Dear Baron Fifth Avenue Growth Fund Shareholder:

Performance

Baron Fifth Avenue Growth Fund (the "Fund") rose 8.6% (Institutional Shares) in the June quarter and has appreciated just over 25% year-to-date. This performance compares favorably to returns of 4.7% and 14.0%, respectively, for the Russell 1000 Growth Index and 3.1% and 9.3%, respectively, for the S&P 500 Index, the Fund's benchmarks.

ALEX UMANSKY
PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended June 30, 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]	8.49%	8.55%	4.67%	3.09%
Six Months[4]	24.90%	25.03%	13.99%	9.34%
One Year	28.74%	29.03%	20.42%	17.90%
Three Years	10.56%	10.83%	11.11%	9.61%
Five Years	15.20%	15.49%	15.30%	14.63%
Ten Years	7.32%	7.53%	8.91%	7.18%
Since Inception (April 30, 2004)	7.98%	8.15%	9.00 %	8.36%

We saw broad-based strength across the portfolio with 26 positions increasing in value out of the 31 investments that we started the quarter with. Meaningful positive contributions came from positions large and small with **Alibaba Group** (up 31%), **Tesla** (30%), **Regeneron Pharmaceuticals** (27%), **Intuitive Surgical** (22%), and **Expedia** (18%) highlighting the outperformers. As one would expect in a strong relative and absolute quarter like this, not a lot went wrong in the portfolio. Both **Synchrony Financial,** and **Snap,** missed their quarterly earnings expectations (first quarter out of the box for Snap), but fortunately both were small positions that did not inflict significant damage.

Similar to the first quarter, we made only minor changes to the portfolio, so it remains largely the same. We think it is fair to point out now that we frequently experience a reversion to mean after periods of significant relative out (or under) performance, and that managing for it or doing anything about it (like reducing investments that experienced strong appreciation or buying the weakness) is not part of our repertoire. Though we are always on the lookout for new ideas and are constantly looking for opportunities to upgrade the quality of the portfolio, we do not trade around our positions and take no action in response to what we perceive to be ordinary market volatility.

Since restructuring the Fund at the end of 2011, it has returned 133.4% on a cumulative basis, compared to 124.3% for the Russell 1000 Growth Index, and 116.7% for the S&P 500 Index. According to Morningstar, the Baron Fifth Avenue Growth Fund has outperformed 89% of its peers over this time frame.*

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.

* The **Morningstar US Fund Large Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the category. 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 June 30, 2017, the category consisted of 1,424, 1,152, and 803 funds (share classes) for the 1-, 5- and 10-year periods, and 1,095 funds (share classes) for the period from 12/31/2011 – 6/30/2017. Morningstar ranked **Baron Fifth Avenue Growth Fund Institutional** Share Class in the 4th, 18th, 53rd, and 11th percentiles, respectively, in the category.

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We think these are exciting times to be an investor. Especially an investor with the luxury of being able to invest for the long term, which we at Baron do! The conversion of the analog world to digital is continuing to expand and, from what we can see, it is picking up steam. Spending on digital media in the United States has exceeded all other media spend for the first time in 2016. Online advertising and e-commerce have become increasingly measurable and actionable and, in the convergence of the two with video technologies, some ads have become curated storefronts. Their rising penetration rates no longer surprise anybody. Voice is rapidly becoming the new computing interface with 20% of all mobile inquiries made via voice in 2016 increasing to 70% by May of 2017. Digital assistants (think Amazon's Alexa/Echo with 11 million installed base at the end of 2016) are rapidly improving with current voice recognition accuracy at 95%, similar to humans. Once it reaches 99%, it will likely be a game changer. The benefits of progress in artificial intelligence (AI), and robotics, and cloud computing have become hot topics in the investment community, but one area that we think is not getting enough attention that will have profound implications for investors and human beings alike, is the digitization of health care.

According to Mary Meeker, a partner at the Silicon Valley venture capital firm Kleiner Perkins Caufield & Byers, it took 50 years for medical knowledge to double in 1950, 7 years in 1980, and 3½ years in 2010. By changing inputs from analog to digital, we not only meaningfully accelerated data accumulation, we accelerated insight. Though we think it is still early, we believe the impact on therapeutics and health care delivery could be profound.

In early 2012, in the midst of a hostile takeover battle against the Swiss pharmaceutical giant Roche, Jay Flatley, the CEO of Illumina, pleaded with his investors not to be short sighted and to reject Roche's offer to acquire Illumina for $5.7 billion. Investors no doubt believed in the importance of DNA sequencing, but were worried that innovation and cost reductions may not happen quickly enough to justify turning down 30% to 40% premium certainty that was being offered by Roche (Illumina's market cap exceeds $25 billion, five years later). Lucky for us, Jay Flatley is a convincing orator. Illumina's relentless drive to facilitate faster, better, cheaper DNA sequencing (even Jay likely did not anticipate a cost reduction curve faster than Moore's Law), and the digitization of genomics led to the accumulation of genomic knowledge (think genomic insights!) that increased 19x according to Mary Meeker's report. *As a result, we can now measure outcomes and iterate much faster than before, which means that the innovation cycle times are compressing*. Progress in DNA sequencing allows doctors to select specific biomarkers for enrolling patients in clinical trials, which meaningfully improves the probability of success. Not surprisingly, the number of clinical trials in the U.S. has risen from 30k in 2006, to 230k in 2016, with the probability of final drug approvals increasing significantly at every stage when biomarkers are used. A headline from a recent *New York Times* article reads "In a medical milestone decades in the making, a gene-altering leukemia therapy got a unanimous vote of confidence from an F.D.A. panel". From the body of the article: "…A Food and Drug Administration panel opened a new era in medicine on Wednesday, unanimously recommending that the agency approve the first-ever treatment that genetically alters a patient's own cells to fight cancer, transforming them into what scientists call 'a living drug' that powerfully bolsters the immune system to shut down the disease… a single dose of the product has brought long remissions, and possibly cures, to scores of patients in studies who were facing death because every other treatment had failed. The panel recommended approving the treatment for B-cell acute lymphoblastic leukemia that has resisted treatment, or relapsed, in children and young adults aged 3 to 25."

These are exciting times, indeed.

Table II.
Top contributors to performance for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Percent Impact
Alibaba Group Holding Limited	$360.9	1.87%
Amazon.com, Inc.	462.7	1.46
Alphabet Inc.	635.3	0.69
Intuitive Surgical, Inc.	34.5	0.50
Expedia, Inc.	22.5	0.42

Shares of **Alibaba Group Holding Limited**, the largest retailer and e-commerce company in China, rose 31% after the company raised its growth outlook when it reported first quarter earnings and again at a later analyst day. Alibaba owns and operates the two largest Chinese online shopping platforms and has a majority share in the profits of Ant Financial, the owner and operator of China's largest third-party online payment provider Alipay. The company benefits from strong mobile and advertising growth (700 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, while the company will maintain a high re-investment rate in new growth areas such as groceries, logistics, and cloud computing. We are optimistic about Alibaba's long-term prospects and this remains a high conviction investment idea, second only to Amazon.

Shares of **Amazon.com, Inc.**, the world's largest e-commerce and cloud services provider, increased 9% in the second quarter. Amazon reported strong quarterly results, and enjoys the benefits of network effect with increasing participation from Prime members driving further activity on Amazon.com. Amazon's ability to continuously improve Prime's customer value proposition is driving higher Prime membership and Amazon's market share gains over time. The pending $13.7 billion acquisition of Whole Foods was surprisingly well received by investors. Though we are not fans of the grocery business per se, the low online penetration rates in the sector, and Whole Foods' market-leading brand and geographic reach makes it a reasonable gamble. Amazon continues to invest in new and potentially large business segments such as grocery, auto parts, content streaming, e-finance, business supplies, apparel, and cloud. We continue to believe Amazon has the opportunity to become the most valuable company in the world.

Alphabet Inc., the parent company of Google, is the world's largest search and online advertising company with, in our opinion, the greatest collection of human intellectual capital anywhere in the world. Shares of Alphabet climbed 10% in the second quarter after the company released better-than-expected quarterly earnings results. We believe that even as desktop search becomes a more mature business for the company, Google continues to benefit from growth in mobile and online video advertising. We believe the company's unrivaled capabilities in artificial intelligence, life sciences, voice recognition, and autonomous mobility (among other things) create significant positive optionality for investors. Alphabet remains a core investment in the Fund.

Intuitive Surgical, Inc., designs and sells the minimally invasive da Vinci robotic surgical systems. Shares of Intuitive "surged" 22% after reporting very strong financial results, highlighted by accelerating procedure growth of 18%, driven by good momentum in general surgery procedures, and better-than-expected revenue and earnings. Intuitive continues to re-invest in the business and has a strong and exciting product pipeline. We continue to believe the company has a long runway for growth.

Shares of **Expedia, Inc.**, the world's second largest global travel agency, rose 18% in the second quarter. Expedia guided for a re-acceleration in its core business after having resolved the issues with integration of Orbitz last year. The inclusion of vacation rental platform HomeAway will also accelerate Expedia's room booking growth, a key metric for investors. The successful IPO of Trivago, in which Expedia owns a majority stake, also spurred investor confidence. We believe the value of Expedia's vacation rental business is underestimated by investors, which we think will become more apparent over the next 12 to 18 months.

Table III.
Top detractors from performance for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Percent Impact
Synchrony Financial	$24.2	–0.24%
Snap, Inc.	21.0	–0.10
Concho Resources, Inc.	18.0	–0.07
Wix.com Ltd.	3.1	–0.03
ASML Holding N.V.	57.2	–0.02

Shares of **Synchrony Financial,** the largest issuer of private label credit cards in the U.S., fell 12% in the second quarter. Higher credit losses led to weak quarterly earnings and increased charge-off guidance for the full year. The disappointing results have challenged our conviction somewhat and we trimmed the size of the investment a bit. At this point, we believe credit losses will stabilize, but we are monitoring the situation closely. With valuation undemanding, we think there is a reasonable likelihood of solid, profitable growth, supported by Synchrony's highly experienced management team and long track record of success under General Electric's prior ownership.

Snap, Inc. is the parent company of Snapchat, the second largest social network after Facebook. Shares declined 21% after the company missed investor's expectations in its very first quarterly earnings report as a public company. Though unfortunate, we don't think it really means anything. We expect the company to be able to grow its user base of 166 million daily active users. Snapchat users open the application 18 times per day on average and spend approximately 30 minutes a day actively engaged with the app. We think Snap is a clear beneficiary of the digital transformation that is undermining traditional media business models, as Snap can deliver better targeting and better analytics that ultimately lead to higher conversion rates and better ROIs for advertisers.

Concho Resources, Inc. is an independent exploration and production company focused on the Permian Basin in West Texas and New Mexico. Its shares fell 5% this quarter likely due to lower oil prices. We retain conviction in the only conventional energy investment in the portfolio. We believe Concho continues to be one of the best run mid-cap E&P companies and is well positioned, relative to its peers, to exploit the deep economic inventory of drilling locations in the Delaware Basin in the two states. We also think that investors underappreciate Concho's multi-year growth potential and the value of its Delaware acreage position.

ASML Holding N.V. is a semiconductor manufacturing company with a unique, monopoly-like position in its industry. ASML's equipment prints the tiniest circuits for memory and processing chips and is used by almost every manufacturer in the world. Shares declined 1% in the quarter, underperforming due to what we believe was normal profit taking after a rally. Over the next few years, ASML will roll out the next generation of extreme ultraviolet (EUV) equipment that can print circuits smaller than those produced by any other company. We believe its equipment will be indispensable to the industry and earnings will grow meaningfully over time.

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."

Information Technology, Consumer Discretionary, Financials, and Health Care comprise 88% of the portfolio. The remaining 12% is comprised of singular investments that happen to fall into some other classifications (like a 5% investment in Equinix is now classified under Real Estate) as well as cash. Over 100% of outperformance during the quarter came from stock selection with sector allocation effect detracting modestly from overall results.

Table IV.
Top 10 holdings as of June 30, 2017

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$462.7	$25.6	14.7%
Alibaba Group Holding Limited	360.9	13.1	7.5
Alphabet Inc.	635.3	10.9	6.3
Facebook, Inc.	437.6	9.8	5.6
Equinix, Inc.	33.4	8.4	4.8
The Priceline Group, Inc.	91.9	8.1	4.7
Mastercard Incorporated	130.2	7.9	4.6
Visa, Inc.	216.2	7.8	4.5
Apple, Inc.	750.9	5.3	3.0
Illumina, Inc.	25.3	5.2	3.0

Recent Activity

During the quarter, we initiated two new investments, **Wix.com** and **Veeva Systems**. We added to six positions, trimmed three others and exited the quarter with 33 holdings.

The top 10 positions represented 58.7% of the Fund, and the top 20 were 83.2%.

Table V.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Wix.com Ltd.	$ 3.1	$1.8
Veeva Systems Inc.	8.6	1.8
The Charles Schwab Corp.	57.4	1.0
Biogen, Inc.	57.6	0.3
Regeneron Pharmaceuticals, Inc.	52.2	0.3

After deliberating for over a year and watching the stock double, we finally initiated a position in **Wix.com Ltd.** Wix provides an operating system to help micro businesses build and maintain websites and operate their businesses more efficiently. Wix has over 100 million registered users, 2.5 million premium users, and is the leader in the industry. Wix's growth is driven by extending its horizontal and vertical features, becoming a more comprehensive solution for targeted verticals like Hotels and Restaurants. The source of Wix's competitive advantage is its technological capabilities, scale, and marketing reach resulting in faster iterations and allowing the company to repeatedly be first-to-market with new features. The outcome has been strong cohort economics, creating a predictable and a profitable business model: acquire a cohort once, get paid subscribers continuously thereafter. We believe Wix could become a valuable platform company if it continues to innovate and convert an increasing number of businesses to premium subscribers.

We also initiated a position in **Veeva Systems Inc.** during the second quarter. Veeva is the market leader in cloud-based Customer Retention Management (CRM) solutions for the *life sciences* market. With > 60% share in its market, Veeva is leveraging its deep vertical knowledge and existing customer base to expand its addressable market by offering new products that are customized to the specific needs of the life sciences market in areas such as content and data management, collaboration, and marketing. Today, the company is starting to address significantly larger market opportunities than it could with its original CRM product. Though currently close to 100% of Veeva's customer base is within the life sciences market, the company is looking to deploy its quality management products to other highly regulated markets such as automotive, chemicals, and consumer goods that tend to have highly intensive manufacturing processes with potentially larger market opportunities than the life sciences market. We believe that the existing customer base will continue to generate growth through cross selling, demonstrated by the growing average number of products per customers as customers are looking to benefit from the efficiencies encapsulated within the integration of Veeva's 20+ different products. Beyond its large market opportunity and its leadership position, Veeva offers an attractive combination of growth and profitability. In the past three years, the company presented > 37% revenue compounded annual growth rate while it expanded its adjusted margins by more than 700 basis points. With ~80% of revenue derived from recurring subscription and Veeva's vertical focus, allowing for more efficient sales and R&D investments, we expect the company to continue to generate significant cash flow.

Biogen, Inc. is a biotechnology company with a leading market share in the multiple sclerosis market, a new growth driver in Spinraza, its drug that treats a rare pediatric disorder called spinal muscular atrophy, and a pipeline focused on neurologic disorders like Alzheimer's disease. Biogen has marginally outperformed this quarter as the business balances the growth of Spinraza with the slowing in its multiple sclerosis business line. Long term, we retain conviction as its base business generates $3 billion to $4 billion in free cash flow, trades at an inexpensive multiple, and has arguably the highest potential upside of any large-cap biotech stock given its lead in Alzheimer's drug development.

Regeneron Pharmaceuticals, Inc. is a leader in the development of novel antibody therapeutics. Led by its ophthalmology franchise (Eylea), Regeneron has expanded into cardiovascular and inflammatory diseases. Most recently we have seen substantial share appreciation given the launch of Dupixient for atopic dermatitis (eczema), which is quickly realizing commercial success even faster than bullish consensus estimates. Long term, we maintain conviction in Regeneron for a couple of reasons. First, both competition to Eylea and reform to Medicare Part B drug reimbursement (of which Eylea is a direct beneficiary) appear less draconian than initially feared. Second, we expect Dupixient growth to continue as the label expands to include pediatric atopic dermatitis and asthma, which can drive multilevel blockbuster revenue.

Table VI.
Top net sales for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Sold (millions)
Amazon.com, Inc.	$462.7	$0.3
Synchrony Financial	24.2	0.3
Illumina, Inc.	25.3	0.3

We slightly trimmed **Amazon** and **Illumina** as we needed the funds to buy *Wix* and *Veeva*. Both are high conviction long-term investments in the Fund that remain in the top 10 holdings. We decided to eliminate **Synchrony Financial** after the company disappointed for the second consecutive time, imperiling our thesis. But then we changed our mind after concluding that exercising patience was likely the most prudent course of action. At 9x earnings, with low investor expectations, the stock appears to be de-risked. Down to a 1% position, we are comfortable sticking with it for the time being.

Outlook

At the halfway point of 2017, every market we look at is in the green (except for Russia – oil dependent economy, and China A-Shares in Shenzhen, which have their own issues). With the Fund up a smidge over 25% year-to-date, this has undeniably been a favorable environment for the way in which we invest. 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. Though helpful if it were to happen, we are not counting on any of this. More relevant to our portfolio, digital ad spending and e-commerce growth are actually accelerating, with spending on cloud computing still growing more than 80%. The digitization phenomenon that we believe will continue for years to come is starting to reach inflection points in many new areas (not only media and retail, but medicine, transportation, and consumer banking are in a midst of full blown disruptions now). We believe this should favor many of the companies in which we are invested.

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

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.

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