DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Focused Growth Fund (the "Fund") fell 11.21% (Institutional Shares) in the December quarter. The Russell 2500 Growth Index, the benchmark against which we compare the performance of the Fund, fell 20.08% and the S&P 500 Index declined by 13.52% during the quarter. The S&P 500 Index measures the performance of large-cap companies. For the year ended December 31, 2018, the Fund increased 4.07%. The Russell 2500 Growth Index declined 7.47% and the S&P 500 Index declined 4.38%.

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 December 31, 2018

	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]	(11.28)%	(11.21)%	(20.08)%	(13.52)%
One Year	3.75%	4.07%	(7.47)%	(4.38)%
Three Years	9.69%	9.98%	8.11%	9.26%
Five Years	5.68%	5.95%	6.19%	8.49%
Ten Years	12.24%	12.50%	14.76%	13.12%
Fifteen Years	10.43%	10.61%	8.79%	7.77%
Since Inception (May 31, 1996)	10.61%	10.72%	7.30%	8.04%

During the quarter, 11 of the 15 stocks outperformed the Fund's benchmark index, representing 76.7% of average assets. Two of those investments, **Tesla, Inc.** and **Benefitfocus, Inc.**, represented almost 18% of the Fund's average assets. Both experienced share price gains–Tesla rose 25.7% and Benefitfocus rose 13.0%–because management's previous investments in their businesses gained traction. Tesla ramped its Model 3 production at its Fremont factory and batteries at its Gigafactory. Tesla's increased deliveries in the quarter enabled improved gross margins and resulted in a very profitable quarter. Benefitfocus added new products to its cloud and increased the number of employers using its system.

However, declines in **Vail Resorts, Inc.**, **CoStar Group, Inc.**, **Hyatt Hotels Corp.**, and **Red Rock Resorts, Inc.** offset these gains. All four businesses have a significant portion of their value attributed to real estate holdings. Higher interest rates caused investors to value income produced from real estate less and resulted in multiple contraction despite earnings remaining strong. Regardless, the replacement costs of their assets, which we regard as inflation hedges, have continued to increase. This enhances the long-term competitive advantages of those businesses. Vail and Red Rock each declined by over 20% in the quarter, while Hyatt and CoStar declined by 15% and 20%, respectively. We believe the business prospects for all remain favorable.

The share price of Vail, the Fund's second largest holding, declined 22.2% in the quarter. The company's season pass sales for the upcoming season were increased 13% from year ago levels but slightly below company "guidance."

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2017 was 1.40% and 1.12%, but the net annual expense ratio was 1.35% and 1.10% (net of the Adviser's fee waivers), respectively. *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) for 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 Russell 2500™ 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.

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However, strong season pass sales with close to 50% of its lift ticket revenue coming from pass sales should result in more stable earnings. In addition, the company has recently purchased four ski resorts in the Northeast, Colorado, and Pacific Northwest that should further increase pass sales.

CoStar's share price declined by almost 20% in the quarter despite the company continuing to increase bookings at an accelerated rate and increasing its market share. We believe the company remains on track with its strategic goals and should continue to generate strong bookings through the introduction of its new products.

Red Rock's share price fell 23.5% in the period as investors worried about a possible recession in the Las Vegas Locals market as well as the market sell down of leveraged companies. Red Rock should complete its renovation of the Palms and Palace casinos by the end of third quarter of 2019 and should be able to quickly pay down debt. 85% of Red Rock's revenue is derived from local residents' predictable slot machine gaming in a strong Las Vegas Locals economy. The Las Vegas population continues to grow 2% to 3% per year; Vegas home prices are increasing; the Vegas economy is strong and Red Rock has an unassailable niche position in a legislatively, supply-constrained market.

Hyatt accelerated its stock repurchases in the quarter, repurchasing at least $250 million of its shares in the fourth quarter up from $66 million of its shares in the third quarter. The company's 3% "RevPAR" growth is above that of the industry average. We regard its share price as more than 35% undervalued when compared to the asset value of its hotels and management fee business. Hyatt's share price declined by 14.9% in the quarter.

During the year, 13 of the Fund's 16 investments representing 91.9% of average assets, outperformed the Russell 2500 Growth Index. Four stocks representing approximately 26% of average assets, achieved double-digit returns in 2018.

Iridium Communications Inc., with a 5.8% average weighting, gained 57.3% in 2018. During the year, the company launched more of the new NEXT satellites into orbit and raised more debt, which helped eliminate liquidity concerns.

FactSet Research Systems, Inc., a data analytics company for the investment community, increased 5.0% in 2018 as it benefitted from the signing of an agreement with Merrill Lynch Wealth Management for its systems, accelerating FactSet's revenue growth. The company continues to have a strong product and continues to take market share while penetrating a $15 billion-to-$20 billion addressable market. FactSet represents a compelling compounding growth story that should grow its earnings at a mid-teens rate over the next few years.

Table II.
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, we invested in several businesses whose stocks underperformed when they were investing in themselves to grow. CoStar, Benefitfocus, and **Guidewire Software, Inc**. are all examples of this strategy. These companies outperformed in 2018 as investments they made are beginning to generate returns. While the Fund's 5- and 10-year performance continues to lag the index, most of this was due to the Fund's results 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…just prior to the Internet Bubble bursting and the index falling materially. Please see Table II.

Similar to Baron Focused Growth Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund to perform well over the next few 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 10.72% annualized performance has exceeded that of its benchmark by an average of approximately 340 basis points per year. This means that a $10,000 investment in Baron Focused Growth Fund over 22 years ago would now be worth approximately $99,800! If an investor had invested $10,000 in a passive index fund that mirrored the Russell 2500 Growth Index over the same time period, it would be worth approximately $49,100. Please see Table I and III.

Baron Focused Growth Fund's beta is .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 5.16% annual alpha, a measure of risk-adjusted performance, since inception.

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

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 12/31/2018		Millennium Internet Bubble to Present 12/31/1999 to 12/31/2018		Inception 5/31/1996 to 12/31/2018	
	Value $10,000	Cumulative	Value $10,000	Cumulative	Value $10,000	Cumulative	Value $10,000	Cumulative
Baron Focused Growth Fund (Institutional Shares)	$12,732	27.32%	$32,481	224.81%	$41,355	313.55%	$99,791	897.91%
Russell 2500 Growth Index	$ 6,931	(30.69)%	$39,626	296.26%	$27,464	174.64%	$49,101	391.01%
S&P 500 Index	$ 7,188	(28.12)%	$34,303	243.03%	$24,657	146.57%	$57,376	473.76%

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 invested in Baron Focused Growth Fund on December 31, 1999 is worth 4.1 times that amount or $41,355 on December 31, 2018. That is 50.6% more than an investment in an index fund tracking the Russell 2500 Growth Index.

Table IV.
Top contributors to performance for the quarter ended December 31, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$57.2	25.69%	2.60%
Benefitfocus, Inc.	2014	0.7	1.5	13.03	0.38

Tesla, Inc. designs, manufactures and sells fully electric vehicles, solar products, and energy storage solutions. Shares appreciated on third quarter results that exceeded investor expectations, including a margin profile and cash generation that eased investor fears of liquidity risks. Tesla also expressed confidence it can support growth with internally generated cash flow. Tesla is expanding Model 3 activity to new markets, including acceleration of production facilities in China and deliveries in China and Europe as soon as early 2019.

Shares of benefits software vendor **Benefitfocus, Inc.** contributed to performance, driven by accelerating revenue growth and improving margins and free cash flow conversion. Benefitfocus has delivered consistent improvement in bookings, margins, and cash flow in recent quarters. We believe the recent outreach to brokers and carriers is a positive development. We expect the company's BenefitsPlace offering to contribute meaningfully to results in 2019 and accelerate thereafter. The company's ecosystem is expanding, highlighted by an improving partnership with SAP.

Table V.
Top detractors from performance for the quarter ended December 31, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Vail Resorts, Inc.	2013	$2.3	$ 8.5	–22.16%	–3.47%
CoStar Group, Inc.	2014	6.2	12.3	–19.84	–2.60
Hyatt Hotels Corp.	2009	4.2	7.4	–14.88	–1.73
Iridium Communications Inc.	2014	0.6	2.1	–17.05	–1.32
Guidewire Software, Inc.	2013	2.7	6.5	–20.57	–0.92

Shares of **Vail Resorts, Inc.**, the largest operator of ski resorts in the world, decreased in the quarter as the company sold slightly fewer season pass sales for the 2018/19 ski season than investors expected. While disappointing, Vail locked up almost half its lift ticket revenue before the season even started, which helps make earnings more predictable and less susceptible to weather conditions. We believe the company is still able to grow earnings at a double-digit rate and is generating strong cash flow that it is using for dividend increases and accretive acquisitions.

Shares of **CoStar Group, Inc.**, a real estate info and marketing services company, detracted as technology stocks broadly sold off. Business trends are excellent, with third quarter bookings improving by approximately 28% year-over-year. We are excited about the successful integration of ForRent into the Apartments.com network, and see sustained 20%+ growth in the multi-family market. We expect CoStar to begin to raise prices given its unique competitive position in commercial real estate data. Over time, we believe CoStar has an even larger opportunity to optimize its Premium Lister product.

Shares of global hotelier **Hyatt Hotels Corp.** decreased in the quarter due to investor concern that the uncertain economy would lead to a slowdown in revenue per available room (RevPAR). However, Hyatt has not seen a slowdown and continues to take share with low single-digit RevPAR. Hyatt is recycling capital at accretive rates and selling assets to buy back shares. The company has an investment grade balance sheet and is generating strong cash flow.

Baron Focused Growth Fund

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. These businesses are identified by our Firm's proprietary research and time-tested investment approach.

As of December 31, 2018, the Fund held 15 investments. It purchased a small position in **Bloom Energy Corporation**, a designer and manufacturer of fuel cell systems that help make energy clean and affordable. They have developed a proprietary electric power grid that should be able to deliver reliable, uninterrupted power in a clean and efficient way. The Fund's average portfolio turnover for the past three years was 9.21%. This means the Fund has an average holding period for its investments of almost 11 years. This contrasts sharply with the average mid-cap growth mutual fund which typically "turns over" its portfolio every 21 months. From a quality characteristics standpoint, the Fund's investments have higher earnings growth than the average holdings in the benchmark, are more conservatively financed (evidenced by a lower debt to market capitalization ratio) and have lower betas. 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 that of the Russell 2500 Growth Index. For example, the Fund is heavily weighted in Consumer Discretionary businesses with about 50% of the portfolio in this sector vs. just 15% for the index. The Fund is further diversified by investments in businesses at different stages of growth and development. For example, we classify the holdings of Baron Focused Growth Fund as one of three types: rapid, early stage growth businesses; companies with irreplaceable assets that offer pricing power and a hedge against inflation; and finally, foundational, long-term holdings that continue to steadily grow sales and earnings while using excess free cash to return value to shareholders.

Table VI.
Investments in Less Seasoned Growth Companies

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	14.7%	2014	32.9%
CoStar Group, Inc.	11.6	2014	57.6
Iridium Communications Inc.	6.9	2014	170.9
Benefitfocus, Inc.	5.0	2014	67.7
Space Exploration Technologies Corp.	5.0	2017	36.3
Guidewire Software, Inc.	4.0	2013	73.6
American Homes 4 Rent	2.2	2018	(4.3)
Bloom Energy Corporation	0.5	2018	(37.1)

Rapidly growing firms account for 50% of the Fund's 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 VII.
Investments with Irreplaceable Assets

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Vail Resorts, Inc.	14.1%	2013	276.2%
Hyatt Hotels Corp.	11.3	2009	143.3
Manchester United plc	5.1	2012	43.1
Red Rock Resorts, Inc.	2.5	2017	(6.3)

Companies that own what we believe are irreplaceable assets represented 33% of Fund 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 in their businesses that equate to pricing power over time.

Table VIII.
Foundational Investments: Growth, Dividends, and Share Repurchases

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
FactSet Research Systems, Inc.	7.4%	2008	340.1%
Choice Hotels International, Inc.	5.3	2010	244.0
Arch Capital Group Ltd.	3.9	2003	633.8

Steady growers that continually return excess free cash to shareholders represent approximately 17% of the portfolio. For example, **Choice Hotels International, Inc.** employs a capital light franchise model for its economy 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 with the recent win of the Merrill Lynch wealth management business. 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 year ended December 31, 2018, the Fund's top 10 holdings represented 86.4% of net assets. 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, **Tesla, Inc.**, **Vail Resorts, Inc.**, **CoStar Group, Inc.**, **Hyatt Hotels Corp.**, and **FactSet Research Systems, Inc.**, all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior knowhow 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.

Table IX.
Top 10 holdings as of December 31, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Tesla, Inc.	2014	$31.2	$57.2	$30.0	14.7%
Vail Resorts, Inc.	2013	2.3	8.5	28.7	14.1
CoStar Group, Inc.	2014	6.2	12.3	23.6	11.6
Hyatt Hotels Corp.	2009	4.2	7.4	23.0	11.3
FactSet Research Systems, Inc.	2008	2.5	7.6	15.0	7.4
Iridium Communications Inc.	2014	0.6	2.1	14.1	6.9
Choice Hotels International, Inc.	2010	1.9	4.0	10.7	5.3
Manchester United plc	2012	2.3	3.1	10.4	5.1
Benefitfocus, Inc.	2014	0.7	1.5	10.3	5.0
Space Exploration Technologies Corp.	2017	–	–	10.2	5.0

Thank you for investing in Baron Focused Growth Fund.

We are continuing to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We are also continuing 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

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 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.