

**DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:
PERFORMANCE**

Baron Focused Growth Fund (the "Fund") declined 0.44% (Institutional Shares) in the third quarter. The Russell 2500 Growth Index (the "Index"), the benchmark against which we compare the performance of the Fund, declined 3.18% and the S&P 500 Index rose by 1.70%. The Fund's outperformance in the period versus its benchmark index was driven by gains in three of the Fund's top five positions. These three stocks were responsible for 200 basis points ("bps") of gains in the quarter. These investments were **CoStar Group, Inc., Tesla, Inc.,** and **Vail Resorts, Inc.** CoStar shares increased 7.1% due to continued strong growth in bookings and its investment in apartments.com, which should accelerate growth over time. Tesla shares rose 7.8% due to stronger demand from Europe and China for its Model 3 cars as well as the soon-to-open new manufacturing facility in China. The factory should improve Tesla's Model 3 production rates and lower its delivery costs. Vail's stock price increased 2.0% on stronger-than-expected season pass sales during the summer of 2019. Vail's strong pass sales could increase further since its recent acquisition of Peak Resorts, the owner of Mount Snow and Hunter Mountain. With millions of Northeast skiers, these mountain resorts should provide Vail with additional demand for its Epic season passes.



DAVID BARON
CO-PORTFOLIO
MANAGER

RONALD BARON
CEO AND LEAD
PORTFOLIO MANAGER

Retail Shares: BFGFX
Institutional Shares: BFGIX
R6 Shares: BFGUX

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

	Baron Focused Growth Fund Retail Shares ^{1,2,3}	Baron Focused Growth Fund Institutional Shares ^{1,2,3,4}	Russell 2500 Growth Index ²	S&P 500 Index ²
Three Months ⁵	(0.45)%	(0.44)%	(3.18)%	1.70%
Nine Months ⁵	12.71%	12.88%	19.97%	20.55%
One Year	0.00%	0.22%	(4.11)%	4.25%
Three Years	13.64%	13.91%	12.33%	13.39%
Five Years	8.70%	8.97%	10.22%	10.84%
Ten Years	10.71%	10.99%	13.48%	13.24%
Fifteen Years	9.80%	9.98%	10.14%	9.01%
Since Inception (May 31, 1996)	10.82%	10.94%	7.90%	8.64%

We classify the holdings of the Fund as one of three types: rapid, early stage growth businesses that are disruptive to their industries; companies with real, irreplaceable assets that offer pricing power and a hedge against inflation; and finally, foundational, long-term, core growth holdings that continue to steadily grow sales and earnings while using excess free cash to return value to shareholders. Please see Table II. In the quarter, our **Disruptive Growth** companies outperformed as these companies benefited from their prior investments and experienced accelerated growth in earnings and cash flow. Along with Tesla and CoStar, **Guidewire Software, Inc.**, a provider of software for the property and casualty insurance industry, increased 3.9% in the quarter. It launched a series of new applications for its insurer customers. Our **Core Growth** and **Real/Irreplaceable Assets** investments experienced weaker stock performance as two of the Fund's top five investments declined and penalized quarterly performance by 169 bps. **FactSet Research Systems, Inc.**, a provider of financial intelligence to the investment community, declined 15.0% in the quarter as it began a

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2018 was 1.39%, but the net annual expense ratio was 1.35% (net of the Adviser's fee waivers) and Institutional Shares was 1.09%. The performance data quoted represents past performance. *Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.*

¹ Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

² The indexes are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The Russell 2500SM Growth Index measures are classified as growth and the S&P 500 Index of 500 widely the performance of small to medium-sized U.S. companies that 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.

³ The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

⁴ 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.

⁵ Not annualized.



Baron Focused Growth Fund

two-year investment cycle in new products and services that should accelerate revenue growth once completed. We believe these investments will generate approximately 50% returns on capital. **Hyatt Hotels Corp.**, an 11% position in the Fund, declined 3.0% in the quarter despite continuing to sell assets at accretive prices and using the proceeds to buy its stock. We believe investors have been concerned with the cyclical nature of Hyatt's business. The company is currently transforming into an increasingly "asset-light," less capital-intensive business. It is selling hotels, retaining management agreements, and repurchasing its stock. We think both Hyatt and Vail are significantly undervalued, and believe the stocks should rebound strongly. We have not changed position sizing of these investments in the Fund.

Table II.
Total returns by category for the quarter ended September 30, 2019

	% of Net Assets (as of 9/30/2019)	Total Return (%)	Contribution to Return (%)
Disruptive Growth	42.9	2.47	0.99
Tesla, Inc.	9.6	7.79	0.68
CoStar Group, Inc.	17.3	7.05	1.10
Guidewire Software, Inc.	4.7	3.95	0.15
Space Exploration Technologies Corp.	5.1	-5.63	-0.31
Iridium Communications Inc.	3.8	-8.51	-0.31
Benefitfocus, Inc.	2.4	-12.30	-0.32
Cash	-0.1	0.08	0.00
Fees	-	-0.29	-0.28
Real/Irreplaceable Assets	37.7	-1.25	-0.55
American Homes 4 Rent	2.6	6.72	0.17
Vail Resorts, Inc.	13.5	1.96	0.22
Hyatt Hotels Corp.	11.0	-2.98	-0.33
Penn National Gaming, Inc.	4.1	-3.51	-0.09
Red Rock Resorts, Inc.	2.5	-5.04	-0.13
Manchester United plc	4.0	-9.13	-0.39
Core Growth	19.5	-3.12	-0.57
Arch Capital Group Ltd.	5.6	13.21	0.63
Choice Hotels International, Inc.	5.9	2.49	0.17
FactSet Research Systems, Inc.	8.0	-14.99	-1.36
Russell 2500 Growth Index		-3.18	
Total	100.0	-0.41*	-0.41*

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

* Represents the blended return of all share classes of the Fund.

Table III.
Performance
Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/1998 to 3/9/2000	12/31/2013 to 12/31/2016
Baron Focused Growth Fund (Institutional Shares)	41.77%	0.45%
Russell 2500 Growth Index	126.53%	5.45%
S&P 500 Index	32.29%	8.87%

From 2014 through 2016, the Fund invested in several businesses whose stocks underperformed when they were investing in themselves to grow. CoStar Group, Inc. and Guidewire Software, Inc. are examples. These companies' stocks outperformed in 2018 and year-to-date in 2019 as investments they made during the past five years began to generate returns. While the Fund's 5- and 10-year performance lag the Index, most of this was due to investments made from 2014 through 2016.

We believe the Fund's underperformance from 2014 through 2016 is analogous to instances when after brief periods of underperformance, the Fund subsequently outperformed for an extended period. For example, in the 18-month period from October 1998 through March 2000, at the height of the Internet Bubble, the Fund, which owned no internet stocks, increased 41.77% annualized while the benchmark increased 126.53% annualized. This was immediately prior to the Internet Bubble bursting and the Index falling materially over the next eight years while the Fund increased in value. Please see Tables III and IV.

Similar to the Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund to perform well over the next several years. This is despite our expectation that there will be periods when value stocks outperform the growth stocks in which we have invested. However, we can certainly make no guarantee this will be the case.

Since its inception on May 31, 1996, the Fund's 10.94% annualized performance has exceeded that of its benchmark by an average of over 300 bps per year. This means that a hypothetical \$10,000 investment in Baron Focused Growth Fund over 23 years ago would now be worth approximately \$113,000! If an investor had instead hypothetically invested \$10,000 in the Russell 2500 Growth Index, it would be worth approximately \$59,000. Please see Tables I and IV.

Baron Focused Growth Fund's beta has averaged 0.77 since inception. This means the Fund has been 77% as volatile as the benchmark. As a result of the Fund's strong absolute and relative returns and lower risk, the Fund has achieved 4.92% annual "alpha," a measure of risk-adjusted performance, since inception.

Table IV.
Performance
Millennium to Present. The Impact of Not Losing Money.

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Millennium Internet Bubble to Present 12/31/1999 to 9/30/2019		Inception 5/31/1996 to 9/30/2019	
	Value \$10,000	Cumulative	Value \$10,000	Cumulative	Value \$10,000	Cumulative
Baron Focused Growth Fund (Institutional Shares)	\$12,732	27.32%	\$46,681	366.81%	\$112,644	1,026.44%
Russell 2500 Growth Index	\$ 6,931	(30.69)%	\$32,950	229.50%	\$ 58,908	489.08%
S&P 500 Index	\$ 7,188	(28.12)%	\$29,725	197.25%	\$ 69,168	591.68%

Baron Focused Growth Fund didn't make much money from the peak of the Internet Bubble on December 31, 1999 through the trough of the Financial Crisis on December 31, 2008. But...we did make something...which gave you a much better outcome than if you had invested in a passive index fund mirroring either the Russell 2500 Growth Index, our benchmark, or the S&P 500 Index. Both indexes lost money during that period.

Due to the "magic" of compounding and of not losing money during the Millennium Internet Bubble to Financial Panic period, \$10,000 hypothetically invested in Baron Focused Growth Fund on December 31, 1999 is worth 4.7 times that amount or \$46,681 on September 30, 2019. That is 41.7% more than an investment in the Russell 2500 Growth Index.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2014	\$ 6.2	\$21.7	7.05%	1.10%
Tesla, Inc.	2014	31.2	43.1	7.79	0.68
Arch Capital Group Ltd.	2003	0.9	17.0	13.21	0.63
Vail Resorts, Inc.	2013	2.3	9.2	1.96	0.22
Choice Hotels International, Inc.	2010	1.9	5.0	2.49	0.17

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, contributed to performance. Business trends are excellent, with the company's bookings improving by approximately 31% year-over-year in its most recently reported quarter to a record \$59 million. We see a path for quarterly bookings to improve toward \$70 million, driving revenue acceleration toward 20%. The company now has over \$1.3 billion of cash on its balance sheet, which we expect it to use for opportunistic acquisitions, which should expand CoStar's addressable market.

Shares of **Tesla, Inc.**, which designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions, contributed to performance. Tesla's stock has stabilized as investors gain conviction around Model 3 demand trends and the expanding Model 3 margins profile. Demand for Tesla's Model S and Model X is increasing and construction of the company's factory in China is ahead of schedule. We believe Tesla's soon to be introduced Model Y crossover will positively impact the company's gross margin. We continue to expect significant value creation for Tesla's stakeholders.

Arch Capital Group Ltd. is a specialty insurance and reinsurance company based in Bermuda. Shares appreciated due to improving market conditions for commercial insurance and continued strength in mortgage insurance. Management is taking advantage of higher rates by selectively writing more business. The company reported solid earnings and its book value per share increased 19%.

Shares of **Vail Resorts, Inc.**, a global owner and operator of ski resorts, increased in the quarter on strong growth in pass sales for the upcoming ski season. The recent closing of the Peak Resorts acquisition, which provides access to 17 additional ski resorts across the U.S., should drive more season pass sales. Growth in season pass sales helps lock in revenue earlier in the year, giving strong visibility to earnings and cash flow. The company used its cash to bring down debt from recent deals and pay a 3% dividend.

Shares of **Choice Hotels International, Inc.**, a hotel franchisor in the economy and mid-scale segment, rose in the quarter. The company reported strong unit growth of its new Cambria brand and said it was in the process of completing its Comfort brand renovations. That should add to unit growth and revenue per available room in 2020. Management also accelerated its buybacks and received board authorization for additional share repurchases due to strong cash flow generation. Choice's balance sheet remains strong, and we think Choice will soon experience an acceleration in growth.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
FactSet Research Systems, Inc.	2008	\$2.5	\$9.3	-14.99%	-1.36%
Manchester United plc	2012	2.3	2.7	-9.13	-0.39
Hyatt Hotels Corp.	2009	4.2	7.7	-2.98	-0.33
Benefitfocus, Inc.	2014	0.7	0.8	-12.30	-0.32
Iridium Communications Inc.	2014	0.6	2.8	-8.51	-0.31

Shares of **FactSet Research Systems, Inc.**, a leading provider of investment management tools, detracted during the quarter after the company reported weak guidance for fiscal year 2020 and announced a new three-year investment plan to accelerate revenue growth. This negatively impacted its stock price in the near term due to the perception that margins will not

Baron Focused Growth Fund

increase for two years. We retain conviction in FactSet due to its large addressable market, consistent execution on both new product development and financial results, and robust free cash flow.

Manchester United plc is the best-known team in the English Premier League. It generates revenue from broadcasting, sponsorship, and licensing. Shares declined in the quarter likely driven by weak on-pitch performance and the absence of Champions League revenue next year. We believe Manchester United is a unique media company with broad global appeal and its shares should benefit as the company continues its robust commercial partnership strategy. Manchester United's upcoming shirt licensing renewal contract as well as its investments in player recruiting and training have the potential to enhance results.

Shares of global hotelier **Hyatt Hotels Corp.** detracted in the quarter on investor concerns over the potential impact of the company's owned assets on earnings in the event that markets decline. Hyatt continues to execute on its strategy to become "asset-light" by selling assets at accretive prices. The company's strong balance sheet positions it well should an economic slowdown occur. Hyatt continues to buy back stock with sales proceeds.

Shares of benefits enrollment platform **Benefitfocus, Inc.** detracted from performance due to revenue growth that missed expectations. We believe this is a short-term issue. The company pivoted to signing larger, more complex employee and carrier customers during the 2019 selling season. While this is accretive to growth in the long term, larger customers take longer to implement, thereby delaying revenue recognition by several quarters.

Iridium Communications Inc. is the second largest provider by revenue of mobile voice and data communications services via satellite, and the only commercial provider of communications services offering true global coverage. The stock fell after its renewal with the Department of Defense took longer than the company expected. In addition, management reduced its Certus guidance, the device they sell for use on maritime ships and now expect it to ramp up to 15% of the business over the next two years from just 5% today. Iridium's satellite architecture is unique. We believe the company will benefit from growing market share in existing and new markets and leveraging its new NEXT constellation.

INVESTMENT STRATEGY & PORTFOLIO STRUCTURE

The strategy of Baron Focused Growth Fund is to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of less than 20 securities diversified by GICS sectors that will be approximately 80% as volatile (beta) as the market. The Fund historically generates 90% of the upside when the market rises but just 77% of the downside when the market declines. Businesses in which the Fund invests are identified by our Firm's proprietary research and time-tested investment approach.

As of September 30, 2019, the Fund held 15 investments. The Fund's average portfolio turnover for the past three years was 7.8%. This means the Fund has an average holding period for its investments of almost 13 years. This contrasts sharply with the average mid-cap growth mutual fund which typically turns over its portfolio every 21 months. From a quality standpoint, the Fund's investments have higher earnings growth than the average

holdings in the benchmark, stronger returns on invested capital, are more conservatively financed (evidenced by lower debt-to-market capitalization ratio) and offer lower beta. We believe these metrics are important to help limit risk for this concentrated portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than those of the Russell 2500 Growth Index. For example, the Fund is heavily weighted in Consumer Discretionary businesses with 46.6% of the portfolio in this sector versus just 13.7% for the Index and has no Health Care exposure versus 22.3% for the Index. The Fund is further diversified by investments in businesses at different stages of growth and development as discussed above and shown below.

Table VII.
Disruptive Growth Companies
as of September 30, 2019

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	17.3%	2014	177.2%
Tesla, Inc.	9.6	2014	-3.8
Space Exploration Technologies Corp.	5.2	2017	56.6
Guidewire Software, Inc.	4.7	2013	128.0
Iridium Communications Inc.	3.8	2014	212.5
Benefitfocus, Inc.	2.4	2014	-12.7

Rapidly growing firms account for 42.9% of the Fund's net assets. On current metrics, these businesses look expensive; however, we think they will continue to grow and have the potential to generate exceptional returns over time. Examples of these companies include electric vehicle leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, commercial real estate data supplier **CoStar Group, Inc.**, and systems software provider to the insurance industry **Guidewire Software, Inc.**

Table VIII.
Investments with Real/Irreplaceable Assets
as of September 30, 2019

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Vail Resorts, Inc.	13.5%	2013	312.7%
Hyatt Hotels Corp.	11.0	2009	167.2
Penn National Gaming, Inc.	4.1	2019	-11.3
Manchester United plc	4.0	2012	24.5
American Homes 4 Rent	2.6	2018	25.6
Red Rock Resorts, Inc.	2.5	2017	-5.1

Companies that own what we believe are irreplaceable assets represented 37.7% of net assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corp.**, and storied English Premier League sports franchise **Manchester United plc** are all examples of companies we believe possess meaningful brand equity and barriers to entry that equate to pricing power over time.

Table IX.
Core Growth Investments: Growth, Dividends, and Share Repurchases as of September 30, 2019

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
FactSet Research Systems, Inc.	8.0%	2008	438.6%
Choice Hotels International, Inc.	5.9	2010	329.8
Arch Capital Group Ltd.	5.6	2003	1,052.9

Steady growers that continually return excess free cash to shareholders represent 19.5% of net assets. For example, **Choice Hotels International, Inc.** employs a capital-light franchise model for its economy and upscale hotel brands, and this model allows the company to return cash to shareholders through buybacks and dividends while still achieving strong revenue and earnings growth no matter the stage of the lodging cycle. As one of the leading financial intelligence systems for the asset management industry, **FactSet Research Systems, Inc.** continues to grow into new areas via fixed income, risk management, and most recently wealth management. This should enable the company to grow while generating a steady stream of recurring cash flow that it uses for acquisitions and share buybacks.

PORTFOLIO HOLDINGS

For the quarter ended September 30, 2019, the Fund's top 10 holdings represented 84.7% of total investments. A number of these investments have been successful and were purchased when they were smaller businesses. We believe they continue to offer significant further appreciation potential although we cannot guarantee that will be the case.

The top five positions in the portfolio, **CoStar Group, Inc., Vail Resorts, Inc., Hyatt Hotels Corp., Tesla, Inc.,** and **FactSet Research Systems, Inc.** all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior know-how or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth and returns over time.

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

Risks: The Adviser believes that there is more potential for capital appreciation in small and medium-sized companies and using non-diversification, but there also may be more risk. Specific risks associated with non-diversification include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. Securities of small and medium-sized companies may be thinly traded and they may be more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future 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.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Focused Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition.

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

Upside Capture explains how well a fund performs in time periods where the benchmark's returns are greater than zero.

Downside Capture measures how well a fund performs in time periods where the benchmark's returns are less than zero.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
CoStar Group, Inc.	2014	\$ 6.2	\$21.7	\$39.2	17.3%
Vail Resorts, Inc.	2013	2.3	9.2	30.5	13.4
Hyatt Hotels Corp.	2009	4.2	7.7	25.0	11.0
Tesla, Inc.	2014	31.2	43.1	21.7	9.6
FactSet Research Systems, Inc.	2008	2.5	9.3	18.2	8.0
Choice Hotels International, Inc.	2010	1.9	5.0	13.3	5.9
Arch Capital Group Ltd. Space Exploration Technologies Corp.	2003	0.9	17.0	12.6	5.5
Guidewire Software, Inc.	2017	–	–	11.7	5.2
Penn National Gaming, Inc.	2013	2.7	8.7	10.7	4.7
	2019	2.5	2.2	9.3	4.1

Thank you for investing in Baron Focused Growth Fund. We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also continue to try to provide you with information we would like to have if our roles were reversed. This is so you can make an informed judgment about whether Baron Focused Growth Fund remains an appropriate investment for your family.

Respectfully,



Ronald Baron
CEO and Lead Portfolio Manager



David Baron
Co-Portfolio Manager