

DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron Focused Growth Fund (the "Fund") had a strong second quarter, increasing 12.70% (Institutional Shares). This performance exceeded the Russell 2500 Growth Index, the benchmark against which we compare the Fund, by 717 basis points. The Russell 2500 Growth Index rose by 5.53% during the quarter. The S&P 500 Index, which measures the performance of large-cap companies, increased 3.43% during the quarter.

Table I.
Performance

Annualized for periods ended June 30, 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	12.62%	12.70%	5.53%	3.43%
Six Months ⁵	13.72%	13.92%	8.04%	2.65%
One Year	20.36%	20.71%	21.53%	14.37%
Three Years	9.83%	10.11%	10.86%	11.93%
Five Years	10.83%	11.11%	13.87%	13.42%
Ten Years	8.81%	9.05%	11.38%	10.17%
Fifteen Years	12.55%	12.72%	11.46%	9.30%
Since Inception (May 31, 1996)	11.32%	11.43%	8.23%	8.58%

The Fund's two largest investments, **Vail Resorts, Inc.** and **Tesla, Inc.**, together represent 31% of net assets. Vail's shares increased 24.3% in the quarter. Its season pass sales for the upcoming season grew 12% in units and 19% in sales dollars. Both metrics were above expectations. Vail also acquired a portfolio of four additional ski mountain resorts providing further geographic diversification. As importantly, the new resorts offer Vail an opportunity to further penetrate Northeast and Pacific Northwest skier markets and boost highly profitable season pass sales.

Tesla's share price increased 28.9% in the quarter. Amidst skepticism, the company met its goal of producing 5,000 Model 3 electric sedans per week. Tesla also indicated that despite a very aggressive capital spending program, it did not need to raise additional capital this year.

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.



RONALD BARON

CEO AND PORTFOLIO MANAGER

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

The Fund's other investments continued to make good fundamental progress against their large addressable markets as well. **Iridium Communications Inc.**'s share price increased a remarkable 40.1% in the quarter. It represents 5.5% of the Fund's net assets and contributed 1.7% to the Fund's performance in the quarter. Iridium is the second largest provider of mobile voice and data communications services via satellite to government and commercial customers. After years of investing in its business, Iridium has now launched 55 of 75 new NEXT satellites into orbit and significantly reduced its execution risk. It has recently received Global Maritime Distress and Safety System certification that will permit it to compete against Inmarsat.

CoStar Group, Inc., a real estate information and marketing services company, reported that its first quarter bookings jumped approximately 54% from the prior year. It has begun to achieve very strong upsell of its Loopnet Premium Searcher product which over time could contribute



Baron Focused Growth Fund

\$150 million – \$200 million incremental revenues. We expect its acquisition of ForRent to be meaningfully accretive next year. CoStar represents 13.1% of the Fund's net assets and increased in value 13.8% in the quarter.

Finally, shares of **Benefitfocus, Inc.** increased 37.7% in the quarter. Although it is not a top ten holding, Benefitfocus contributed 1.1% to the Fund's performance in the quarter. Sales momentum for Benefitfocus' software services appears to be increasing significantly from its large company customers.

From 2014 through 2016, we invested in several businesses whose stocks underperformed when they were investing in themselves to grow substantially. Tesla, CoStar and Benefitfocus are all examples of this investment strategy. These companies are now beginning to significantly outperform as investments they have been making are starting to earn returns. We think the recent outperformance of the Fund reflects this fact.

Meanwhile, as they grow, these companies continue to invest in their businesses at strong rates of return, make accretive acquisitions, and use excess cash flow for share buybacks and dividend payments. We think they are just getting started in their growth trajectory and we see continued strong growth ahead.

Table II.
Performance
Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/98 to 3/9/00	12/31/13 to 12/31/16
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%

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

	Millennium Internet Bubble to Financial Panic 12/31/99 to 12/31/08		Financial Panic to Present 12/31/08 to 6/30/18		Millennium Internet Bubble to Present 12/31/99 to 6/30/18		Inception 5/31/96 to 6/30/18	
	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%	\$35,556	255.56%	\$45,269	352.69%	\$109,237	992.37%
Russell 2500 Growth Index	\$ 6,931	(30.69)%	\$46,265	362.65%	\$32,066	220.66%	\$ 57,328	473.28%
S&P 500 Index	\$ 7,188	(28.12)%	\$36,827	268.27%	\$26,471	164.71%	\$ 61,596	515.96%

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 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

While the Fund's three- and five-year performances lag its benchmark Russell 2500 Growth Index, most of this underperformance is the consequence of 2014 through 2016 results. While we are disappointed with the three- and five-year performance of the Fund, the investments our businesses made during this period are beginning to earn returns.

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's recent strong performance to continue. Although we can certainly make no guarantee this will be the case.

Since its inception on May 31, 1996, the Fund's 11.43% annualized performance has exceeded that of its benchmark by an average of 320 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 \$109,237! If an investor had instead invested \$10,000 in a passive index that mirrored the Russell 2500 Growth Index, it would be worth only \$57,328. Please see Table III.

Baron Focused Growth Fund's beta has averaged .77 since inception. This means the Fund has been 77% as volatile as the benchmark. As a result of Baron Focused Growth Fund's strong absolute and relative returns and lower risk, the Fund has achieved 5.15% annual alpha, a measure of risk-adjusted performance, since inception.

Baron Focused Growth Fund on December 31, 1999, is worth 4.5 times that amount, or \$45,269 on June 30, 2018. That is 41.2% more than an investment in a passive Russell 2500 Growth Index mutual fund.

We are pleased that our long-term investments in what we believe are competitively advantaged, exceptionally well-managed growth companies enabled us to be heedful of Buffett's "don't lose money" admonition during the Millennium Internet Bubble to Financial Panic Years. Of course, past performance is no guarantee of future results.

Table IV.

Top contributors to performance for the quarter ended June 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Vail Resorts, Inc.	2013	\$ 2.3	\$11.1	24.34%	3.56%
Tesla, Inc.	2014	31.2	58.2	28.87	3.41
Iridium Communications Inc.	2014	0.6	1.8	40.07	1.74
CoStar Group, Inc.	2014	6.2	15.0	13.77	1.71
Benefitfocus, Inc.	2014	0.7	1.1	37.70	1.13

Shares of **Vail Resorts, Inc.**, a global ski resort operator, climbed in the quarter on a strong end to the ski season. Management reported an increase in next year season pass sales of almost 20% despite increased competition. The company also struck agreements to acquire four additional resorts that we think should help boost sales in the East Coast and Northern Pacific markets. Vail continues to maintain a strong balance sheet and generates significant cash flow that will allow it to make additional acquisitions, invest in its resorts, and return capital to shareholders.

Tesla, Inc. designs, manufactures and sells fully electric vehicles, solar products and energy storage solutions. Shares rose on positive management commentary around production ramp, an internal letter suggesting production of roughly 3,500 vehicles/week before the end of June, and rapid deployment of a new general assembly line for Model 3. A staffing cut boosted confidence in Tesla's ability to meet its goal of finishing the year without needing to raise incremental external cash. Lastly, new information on battery pricing pointed to a price advantage over competitors.

Shares of satellite company **Iridium Communications Inc.** rose in the quarter. Following years of investment, Iridium has launched 55 of 75 new NEXT satellites into orbit, significantly reducing execution risk. In addition, the company received Global Maritime Distress and Safety System (GMDSS) certification, improving its ability to compete in Maritime. Lastly, additional investment raised the valuation of Iridium subsidiary Aireon to \$620 million, adding liquidity and the ability to support Aireon's activities.

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, again contributed to performance. Business trends are excellent, with the company announcing that first quarter bookings jumped approximately 54% year-over-year. We are excited about the upsell of Loopnet Premium Searcher customers to the flagship CoStar product, which we believe can contribute an incremental \$150 million - \$200 million of recurring revenue. CoStar has a large opportunity to optimize its Premium Lister product, and we expect the recent acquisition of ForRent to be meaningfully accretive beginning next year.

Shares of benefits software vendor **Benefitfocus, Inc.** contributed to performance this quarter due to signs of improving sales momentum. We saw improvements in the company's bookings, margins and cash flow in its most recently reported quarters, and we believe recent outreach to brokers and carriers will prove beneficial. The company's ecosystem is expanding, highlighted by an improving partnership with SAP. We believe the addressable opportunity is large and growing, that the company's competitive position is strong, and that margins can continue to improve.

Table V.

Top detractors from performance for the quarter ended June 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
Arch Capital Group Ltd.	2003	\$0.9	\$10.8	-7.26%	-0.34%
Choice Hotels International, Inc.	2010	1.9	4.3	-5.41	-0.25
FactSet Research Systems, Inc.	2008	2.5	7.7	-0.34	-0.03
Denali Therapeutics Inc.	2018	1.7	1.7	-6.29	-0.02

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. This quarter, the company reported solid quarterly results that exceeded Street expectations. However, the stock declined after a mortgage insurance competitor cut premium rates, leading to concerns about industry pricing pressure. Pricing trends also remain soft in the non-mortgage P&C insurance and reinsurance segments. We continue to own the stock due to Arch's strong management team and underwriting discipline.

Shares of **Choice Hotels International, Inc.**, a global hotel franchisor, fell due to profit taking after investors took the opportunity to realize some of the gains from the stock rally in the past year. We remain invested. The company generates strong earnings and revenue per available room growth, and raised its 2018 guidance for both metrics. It is also enjoying faster unit advancement thanks to the WoodSpring acquisition that closed in February. We believe Choice Hotels will see further expansion as its Cambria, Ascend, and Comfort brands continue to develop over the next few years.

Shares of **FactSet Research Systems, Inc.**, a leading provider of investment management tools, detracted from performance in the quarter, as consistent market share gains were offset by tepid end market conditions. FactSet management has elected to increase its investment in the business, weighing on margins in the short term. However, we expect margins to expand modestly over the next two years as the company continues to aggressively return capital to shareholders through a growing dividend and meaningful share repurchases.

Denali Therapeutics Inc. is developing novel neurological disease drug targets for Alzheimer's, Parkinson's, and ALS. The management team is led by high profile ex-Genentech hires, and the company will have its first in-human trials starting in 2018. Shares declined in the quarter following a dearth of news flow. We sold our shares to purchase American Homes4Rent.

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 June 30, 2018, Baron Focused Growth Fund held 14 investments. During the quarter, the Fund initiated a position in **American Homes 4 Rent**, an owner of a \$10 billion single-family rental portfolio. We believe the company can accelerate rental growth through acquisitions now that its balance sheet has improved. In order to fund this investment, we sold **Denali Therapeutics Inc.**

The Fund's average portfolio turnover for the past three years was 11.85%. This means the Fund has an average holding period for its investments of almost 8.5 years. This contrasts sharply with the average small to mid-cap growth mutual fund which typically "turns over" its portfolio every 16 to 21 months. From a quality characteristics standpoint, the Fund's investments are more profitable based on EBITDA margins, net margins, ROIC, and ROA, have higher earnings growth than the average holdings in the benchmark, and are more conservatively financed (evidenced by moderately lower debt to market capitalization ratio). 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 sector weightings are also significantly different than those of the Russell 2500 Growth Index, the index against which we benchmark our performance. The Fund is further diversified by investments in businesses at different stages of growth and development. 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.	14.0%	2014	37.0%
CoStar Group, Inc.	13.1	2014	92.8
Iridium Communications Inc.	5.5	2014	136.4
Guidewire Software, Inc.	4.1	2013	92.1
Space Exploration Technologies Corp.	4.0	2017	19.9
Benefitfocus, Inc.	3.4	2014	23.2
American Homes 4 Rent	2.3	2018	6.4

Rapidly growing firms account for 46.4% 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.	17.0%	2013	383.0%
Hyatt Hotels Corp.	11.9	2009	176.5
Manchester United plc	5.1	2012	54.6
Red Rock Resorts, Inc.	3.9	2017	53.4

Companies with what we believe represent irreplaceable assets comprise 37.9% of the assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corp.** and storied soccer 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.	6.8%	2008	333.2%
Choice Hotels International, Inc.	5.2	2010	261.3
Arch Capital Group Ltd.	3.6	2003	626.7

Steady growers that continually return excess free cash to shareholders represent 15.6% of the portfolio. For example, **Choice Hotels International, Inc.** employs a capital light franchise model for its economy hotel brands that 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 the leading specialty P&C insurance underwriter in its industry, **Arch Capital Group Ltd.** generates a steady stream of cash flow that it uses for acquisitions, debt reduction and share buybacks. Recently, the company acquired AIG's mortgage insurance subsidiary at what we believe was an unusually attractive price and that complements Arch's underwriting philosophy. We expect this acquisition will lead to even faster growth in earnings and book value per share.

PORTFOLIO HOLDINGS

For the quarter ended June 30, 2018, the Fund's top 10 holdings comprised 86.7% 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, **Vail Resorts, Inc., Tesla, 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 June 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Vail Resorts, Inc.	2013	\$ 2.3	\$11.1	\$37.4	17.0%
Tesla, Inc.	2014	31.2	58.2	30.9	14.0
CoStar Group, Inc.	2014	6.2	15.0	28.9	13.1
Hyatt Hotels Corp.	2009	4.2	8.6	26.2	11.9
FactSet Research Systems, Inc.	2008	2.5	7.7	14.9	6.8
Iridium Communications Inc.	2014	0.6	1.8	12.1	5.5
Choice Hotels International, Inc.	2010	1.9	4.3	11.3	5.2
Manchester United plc	2012	2.3	3.4	11.3	5.1
Guidewire Software, Inc.	2013	2.7	7.1	9.0	4.1
Space Exploration Technologies Corp.	2017	—	—	8.9	4.0

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 Portfolio Manager



David Baron
Assistant 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.

P/E: the price earnings ratio is a valuation ratio of a company's current stock price to its actual earnings per share.

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