DEAR BARON FIFTH AVENUE GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Fifth Avenue Growth Fund (the "Fund") appreciated 6.0% in the September quarter and is up 22.0% year-to-date (Institutional Shares). These results compare to returns of 9.2% and 17.1%, respectively, for the Russell 1000 Growth Index and 7.7% and 10.6%, respectively, for the S&P 500 Index, the Fund's benchmarks.

Table I.
Performance
Annualized for periods ended September 30, 2018

	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]	5.94%	6.00%	9.17%	7.71%
Nine Months[4]	21.79%	22.04%	17.09%	10.56%
One Year	29.03%	29.38%	26.30%	17.91%
Three Years	22.41%	22.74%	20.55%	17.31%
Five Years	16.56%	16.86%	16.58%	13.95%
Ten Years	12.80%	13.07%	14.31%	11.97%
Since Inception (April 30, 2004)	9.64%	9.82%	10.39%	9.18%

ALEX UMANSKY

PORTFOLIO MANAGER

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

While we are typically happy with a six percent gain, this was a relatively challenging quarter for the portfolio. We had plenty of winners with **Amazon, Illumina, Veeva, Mastercard, Intuitive Surgical, Apple**, and **Visa** each contributing over 50 basis points to absolute returns. We had an additional eight investments that contributed over 20 basis points each. Fourteen of our holdings increased over 10% during the quarter. Unfortunately, we had an unusually high number of losers with seven double-digit decliners. The stocks of **Alibaba**, **Naspers**, and **Ctrip** were hit hard late in the quarter as trade tensions escalated, and the likelihood that trade issues with the U.S. will have a negative impact on the Chinese economy increased. We were clearly early in returning **Facebook** to a full position and committed an investment error in getting involved with **The Stars Group**. Though a relatively small position, it did result in some permanent loss of capital. All told, these five investments cost us 258 basis points combined, and were the difference between a good quarter and a mediocre one.

Since the restructuring of this Fund on December 31, 2011, it has returned 221.1% cumulatively, outperforming the Russell 1000 Growth Index by 21.1% and the S&P 500 Index by 54.1%. Since that time, the Fund has outperformed the Morningstar US Fund Large Growth Category Average by 52.7% or by 3.1% per year annualized. According to Morningstar, for the period ended September 30, 2018, the Fund (Institutional Shares) ranked in the top 8% for its year-to-date performance, top 12% for its 1-year performance, top 5% for its 3-year performance, top 12% for its 5-year performance, and top 9% since the restructuring of the Fund.*

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, 2017 was 1.12% and 0.84%, 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 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 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.

* Morningstar calculates the **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 9/30/2018, the category consisted of 1,449 1,430, 1,258, 1,129 and 1,012 share classes for the year-to-date, 1-, 3-, and 5-year periods, and the period from 12/31/2011 – 9/30/2018. **Baron Fifth Avenue Growth Fund Institutional** Share Class **ranked** in the 8th, 12th, 5th, 12th and 9th percentiles, respectively.
Mr. Umansky became the portfolio manager of the Fund on November 1, 2011. Since that date, the Fund has returned 211.3% cumulatively, which compares to 199.0% for the Russell 1000 Growth Index and 169.1% for the S&P 500 Index, outperforming the Morningstar US Fund Large Growth Category Average by 48.8% over the 6+ year period. As of 9/30/2018, the category consisted of 994 share classes for the period from 10/31/2011 – 9/30/2018. **Baron Fifth Avenue Growth Fund Institutional** Share Class **ranked** in the 10th percentile for this time period.

October is off to a rough start and renewed market volatility is making many market participants nervous. On our most recent client visit trip, investors seemed to care less about our investment philosophy and process and more about our perspective on whether this correction is likely to grow into a recession, whether the current trade tensions are likely to turn into prolonged trade wars (and a resultant hard landing in China), whether the Democrats will retake the House and the Senate (less likely) and derail the Trump economic agenda, and most importantly, whether this is the time to buy stocks or to sell stocks (especially growth stocks many of which appear to be expensive).

We have no answers to any of these questions, and the fact is, we do not spend a meaningful amount of time trying to figure it out. We do however, offer the following observations:

1. It is significantly more difficult to allocate capital when the markets are going straight up then when they are going down. Consequently, we tend to be more challenged and "nervous" during periods of prolonged market appreciation rather than during downturns. Long-term investing is more akin to a marathon rather than a sprint, and corrections and pull-backs (and recessions) are both healthy and unavoidable.

2. All students of market cycles know that tight monetary conditions can throw an economy into a recession and that when the Federal Reserve embarks on a prolonged policy of raising interest rates, economic growth typically slows down. Someone famous (though we can't remember who) once said "every bull market in history has been killed by the Fed tightening because they always overdo it." Overgeneralizations aside, the statement makes sense to us. When we examine the causes of the last two recessions: the Housing Bubble of 2007-2009 and the Internet Bubble in the late 1990's/early 2000's, sure enough, the Fed was on the warpath both times. Chairman Bernanke was worried that availability of easy credit and lax lending standards were causing an unhealthy rise in prices of real estate (among other things), while Alan Greenspan, in his infamous speech, warned against "Irrational Exuberance," seeing as new internet companies with unproven business models were being valued on newly invented metrics and were assigned multiples up to our eyeballs. But the thing is… during the Housing Bubble, the music didn't stop until the Fed Funds rate reached 5.5%, and in 2000, the Fed Funds rate was close to 7%. Currently, the Fed Funds rate is just above 2%. By any measure, relative or absolute, 2% can only be viewed as accommodating. Economists and the Fed itself, tell us that 3% is neutral and that is where the newly minted Chairman Powell would like to take us, conditions permitting.

3. Trade tensions are bad for the global economy. Trade wars are worse. If they persist, we believe every country will suffer and global growth rates will decline. The consequences for the Chinese economy will be significantly more severe than for the U.S., and yet, it will still grow faster. The Chinese economy has been re-orienting itself towards internal consumption and services for years now and given the rapid rise in disposable incomes and the emerging middle class, we suspect they will be fine. It would, of course, be better for all if the trade issues were resolved.

4. Finally, we'd like to quote Warren Buffett from his recent interview with Becky Quick on August 30, 2018. "I don't know *when* to buy stocks. But I do know *whether* to buy stocks…" We agree. We think buying unique, well-managed, competitively-advantaged businesses for the long term is a great idea. Whether the Democrats retake the house, or not…

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

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	$976.9	2.69%
Illumina, Inc.	54.0	1.15
Veeva Systems Inc.	15.7	0.94
Mastercard Incorporated	231.2	0.61
Intuitive Surgical, Inc.	65.3	0.59

Halting the sales of our shares of **Amazon.com, Inc.** proved to be beneficial for the time being, as the stock rose 18% in the third quarter. Amazon continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com. Paid Prime membership has exceeded 100 million households globally. While e-commerce is growing significantly faster than overall retail, Amazon continues to increase its total addressable market at an unprecedented pace. For instance, Solimo, Amazon's health care-related private label products are growing 70% *month-over-month*, while the company has applied for prescription filling licenses in 17 states. Then there was this "Festive Season Sale" in India where apparently 1 million Xiaomi devices were sold on Amazon in… one day! In the next several years, Amazon will continue to build out its advertising business with the potential to reach $30 billion in revenues over the next few years. As the largest online retailer, Amazon can tap into the $1 trillion+ global advertising market, over a third of which is trade promotions, where brands spend to promote their products. Advertising is not only a large revenue opportunity but it has the ability to substantially improve Amazon's core margins going forward. In the meantime, AWS remains the runaway leader in the vast, and still rapidly growing, cloud infrastructure market by a wide margin. Amazon remains one of our highest conviction investment ideas, and we think a good bet to become the most valuable company on earth sometime in the near future.

Illumina, Inc. is the leading provider of next generation DNA sequencing instruments and consumables. The stock rose 31% after the company reported financial results that exceeded investor expectations, driven by strong growth of sequencing consumables. We believe Illumina is a platform company with meaningful competitive advantages that will continue to benefit from increased adoption of DNA sequencing in clinical applications such as cancer diagnosis and treatment.

Veeva Systems Inc. is the leading provider of cloud-based data management solutions for the life sciences industry. Shares appreciated 42% after reporting another strong quarter, including traction with newer solutions and early positive results from its recently announced Nitro product. Veeva continues to demonstrate a healthy improvement in margins driven by a combination of sustainable growth in both top and bottom lines. While its core product, Vault, serves as Veeva's current engine of growth, we expect its expanding product line will create additional multi-year growth opportunities.

Shares of a leading global payment network provider **Mastercard Incorporated** rose 13% after reporting better-than-expected results with 31% revenue growth and 48% EPS growth. Management raised full-year financial guidance, which now calls for revenue growth in the low 20%s. We continue to own the stock because Mastercard is a prime beneficiary of global consumer spending growth and the secular shift from cash to electronic payments.

Intuitive Surgical, Inc. manufactures and sells the da Vinci robotic surgical system, which is used for minimally invasive surgery. Shares appreciated

20% after Intuitive reported strong financial results, highlighted by 18% procedure growth. Intuitive has a strong product pipeline, including a flexible robotic catheter system for lung biopsies. We believe the company has a long runway for growth and expect both top and bottom lines to expand as procedure volumes increase.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Alibaba Group Holding Limited	$427.1	–0.66%
Facebook, Inc.	474.8	–0.63
Naspers Limited	94.9	–0.45
Ctrip.com International, Ltd.	20.3	–0.45
The Stars Group Inc.	6.4	–0.39

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba owns and operates the two largest online shopping platforms in China, Taobao and Tmall. It also owns 33% of Ant Financial, whose brand Alipay is the largest third-party online payment provider in China. Shares of Alibaba were down 11% in the third quarter based on the company's plans to continue to invest in grocery and online food delivery businesses leading to lower overall margins. Trade tension-related news also impacted sentiment for Alibaba and all China-related stocks. We believe the company's core business, excluding food delivery, logistics, and grocery, remains extremely profitable and continues to grow rapidly. If China's economy slows as a result of a potential trade war, Alibaba would be well positioned to take share, much like their U.S. counterparts did in times of economic uncertainty. The company continues to benefit from strong mobile and advertising growth (750 million mobile internet users in China with a growing $5 trillion annual mobile payment volume), which drives positive optionality beyond core e-commerce. We expect continued rapid growth in all areas, combined with a high reinvestment rate in newer market segments, such as groceries, logistics, food delivery, and cloud computing. We continue to be optimistic about Alibaba's long-term prospects, and it remains a high conviction investment idea.

Shares of **Facebook, Inc.**, the world's largest social network, declined 15% during the quarter. Facebook provided a more muted outlook on revenue growth while raising expectations around expenses as the company ramps efforts to eliminate misleading and malicious content on the network, while continuing to invest in longer-term growth initiatives such as virtual reality. We remain optimistic that the company's vast and engaged network of users along with the ongoing monetization of Instagram, and future monetization on WhatsApp and Messenger, will lead to encouraging financial results. Facebook is pivoting from news feed to stories as an ad format, similar to what the company achieved when it pivoted from desktop to mobile shortly after its IPO. We expect the company to be successful in this effort, and expect to see positive updates in upcoming quarters. The company continues to be the only game in town in "social" and remains the largest beneficiary of consumer engagement. The company utilizes its leadership position in mobile and AI to provide global advertisers targeted marketing capabilities at scale.

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

Ctrip.com International, Ltd. is the dominant online travel service provider in China. Shares were down 22% in the most recent quarter due to slower reported revenue growth as the company works through changes in regulations in its air business, which were implemented in October of 2017 and limited cross-selling by requiring customers to opt in instead of the prior custom of opting out. The company will anniversary the imposed restrictions in the fourth quarter and growth should reaccelerate once again. Chinese consumer demand for travel could remain sluggish while global trade tensions remain front and center. However, longer term, Chinese travelers represent the fastest growing and largest segment of travelers globally and Ctrip remains the best-positioned company to capitalize on this trend, in our view. To that end, the company has maintained its target of one trillion Rmb in bookings by the end of 2020, which we think is likely achievable.

The Stars Group Inc. is one of the leading companies in online wagering globally, with strong competitive advantages in Europe. The company is in the process of acquiring Skybet, the leading and fast growing online wagering platform in the U.K. Shares of Stars Group were down 35% for the period held due to disappointing results and a general weakness in the gaming sector. This was a small position for the Fund where we lost conviction fairly quickly, realizing that our initial thesis was likely incorrect. We chose to take the loss and redeploy capital to higher conviction ideas.

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 53.8% of the Fund, the top 20 were 79.2%, and we exited the quarter with 33 investments.

Consumer Discretionary, Information Technology, Health Care, Communication Services, and Financials made up 91.2% of the portfolio. The remaining 8.8% is made up of a position in Equinix (which is classified under Real Estate) as well as cash.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$976.9	$50.1	16.4%
Alibaba Group Holding Limited	427.1	15.3	5.0
Mastercard Incorporated	231.2	14.5	4.7
Alphabet Inc.	834.7	14.3	4.7
Illumina, Inc.	54.0	13.3	4.3
Activision Blizzard, Inc.	63.4	12.5	4.1
Visa, Inc.	305.3	12.5	4.1
Intuitive Surgical, Inc.	65.3	11.6	3.8
Facebook, Inc.	474.8	11.0	3.6
Veeva Systems Inc.	15.7	9.5	3.1

Recent Activity

During the quarter, we continued to benefit from positive inflows, which we continued to put to work by adding to 14 of our holdings. We also attempted to establish two new positions in **Elanco Animal Health Incorporated**, which was spun off from Eli Lilly, and in **Meituan Dianping**, which went public during the quarter. We ultimately aborted both attempts as Elanco exceeded our price parameters on the first trade, and we chose not to increase our exposure to China in the midst of what was starting to feel like a prolonged trade standoff with the U.S. We ended up with two tiny stub positions (less than 25 basis points combined) and decided to postpone the final decision. We eliminated our investment in the Stars Group as described above. There were no other sales during the third quarter.

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

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Activision Blizzard, Inc.	$63.4	$2.9
Intuitive Surgical, Inc.	65.3	2.9
Sage Therapeutics, Inc.	6.6	2.2
Veeva Systems Inc.	15.7	1.6
Worldpay, Inc.	31.6	1.2

We continued to build our position in **Activision Blizzard, Inc.**, a leading video game publisher whose key game franchises include Call of Duty, Destiny, World of Warcraft, Overwatch, and Candy Crush. While there is some concern that the popularity of Fortnite (a new video game from a different publisher) will impact near-term performance, we believe that Activision Blizzard has the opportunity to consistently grow revenues, continue to expand margins, and effectively allocate capital for years to come. We believe the company has an excellent management team and stands to be a major beneficiary from a number of tailwinds benefiting the video game industry, including the shift to higher-margin digital revenue, mobile gaming, in-game advertising, eSports, and international expansion.

Intuitive Surgical, Inc. manufactures and sells the da Vinci robotic surgical system, which is used for minimally invasive surgery. We believe Intuitive is on the right side of a major long-term trend where more and more surgeons and patients are opting for robotic surgeries, which tend to have quicker recovery times, shorter hospital stays, and fewer post-surgical complications. Intuitive has a strong product pipeline, including a flexible robotic catheter system for lung biopsies. We believe the company has a long runway for growth and expect both top and bottom lines to expand as procedure volumes increase over time.

Sage Therapeutics, Inc. is focused on developing novel drugs for central nervous system disorders. We have been following the positive developments of the clinical trial results of its lead assets Sage-547/Sage-217 in postpartum depression and major depressive disorder, respectively. Comparatively, 2018 is a relatively quieter year although recent updates have been unequivocally positive. Notably, the FDA delivered a best-case scenario outcome regarding guidance for Phase 3 development of SAGE-217 in major depressive disorder that signifies the agency's understanding of the significant unmet need. Additionally, Sage inked a lucrative collaboration deal for Japanese, Taiwanese, and South Korean rights to Sage-217 with Shionogi & Co. During this period, we have been slowly growing our investment expecting greater share performance over the next few years as Sage transitions into a commercial company and advances its diverse pipeline forward. Separately, Sage has announced expansion into disease indications, like Parkinson's and tremors, and we believe the maturation of the pipeline combined with eventual commercial execution bode well for the company's prospects.

Veeva Systems Inc. is the leading provider of cloud-based solutions targeted at the life sciences industry. Veeva offers customer relationship management, content, collaboration and data management solutions tailored mostly to the life sciences industry. Most recently, Veeva reported another set of excellent financial results. Management noted traction with newer solutions, while the more penetrated, commercial cloud products continued to show healthy growth rates. Though management is investing in the new products growth within life sciences and in new verticals, Veeva continues to deliver on profitability, delivering over 27% of subscription revenue growth last year while maintaining EBITDA margins and year-over-year growth of over 30%. With Vault now serving as the growth engine for the company, we expect that the growing product line will create additional, multi-year growth opportunities for the company and believe it can be a significantly larger company by capturing significant share, over time, in new subsegments within and beyond life sciences.

We added to our investment in **Worldpay, Inc.** after gaining more conviction in the strategic rationale and financial merits of the combination of the U.S.-based Vantiv and the U.K.-based Worldpay. The combination created a leader in payments processing technology and solutions with a product suite spanning integrated point-of-sale and virtual terminals, credit and debit card payments, mobile wallets, ATM services, accounting integration and treasury services, and others. The combined scale makes the company one of the obvious beneficiaries of the growth in e-commerce.

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

	Market Cap When Sold (billions)	Amount Sold (millions)
The Stars Group Inc.	$6.4	$1.8

We eliminated our investment in **The Stars Group, Inc.** as described above. There were no other sales during the third quarter.

OUTLOOK

Every day we live and invest in a world full of uncertainty. The Federal Reserve is raising interest rates, trade tensions are starting to have an impact on global growth, China's economy is slowing down, energy prices are rising, politics and regulations continue to be unpredictable. These are all serious challenges 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.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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