Dear Baron Fifth Avenue Growth Fund Shareholder:

Performance

We had a good start to the year.

The Baron Fifth Avenue Growth Fund (the "Fund") appreciated 15.2% (Institutional Shares), which compared favorably to returns of 8.9% for the Russell 1000 Growth Index and 6.1% for the S&P 500 Index, the Fund's benchmarks. Though we were pleased with the results, we believe reversion to the mean was the largest contributor to both absolute and relative outperformance. The Fund had a rough fourth quarter last year, underperforming significantly in the post-election rotation, and most of that reversed in the first quarter of 2017. As is frequently the case in a 31-stock portfolio like this, last quarter's detractors were our largest winners with **Amazon, Mobileye, Alibaba, Facebook,** and **Illumina** leading the way. The strength was broad based with 31 out of the 35 investments rising in value during the first quarter. We had 20 double-digit gainers, 15 holdings that rose more than 15%, and 10 investments that gained over 20%. **Under Armour** was our only significant decliner, but as one of the smaller positions in the Fund it did not have a material impact on overall results.

ALEX UMANSKY

PORTFOLIO MANAGER

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

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

	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]	15.13%	15.18%	8.91%	6.07%
One Year	18.67%	19.00%	15.76%	17.17%
Three Years	8.93%	9.20%	11.27%	10.37%
Five Years	11.57%	11.87%	13.32%	13.30%
Ten Years	6.71%	6.92%	9.13%	7.51%
Since Inception (April 30, 2004)	7.47%	7.63%	8.80%	8.28%

We have said in the past that we strive to apply the principles of value investing to the growth stocks that we hope to own for a very long time. In fact, we think all investing is "value"-based investing because growth (or growth rate, to be more precise) by definition is only one of the characteristics of a business and is one of the _variables_ that goes into the calculation of a company's intrinsic value. Howard Marks, the Chairman of Oaktree Capital Management, L.P. has put together a slideshow entitled *The Truth About Investing*, which was recently posted by the CFA Society. In it, he outlines the nuances of investing and also includes notable quotes from others (you can see them all here: http://www.marketfolly.com/2017/04/howard-marks-truth-about-investing.html#ixzz4eo583eCn).

Mr. Marks writes: "Superior results don't come from buying high quality assets, but from buying assets – regardless of quality – for less than they're worth. It's essential to understand the difference between buying good things and buying things well." This is similar to what Warren Buffet, the most successful value investor of our time has said on numerous occasions: "You don't make money by buying a good asset, a good building, or a good stock. You make money by buying things for less than they are worth." The problem with this concept is that a company's worth (also known as the company's intrinsic value) cannot be calculated precisely. It can only be estimated. This exercise becomes more complicated when the company is going through a rapid growth stage of its lifecycle where the exercise necessarily turns from estimating what the company is "reasonably" worth today, to what the company is *likely going to be worth* some time in the future. All estimations of intrinsic value (present value of all future cash flows that the business will produce) require making reasonable assumptions about the company's growth rates (near to midterm, as well as terminal growth rates, but also things like the cost of capital and capital intensity, which will vary), but the further out you go, the more imprecise your

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares as of September 30, 2016 (restated to reflect current fees) was 1.14% but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers) and Institutional Shares was 0.85%. 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.

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estimation will likely turn out to be. It is rather difficult to estimate the intrinsic value of companies that are growing very rapidly and appear to be able to sustain the rapid growth for a prolonged period of time.

I recently had a conversation with Ron Baron, the most successful "Baron" investor of our time, who explained that he made a lot of money for his clients over 40+ years by approaching investing from a different perspective. "It's all about the competitive advantage, and the people who have the ability to execute on it," Ron said. "Once in a while you get these really special people who come up with these incredible ideas and they never let go. I was buying Nike, Federal Express, Disney, McDonald's for my clients who were telling me I was nuts because of how expensive their stocks appeared to be at the time (this was a long time ago). The only regret I ever had buying these companies was not buying enough. You see, great businesses, with real competitive advantages, that are managed by talented people can rarely be purchased for less than they are "worth." If you keep waiting for your "margin of safety" the opportunity to purchase some of the best, most unique companies for your clients will often be missed." Missing "big ideas" and 100-baggers is par for the course for classical value investors like Warren Buffett and Howard Marks. Not so for investors like us. We specifically seek out "big ideas" that could be 100-baggers. That means that sometimes we are going to be early and the desired margin of safety may not be there or may not become apparent until many years later. That brings us to the two new investments we made during the first quarter.

We purchased a small position in **Snap, Inc.,** the parent company of Snapchat at its initial public offering at $17 per share. The debate on the Street seems to be whether Snap is more likely to be the next Facebook or the next Twitter. Facebook stumbled out of the block, in the midst of a transition from desktop to mobile, only to increase eight-fold over the next four and half years while becoming the dominant global social media platform. Twitter, on the other hand, debuted to much fanfare and excitement only to fizzle amid lackluster user growth and declining engagement, and that's with the commander-in-tweet using it as a platform of choice to communicate with the world. In this case, we think the Street is asking the wrong question. It is too late for anyone to be the next Facebook (or Amazon or Google for that matter). The unprecedented scale and associated network affects have created an insurmountable competitive advantage in our view. It has become increasingly difficult for any competitor to differentiate itself, and unlike the IBMs or Walmarts of the past, Facebook is the most nimble and agile giant we know. Having said that, we think that Snap is a clear beneficiary of the digital transformation that is undermining traditional media businesses. The old model of saturating TV viewers with impressions for them to act on later in stores is being disrupted. A simple swipe on their phone allows Snapchat users to buy a product straight off of the ad. Not only will the advertiser know exactly what the conversion rates are but also what is working and what is not, what the demographics are, and what the returns on each ad look like. The gap between a TV spot and a purchase decision is simply too long to be effective. What's more, the youngins are watching less and less TV (especially live TV) and are spending more and more of their time online – these are the trends that are clearly favorable for Snap. Penetration and engagement also matter a great deal. In the U.S., 70% to 80% of internet users are active users of YouTube and Facebook. Snapchat is #3, trailing by 10 points whereas Twitter is roughly at half that rate. Once you segment it further, the younger, 13 to18-year-old demographic, 91% watch YouTube, 61% use Facebook (and/or Instagram), and almost 70% use Snapchat. Twitter usage is below 40% there. Bottom line, while we think it is too late to be the next Facebook or Google, Snapchat's opportunity is large and the ongoing digital transformation is clearly in its favor.

We also purchased a small position in **Tesla, Inc.** at an average price of $249.80. Though Tesla is best known for its Model S and Model X (and soon to be Model 3) electrical vehicles we think of Tesla as an emerging, next generation platform for clean, autonomous, shared mobility. We admit to not having a ton of visibility of when or exactly how Tesla will get there, but we think its opportunity is enormous and Elon Musk is one of those generational leaders who will get it there. Bulls have often compared Tesla to Amazon in its earlier stages (which frankly made us cringe, given the difference in capital intensity, cash flow profiles, regulatory, and the inherent difficulties of the automotive manufacturing business) in terms of its ingenuity, speed of innovation, and willingness to invest massively for the long term. They argue that investors who entrusted their capital to Amazon's CEO Jeff Bezos, thought that Amazon could become the "Everything Store," selling not only books and electronics, but consumer packaged goods, and clothing, and even groceries – which are very large markets. But even the most optimistic investors could not have envisioned that Amazon will be the largest seller of bytes and bits (AWS). We think there is a reasonable likelihood that Elon Musk's Tesla could play out the same way.

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

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	$423.0	2.69%
Mobileye N.V.	13.6	1.40
Alibaba Group Holding Limited	269.1	1.39
Facebook, Inc.	410.5	1.29
Illumina, Inc.	24.9	0.99

Shares of **Amazon.com,** Inc. reversed last quarter's losses and appreciated 18% in the first quarter of 2017. Amazon continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com. We believe that Amazon Web Services, a suite of cloud computing services, will be a large incremental contributor to overall value creation. Amazon is continuing to invest heavily in several growth initiatives, including Amazon studios, Alexa, India, Amazon Web Services, and distribution and fulfilment center expansions. We see the company as the undisputed global leader in the two secularly growing, multi-trillion dollar markets of e-commerce and cloud computing, and it remains our highest conviction long-term investment idea.

Shares of **Mobileye N.V.,** maker of vision-based advanced driver assistance systems, jumped 61% after agreeing to be acquired by Intel for $63.54 in cash. We have long believed in the potential for Mobileye to become the "Intel Inside" of the future of autonomous and semi-autonomous vehicles. We think Mobileye's entrepreneurial management team has clear goals that can benefit society, and we look forward to following its progress. In the meantime, with the shares trading at just a few percentage points of the deal price, we have sold most of our investment.

Shares of **Alibaba Group Holding Limited,** the largest retailer and e-commerce company in China, rose 23% during the March quarter as a result of strong mobile and advertising growth. We expect mobile monetization to continue improving through 2017 while the company invests against new growth areas such as groceries, brand advertising, and cloud computing. We continue to believe that Alibaba represents a unique and compelling opportunity to invest in the long-term growth of e-commerce, mobile, and cloud-computing in China.

Shares of **Facebook, Inc.,** the world's largest social network and media company, appreciated 23%, driven by improvements in consumer engagement and monetization. Facebook continues to be the largest beneficiary of the ongoing consumer shift to mobile and utilizes its leadership position to provide targeted marketing capabilities to global advertisers. Facebook is in the early stages of monetizing online video and Instagram, which are both starting to contribute to incremental revenue growth, and is taking advantage of WhatsApp and Oculus as additional growth opportunities.

Shares of **Illumina, Inc.,** the leading provider of DNA sequencing instruments and consumables, rose 33% in the first quarter. In January, Illumina announced a new high throughput sequencing platform called the NovaSeq, which the company believes will create a meaningful replacement opportunity for the existing base and open new applications for DNA sequencing. We continue to believe Illumina has a long runway for growth driven by increasing adoption of DNA sequencing in clinical markets such as cancer screening, diagnosis, and treatment.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Under Armour, Inc.	$ 8.4	–0.28%
Synchrony Financial	27.8	–0.09
Concho Resources, Inc.	19.0	–0.04

Shares of athletic apparel company **Under Armour, Inc.** declined 26% during the period held on reported earnings and guidance that missed Street expectations. Increased promotional activity, improved competitor positioning, and a key distributor's bankruptcy lowered wholesale revenue. The company is attempting to diversify its wholesale distribution domestically while growing into other geographies and categories, which will likely cut into profitability over the next year, in our view. While we believe many of these issues are likely temporary and the long-term demand and opportunity are still there, we have decided to step to the sidelines.

Synchrony Financial is the largest issuer of private label credit cards in the United States. The company reported strong financial results with 12% growth in receivables, 13% growth in net interest income, and significant margin expansion. However, the stock declined 5% over the course of the quarter due to increasing concerns over consumer credit and weaker performance of bank stocks after a big run in the prior quarter. We added to our investment because we believe credit losses will be manageable and the company has a long runway for profitable growth and an attractive valuation.

Concho Resources, Inc. is an independent exploration and production (E&P) company focused on the Permian basin in West Texas and New Mexico. Shares fell 3% during the quarter, after the company delivered a 2017 capital budget higher than investors expected, coupled with falling oil prices. As one of the best run mid-cap E&P companies, we believe Concho is well positioned to exploit the deep economic inventory of drilling locations in the Delaware basin. We also think investors under-appreciate its multi-year growth potential and the value of its Southern Delaware and Midland acreage positions.

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."

During the quarter we initiated two new investments (Tesla and Snap) and closed out three others (Allergan, Alexion Pharmaceuticals, and Under Armour).

The top 10 positions represented 61.9% of the Fund, the top 20 were 86.8%, and we exited the quarter with 31 holdings.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$423.0	$23.7	15.6%
Alibaba Group Holding Limited	269.1	10.0	6.6
Alphabet Inc.	579.4	10.0	6.6
Facebook, Inc.	410.5	9.2	6.1
Equinix, Inc.	30.7	7.8	5.2
The Priceline Group, Inc.	87.5	7.7	5.1
Visa, Inc.	206.2	7.4	4.9
Mastercard Incorporated	121.2	7.3	4.8
Illumina, Inc.	24.9	5.3	3.5
Apple, Inc.	753.7	5.3	3.5

RECENT ACTIVITY

In addition to initiating two and eliminating three investments, we added to six existing holdings and reduced eight others.

Table V.
Top net purchases for the quarter ended March 31, 2017

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Tesla, Inc.	$45.4	$1.2
Ctrip.com International, Ltd.	24.5	1.0
Synchrony Financial	27.8	0.9
Expedia, Inc.	18.9	0.6
Snap, Inc.	26.4	0.6

Shares of China's largest online travel company **Ctrip.com International, Ltd.** declined 14% in the fourth quarter of 2016 as a result of concerns regarding the devaluation of the renminbi and the harsh rhetoric used during the political campaigning period by the incoming U.S President raising fears of a potential trade war with China. We believe the impact on Ctrip's business would be minimal at worst and, with China recently becoming the world's biggest outbound tourism spender, we think the potential reward is substantially higher. The company has a stated goal of doubling its bookings to one trillion renminbi (approximately $145 billion at today's exchange rate) by the end of 2020. We suspect it will happen sooner. Potentially, a lot sooner. We continue to build our position in Ctrip.

We added to our investment in **Synchrony Financial,** the largest provider of private label credit cards in the U.S. Synchrony partners with leading retailers such as Lowe's, Walmart, and Amazon to offer their customers credit products to finance the purchase of goods and services. These partnerships are win-win since merchants benefit from increased sales and stronger customer loyalty, customers enjoy access to credit and promotional offers, and Synchrony earns high margins and returns on capital. We believe that Synchrony will be a prime beneficiary of the secular growth of private label credit cards. Private label card spending is growing 2-3x faster than overall retail sales and has a long runway for growth given that private label represents only 3% of total card spending in the U.S. Synchrony is the largest player in a consolidated industry with meaningful barriers to entry including economies of scale, the importance of marketing expertise, close integration with merchants, and long-term contracts. Synchrony has a long track record of success under GE's prior ownership that we believe will continue for many more years.

We continued to ramp up our investment in **Expedia, Inc.,** which we initiated in the third quarter of last year. Expedia is the largest global online travel agency in the U.S., and the second largest in the world. The company generates over $60 billion of global bookings and revenues of $6.6 billion. Expedia operates in 75 different countries and has over 18,000 employees globally. Expedia operates over 20 global brands including Expedia, Trivago, Hotels.com, Travelocity, CheapTickets, Wotif, Hotwire, and Venere. The company also recently acquired Orbitz and HomeAway. We believe Expedia is a leading player in a large and secularly growing online travel market where the penetration rate is still relatively low (Priceline Group and Expedia, the two largest players, account for less than 10% of the $1.4 trillion global travel market). Expedia has grown its supply of properties by 73,000 in the last two years (it now has 180,000 compared to 800,000 for Priceline) and improved its user interface leading to better conversion rates. We further believe that Expedia's margins and overall profitability, which have been running at about half those of Priceline, are poised for significant improvement over the next few years.

Table VI.
Top net sales for the quarter ended March 31, 2017

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Mobileye N.V.	$ 13.6	$4.6
Allergan plc	73.7	2.4
Alexion Pharmaceuticals, Inc.	27.9	2.1
Under Armour, Inc.	8.4	1.2
Amazon.com, Inc.	423.0	0.8

Mobileye N.V. agreed to be acquired by Intel during the quarter and with the shares trading within a few percentage points of the cash offer and not expecting a higher competing bid, we sold most of our position.

We exited our investments in **Allergan plc** and **Alexion Pharmaceuticals, Inc.** after concluding that our initial investment thesis for both companies was incorrect.

Under Armour, Inc. has reported disappointing results and will likely be undergoing a transition period where the company will be trying to re-invent itself in an effort to return to continued high growth. We think there is a reasonable chance that they will be successful, but we lacked conviction and decided to step to the sidelines and redeploy capital into other ideas.

We modestly trimmed the size of our **Amazon.com, Inc.** position for purposes of risk management. Amazon continues to be our highest conviction long-term investment.

Outlook

2017 is off to a good start and we were able to recover all of the fourth quarter losses. After lackluster earnings growth last year, economists are predicting double-digit growth for S&P 500 earnings in 2017, driven by a reduction in corporate tax rates, improved backdrop for Financials, Energy, and Industrials companies. More relevant to our portfolio, digital ad spending and e-commerce are expected to grow in excess of 15% with spending on cloud computing growing more than 80%. This should favor many of the companies in which we are invested that have been growing even faster.

Every day we live and invest in a world full of uncertainty. Fed policy, China's economy, energy prices, politics, terrorism–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 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
April 20, 2017

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

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.

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.