR system was the bacteria's sophisticated way to protect itself from invading viruses. So how does the CRISPR system work?

"Fragments of a past virus's genetic information are inserted into a bacteria's genome in a series of palindromic repeats separated by spacers (hence the crazy name CRISPR) that then are linked to a protein that's able to recognize these sequences to cut and destroy invading viral genetic information. What is so elegant about the CRISPR system is it allowed the bacteria to learn and to pass on the immunity to future generations, creating a so-called *record of infection*, such that when attacked by a similar virus, the bacteria's defenses would be ready with countermeasures. Evolutionarily speaking this is likely the world's first form of learned immunology. Amazing, indeed! Beyond the appreciation for the beauty of this early immune system, it was immediately clear to scientists that this system held the keys to enabling transformative genetic engineering. In basic terms, scientists had found a cutting system that could act on essentially **any** sequence of genetic material they wanted with unprecedented precision. The applications were essentially limitless. Insertions. Deletions. Adjustments. Anything you wanted to change in the genetic code in theory could be addressed. This realization offered the promise to do things that had never been possible before and had the allure of curing most, if not **all** genetic diseases. While I appreciate the grandiosity of this last statement, I don't believe it to be hyperbolic and I am confident over the next decades CRISPR will transform our existence as we know it." Thank you, Joshua, indeed.

Bottom line, we think CRISPR is the most promising way to cure diseases – from sickle cell anemia to cystic fibrosis, to pediatric blindness, to cancer. CRISPR's inexpensive, precise, and rapid genome editing capabilities have the potential to shift our health care system from treating the symptoms to curing the disease!

So how are we investing in CRISPR today?

We think this is the very beginning of the CRISPR revolution. There are a few publicly traded CRISPR-based biotechnology companies, notably CRISPR Therapeutics, Editas, and Intellia. Human trials began earlier this year, and we are keeping a close eye and learning everything we can. Over the next year, there is going to be clinical data to start analyzing and questions to be answered. Is it as efficacious as promised? Is it safe? How durable are the changes? How personalized is the technology (i.e., my mutation might be different than yours and can CRISPR really create personalized medicines)? In the meantime, we are happy that one of our investments, **Vertex Pharmaceuticals Incorporated**, has partnered with CRISPR Therapeutics on its sickle cell disease program, and we see this as a derivative way to be exposed to a technology that we believe will change everything.

Table IV.

Top contributors to performance for the quarter ended March 31, 2019

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	$874.7	2.80%
Alibaba Group Holding Limited	471.7	1.74
Veeva Systems Inc.	18.6	1.53
Worldpay, Inc.	35.3	1.34
Mastercard Incorporated	241.6	1.24

Amazon.com, Inc.'s shares were up 19% in the quarter driven by the broader market recovery and solid quarterly results with revenues and operating income both coming in ahead of expectations. Amazon's quarterly revenues were up nearly 20% year-over-year to over $70 billion driven by solid growth in retail and Amazon Web Services (AWS). AWS continues to expand rapidly and was up 45% year-over-year in the fourth quarter to a run rate of nearly $30 billion. While Amazon had retail revenues of over $200 billion in 2018, it remains early in the adoption curve, with e-commerce representing approximately 14% of the $6 trillion retail sales in the U.S. The same is true for AWS, with cloud penetration reaching only around 5% of the $3.7 trillion global spend on Information Technology (according to Gartner). A third pillar to Amazon's growth is rapidly becoming the advertising business. With about 50% of product searches starting on Amazon, rather than Google, Amazon can target customers with a high purchase intent, while also being able to close the loop on the transaction (solving the age-old problem of *"I know that half of my advertising dollars work. I just don't know which half"*), making this a highly lucrative target market for advertisers, and helping Amazon grow its advertising business by nearly 100% year-over-year. We believe it has the potential to reach over $30 billion over the next four years, while substantially contributing to the company's margins. Amazon continues to represent one of our highest conviction investment ideas.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China, operating the shopping platforms Taobao and Tmall. Alibaba also holds 33% of Ant Financial, whose brand, Alipay, is the largest third-party online payment provider in China. Shares of Alibaba were up 33% during the first quarter, more than offsetting the decline in the fourth quarter as the company continued showing robust growth at scale (Alibaba's core commerce revenues were up 40% year-over-year to over

Rmb 100 billion) while continuing to invest in additional areas such as cloud computing, grocery, logistics, and food delivery, expanding the Alibaba platform. We remain optimistic about Alibaba's long-term opportunity as the company continues to benefit from e-commerce penetration (still only approximately 20% of total retail sales) and use its platform (700 million monthly active users) to expand into additional areas.

Veeva Systems Inc. is the leading provider of cloud-based solutions targeted at the life sciences industry, offering customer relationship management, content, collaboration, and data management solutions. Shares of Veeva were up 42% in the first quarter with the company's results continuing to outperform expectations. Veeva's innovative culture and significant market share in Life Sciences CRM continue to drive growth in its more mature, commercial business. Veeva continued growing wallet share with existing customers via cross-selling add-on products while continuing to gain market share in Server Message Block. We believe the value proposition of recently announced products, such as Nitro, is attractive to customers as they are looking to digitally transform and take advantage of data analytics. Moreover, Vault continued growing rapidly at scale, is now almost 50% of the business, and grew about 45% year-over-year in the most recent quarter. We expect that with the growing adoption of Vault products, Veeva will become even more strategic for customers, presenting significant long-term growth opportunities for the company. The ongoing evolution of the Veeva platform, its ability to deliver significant value to its customers, and the company's impressive growth and margin profile make Veeva a unique long-term investment opportunity, in our opinion.

Worldpay, Inc. provides technology solutions that enable merchants to accept electronic payments. Shares appreciated 49% during the first quarter after the company reported quarterly results and 2019 guidance that exceeded investor expectations. Revenue growth accelerated to 10% in the fourth quarter on a pro forma, constant-currency basis, driven by strength in e-commerce and integrated payments. In late March, the company announced an acquisition by Fidelity National Information Services, driving additional share price gains. We continue to own the stock as we evaluate the merits of the merger.

Mastercard Incorporated is a leading global commerce payment solutions network. The stock outperformed in the first quarter, with its shares rising 25%, more than erasing the 15% decline in the fourth quarter. The company reported 15% revenue growth and 37% growth in EPS driven by continued international share gains, which represent two-thirds of revenues. The management team also provided mid-term guidance calling for low-teens revenue growth and high-teens EPS growth, which we believe is achievable. Mastercard is an example of a great business with an extremely wide moat and high barriers to entry, operating in a stable duopoly with Visa. We expect Mastercard to benefit from the continued growth in global consumer spending as well as the secular shift from cash to electronic payments for years to come.

Table V.
Top detractors from performance for the quarter ended March 31, 2019

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
CME Group, Inc.	$ 58.9	–0.49%
Tesla, Inc.	48.3	–0.20
Biogen, Inc.	44.7	–0.20
Apple, Inc.	737.2	–0.16
Domino's Pizza, Inc.	10.6	–0.05

CME Group, Inc. is the world's largest and most diversified derivatives marketplace. Its exchanges support trading of futures and options across a variety of asset classes, including interest rates, equity indexes, energy, agricultural commodities, currencies, and metals. CME shares declined 12% during the first quarter as reduced volatility caused derivative trading volumes to decline (and over 80% of CME's revenues are tied to trading volumes). We continue to believe that CME operates a strong business with a wide structural moat driven by the network effects between buyers and sellers on its marketplaces (the value of a marketplace is a function of its liquidity, which rises with the number of participants), its capital-light requirements, and its experienced management team that allocates capital well. We believe CME will continue to benefit from interest rate normalization and greater adoption of exchange-traded futures while providing a natural hedge against market volatility.

Tesla, Inc. designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. Following strong execution during the second half of 2018, 2019 started with a complicated quarter with slower deliveries than expected. During the quarter, Tesla noted delays in international deliveries, headcount reduction, and potential changes to its go-to-market approach by closing some of its retail stores. These announcements increased short-term uncertainty pressuring the stock down 16%. We remain focused on the long-term opportunity as Tesla ramps up manufacturing, supply chain, and delivery rapidly to sell significantly more cars over the next few years. We believe the Model 3 program is nearing a tipping point with the availability of sub-$40,000 options, presenting a strong mass-market opportunity. Moreover, Tesla's expansion into China and the introduction of Model Y over the next few years should help the company expand its addressable market while entering the growing SUV segment. We believe electric vehicles have distinct advantages over combustion engine vehicles and with rapidly approaching price parity, we believe they will capture significant market share with Tesla remaining a leading player in this market transition.

Biogen, Inc. is a biotechnology company focused on discovering, developing, manufacturing, and marketing therapies for the treatment of multiple sclerosis and other autoimmune disorders and neurodegenerative diseases. Biogen underperformed this quarter with shares declining 24% after announcing that it is discontinuing development of aducanumab, its lead asset in Alzheimer's disease. This was a major failure for the company and given pending IPR legal issues for another important MS asset, Tecfidera, and a dearth of near-term meaningful catalysts, we decided to exit the position.

Apple, Inc. is a mega-cap consumer electronics company with iconic products such as iPhone, iPad, Apple Watch, and Macs. The company detracted from performance in the quarter after its shares declined 1% for the period held following a pre-announcement of quarterly results with revenues coming in 8% lower than their guided range, citing an iPhone slowdown, namely in China. With Apple's slower growth profile, as the smartphone market is reaching full penetration and the limited capacity to continuously raise iPhone prices, we decided to sell our position in the Fund. The stock is now more appropriate for Baron Durable Advantage Fund, which focuses on owning competitively advantaged businesses earning high returns on capital, but not capable of consistently reinvesting those returns back into the business (at high rates of return) and are thus returning cash to shareholders. Even though Apple is facing some near-term headwinds, we believe that the value of its brand name and the strength of its ecosystem will enable it to sustain its positioning in the long term.

Domino's Pizza, Inc. is a pizza company which operates a network of company-owned and franchise-owned stores in the U.S. and international markets. Shares of Domino's detracted from performance after the company reported quarterly results that missed expectations. Slower organic same-store sales growth contributed to lower EBITDA and EPS. Higher G&A expenses were also behind the profitability miss. We made an error investing in Domino's at such a high multiple; the stock corrected aggressively following the reported slowdown. As we don't have conviction in re-acceleration of growth, we decided to correct our error and re-allocate capital to ideas in which we have higher conviction.

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 54.2% of the Fund, the top 20 were 79.9%, and we exited the quarter with 33 investments.

Information Technology, Consumer Discretionary, Health Care, Communication Services, and Financials made up 91.8% of the portfolio. The remaining 8.2% was made up of Equinix, Inc., which is a REIT classified under Real Estate; and Lyft, Inc., classified in Industrials, as well as cash.

Table VI.
Top 10 holdings as of March 31, 2019

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$874.7	$38.3	13.2%
Alibaba Group Holding Limited	471.7	16.9	5.8
Mastercard Incorporated	241.6	15.7	5.4
Alphabet Inc.	816.8	14.4	5.0
Visa, Inc.	313.5	13.3	4.6
Veeva Systems Inc.	18.6	12.7	4.4
Intuitive Surgical, Inc.	65.8	12.6	4.3
Illumina, Inc.	45.6	12.1	4.2
Worldpay, Inc.	35.3	10.9	3.8
Facebook, Inc.	475.7	10.3	3.5

Recent Activity

During the quarter, we initiated five new investments and added to nine existing positions. We eliminated four investments and trimmed three others.

Table VII.
Top net purchases for the quarter ended March 31, 2019

	Quarter End Market Cap (billions)	Amount Purchased (millions)
IAC/InterActiveCorp	$17.6	$4.7
Kotak Mahindra Bank Ltd.	36.8	2.9
Adyen B.V.	23.1	1.4
MercadoLibre, Inc.	24.2	1.2
Splunk, Inc.	18.7	1.2

We initiated a medium-sized position in **IAC/InterActiveCorp** during the quarter, with plans to scale that position over time. IAC is a holding company of internet media businesses founded and chaired by legendary media investor Barry Diller. Many well-known internet assets were incubated in or spent time as part of the IAC portfolio, including Ticketmaster, Hotels.com, Expedia, and HSN. Most of these holdings have been spun out or sold over the years with capital redeployed into new opportunities. Over the last decade, IAC has outperformed the S&P 500 Index by over 1,000% cumulatively as a result of its mostly prescient capital allocation. Today, most of the asset value in IAC consists of its majority holding in Match Group, Inc. (ticker: MTCH) and ANGI Homeservices Inc. (ticker: ANGI), along with a portfolio of smaller but growing wholly-owned internet assets including Vimeo (a SaaS solution for digital video management), DotDash (a collection of digital publishing brands), and many more. Match, across its portfolio of brands (Tinder, OkCupid, Match, Meetic, PlentyOfFish, and others), is the dominant global player in online dating; similarly, ANGI is the leading online home services marketplace in the U.S. with its HomeAdvisor and Angie's List websites. Both are internet marketplace businesses in the early stages of a significant shift from offline to online and in which we believe economics will accrue to the largest player (i.e., Match and ANGI) due to inherent barriers to scale and network effects. In addition, IAC trades at a conglomerate discount, so we are getting its stake in Match and ANGI at a 10% to 15% discount to their value at today's stock prices and the rest of the assets (Vimeo, Dotdash, etc.) for free – valuing those fairly would probably take that discount closer to 20% today on top of the upside we envision for these assets in the future.

We also started a small position in **Kotak Mahindra Bank Ltd.**, a leading financial services group in India, offering products across many verticals, including banking, securities, asset management, and life insurance. It has a diversified loan portfolio with a focus on retail, agribusiness, and small-to-medium enterprises. We see significant growth opportunities for private sector banks in India given the low penetration of financial services, strong economic growth, and potential market share gains vs. their public-sector peers. We believe that Kotak will be a long-term winner in this market due to its prudent risk management, strong capital base, growing liability franchise, and investments in digital distribution. More recently, Kotak has been strengthening its liability franchise by growing current and savings account customers faster than peers, through an aggressive pricing strategy and via its digital banking offering. Once in-house, Kotak will be able to cross-sell its diverse product portfolio to these customers, increasing its wallet share. Moreover, we believe the bank will regain some pricing power in the near term as liquidity-strapped non-bank lenders step away from the market, reducing the supply of credit for borrowers.

Founded in 2006 in Amsterdam, Netherlands, **Adyen B.V.** provides technology solutions, enabling merchants to accept electronic payments via different methods including credit cards, debit cards, bank transfers, and more. As a payment processor mostly for online merchants, Adyen benefits from the rapid growth of e-commerce, taking share from offline retail (in the U.S., e-commerce penetration stood at 14% in 2018). In addition to the secular tailwinds of e-commerce, Adyen is benefiting from market share gains driven by its global presence, advanced technology capabilities, and the ability to achieve higher authorization rates for merchants (authorization rates represent the percentage of approved transactions). An increase in the authorization rate translates into incremental revenue for the merchant (which according to a 2016 Forrester study is 1.4% higher vs. competing solutions). This creates a moat that should drive share gains for Adyen. While the company should continue growing quite rapidly, we also believe Adyen is capable of expanding its margins (off the very high 52% levels it already achieved) thanks to high operating leverage.

We also initiated a small position in **MercadoLibre, Inc.**, the leading e-commerce platform in Latin America with the number one market share in Brazil, Argentina, and Mexico. We think that MercadoLibre offers an exciting growth story that is benefiting from two secular themes: rising e-commerce penetration and the growth of digital payments in Latin America. The company enjoys a first mover's advantage and is investing aggressively in payments and logistics to widen its competitive moat while strengthening its platform. Latin America is predominantly a cash economy with a low e-commerce penetration of only 3% out of a $1.8 trillion retail market. With a population of over 600 million people, we see an opportunity for many years of growth. MercadoLibre enjoys an attractive, asset-light marketplace business model with robust barriers to entry and network effects. We also see a significant opportunity for MercadoPago, its off-platform payments business, which the company has evolved into a full suite of financial services for consumers and merchants including a digital wallet, QR code payments, mPOS offline payments, online digital payments, asset management products, consumer credit, and merchant credit.

We put some of our cash to work during the quarter increasing our investment in **Splunk, Inc.** Splunk enables customers to collect, index, store, and analyze structured, semi-structured, and unstructured data, driving insights through a flexible and efficient data architecture. Splunk is strategically leveraged to several secular trends including the proliferation of structured and unstructured data and the growing demand to analyze that data in order to improve outcomes as companies across industries are trying to digitally transform. We believe that Splunk's market position provides it with an opportunity to become the leading platform for big data analytics. We took advantage of some noise created by Splunk's accounting and go-to-market shifts to add to our position believing the underlying business momentum will increasingly become visible in reported results over the next several quarters.

Table VIII.
Top net sales for the quarter ended March 31, 2019

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Activision Blizzard, Inc.	$ 36.1	$8.3
Amazon.com, Inc.	874.7	6.0
Apple, Inc.	737.2	5.5
Booking Holdings Inc.	79.3	3.3
Biogen, Inc.	44.7	2.1

We sold video game leader **Activision Blizzard, Inc.** as shares continued to tread water during the first quarter following continued uncertainty regarding the launch slate for 2019 and as the company guided for EPS well below estimates. The surprising success of Electronic Arts' recent *Apex Legends* along with the continued popularity of *Fortnite* (resulting in a more "hit-driven" industry) and the slowing benefits from the transition to digital distribution also contributed to our decision. As mentioned above in the "Top detractors" section, we also sold our **Apple, Inc.** and **Biogen, Inc.** positions. Finally, due to a '40 Act Mutual Fund rule, which puts a cap on how much a mutual fund can invest into any GICS sub-industry, we reluctantly trimmed the size of our **Amazon.com, Inc.** and **Booking Holdings Inc.** positions. This made room for MercadoLibre.

OUTLOOK

Every day we live and invest in a world full of uncertainty. 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 focus on identifying and investing in what we believe are unique companies with sustainable competitive advantages that have the ability to compound capital at high rates of return for extended periods of time. 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.

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

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.

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