Dear Baron Focused Growth Fund Shareholder:

Performance

Baron Focused Growth Fund (the "Fund") increased 1.10% (Institutional Shares) in the second quarter. The Russell 2500 Growth Index (the "Index"), the benchmark against which we compare the performance of the Fund, increased 4.14% and the S&P 500 Index rose by 4.30%. The Fund's underperformance in the period versus its benchmark indexes was driven by large declines in 2 of this focused Fund's 15 stocks. These two stocks, **Tesla, Inc.** and **Benefitfocus, Inc.**, were responsible for almost 450 basis points of losses. Tesla shares fell 20% due to concerns about demand for its cars and worries about liquidity. Benefitfocus shares fell after two key employees resigned and the company modified its business model, focusing on larger clients, which take longer to get on their platform and generate revenue. We believe concerns about both companies' growth prospects are overblown and their significant stock price declines are unwarranted.

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 June 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]	0.96%	1.10%	4.14%	4.30%
Six Months[5]	13.22%	13.37%	23.92%	18.54%
One Year	3.30%	3.57%	6.13%	10.42%
Three Years	14.18%	14.48%	16.14%	14.19%
Five Years	7.87%	8.14%	9.98%	10.71%
Ten Years	12.41%	12.69%	15.67%	14.70%
Fifteen Years	10.02%	10.21%	9.95%	8.75%
Since Inception (May 31,1996)	10.96%	11.08%	8.14%	8.66%

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%

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 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.

BARON FUNDS 1987

Baron Focused Growth Fund

From 2014 through 2016, the Fund invested in several businesses whose stocks underperformed when they were investing in themselves to grow. **CoStar Group, Inc.**, **Iridium Communications, Inc.,** and **Guidewire Software, Inc**. are all examples. These companies' stocks outperformed in 2018 and year-to-date in 2019 as investments they made over four years ago 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 2014 through 2016 results.

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 II and III.

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 11.08% annualized performance has exceeded that of its benchmark by an average of nearly 300 basis points per year. This means that a $10,000 investment in Baron Focused Growth Fund over 23 years ago would now be worth approximately $113,000! If an investor had instead invested $10,000 in a passive index fund that mirrored the Russell 2500 Growth Index, it would be worth approximately $61,000. Please see Tables I and 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 the Fund's strong absolute and relative returns and lower risk, the Fund has achieved 4.88% 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		Millennium Internet Bubbleto Present 12/31/1999 to 6/30/2019		Inception 5/31/1996 to 6/30/2019	
	Value $10,000	Cumulative	Value $10,000	Cumulative	Value $10,000	Cumulative
Baron Focused Growth Fund (Institutional Shares)	$12,732	27.32%	$46,886	368.86%	$113,138	1,031.38%
Russell 2500 Growth Index	$ 6,931	(30.69)%	$34,032	240.32%	$ 60,843	508.43%
S&P 500 Index	$ 7,188	(28.12)%	$29,228	192.28%	$ 68,013	580.13%

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 our shareholders a much better outcome than if they 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 4.7 times that amount or $46,886 on June 30, 2019. That is 37.8% more than an investment in a passive Russell 2500 Growth Index mutual fund.

Table IV.
Top contributors to performance for the quarter ended June 30, 2019

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2014	$6.2	$20.2	18.79%	2.63%
FactSet Research Systems, Inc.	2008	2.5	11.0	15.72	1.31
Arch Capital Group Ltd.	2003	0.9	15.0	14.73	0.64
Choice Hotels International, Inc.	2010	1.9	4.8	12.23	0.63
Space Exploration Technologies Corp.	2017	–	–	12.33	0.61

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, added to performance. Business trends are excellent, with the company's bookings improving by approximately 36% year-over-year. We are excited about the successful integration of ForRent into Apartments.com, and see sustained growth of 20% or more in the multi-family residential online listings market. We expect the company to begin to raise prices given its unique competitive position in commercial real estate data. The company has over $1.2 billion of cash on its balance sheet, which we expect it to use for acquisitions.

FactSet Research Systems, Inc. is leading provider of investment management tools. Shares increased on reports of solid earnings growth, with steady (though slightly declining) increases in annual subscription value, meaningful margin expansion, and approximately 20% adjusted EPS growth. 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 generation.

Arch Capital Group Ltd. is a specialty insurance company based in Bermuda. Shares appreciated after the company reported first quarter financial results that exceeded Street expectations. Book value per share grew 13% due to strong Mortgage segment margins and low catastrophe losses. After years of soft market conditions, we are starting to see firmer pricing for insurance and reinsurance, which we think could drive profitability over time. We continue to own the stock due to Arch's strong management team and underwriting discipline.

Shares of hotel franchisor **Choice Hotels International, Inc.**, appreciated on reports of consistent earnings and free cash flow even in the midst of a slowdown in revenue per available room. The company continues to generate mid-single-digit increases in EBITDA along with high single-digit increases in earnings per share and free cash flow. It is using its cash for share buybacks, dividends, and additional equity investments in Cambria Suites to accelerate the number of hotels in the brand. Cambria Suites produces three times the profit of Choice's other brands.

Space Exploration Technologies Corp. (SpaceX) designs, manufactures and launches advanced rockets and spacecraft. SpaceX is looking to build broadband capabilities by deploying a new satellite constellation and ultimately, is looking to enable people to live on other planets. The company continues to leverage its unique offering of reusable rockets to offer lower cost launches when compared with other vendors. We believe they will allow SpaceX to grow its share in the launch market. Since SpaceX is a private company, we value the investment using a proprietary valuation model, which resulted in an appreciation of the stock during the quarter.

Table V.
Top detractors from performance for the quarter ended June 30, 2019

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Benefitfocus, Inc.	2014	$ 0.7	$ 0.9	–45.17%	–2.22%
Tesla, Inc.	2014	31.2	39.8	–20.15	–2.22
Red Rock Resorts, Inc.	2017	2.6	2.5	–16.52	–0.50
Iridium Communications Inc.	2014	0.6	2.6	–12.28	–0.49
Manchester United plc	2012	2.3	3.0	–5.50	–0.26

Shares of benefits software vendor **Benefitfocus, Inc.** detracted from performance due to disappointing short-term growth forecasts. The company terminated its exclusive technology relationship with Mercer, which will reduce organic growth in 2019. However, we believe it will allow the company to work with a larger number of independent brokers, which should be accretive to growth in 2020. Despite the unexpected departure of the CFO and head of sales, we expect the company to drive significant growth in customers and revenue per customer, pushing annual revenue growth above 20%.

Shares of **Tesla, Inc.**, which designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions, detracted from performance as first quarter results fell short of investor expectations and stoked concerns over demand and profitability. However, Tesla raised $2.7 billion in equity, and CEO Elon Musk noted strong demand trends. We remain confident that Tesla's first mover advantage and its focus on electric vehicle architecture position it to capture significant growth in the coming years. Its annual revenue when the Fund first invested in its stock in 2014 was $3.2 billion. It has since increased more than eight times to an estimated $27 billion in 2019. The company's yearly vehicle production has increased approximately 12 times in that same period. We expect Tesla revenues to exceed $50 billion by 2022. Since 2014, our investment in Tesla has been essentially flat, while its business, measured by sales, has increased ten-fold. We believe the stock price will eventually more accurately reflect the company's strong growth fundamentals.

Shares of **Red Rock Resorts, Inc.**, a casino owner and operator in the Las Vegas locals market, declined in the quarter as investors grew concerned over earnings at the newly renovated Palms casino. However, numbers continue to be in line with the ramping of a new property, and the company still expects the Palms to produce a strong high single-digit return next year. This should generate more cash flow, which we expect Red Rock to use to pay down debt and reduce leverage.

Iridium Communications Inc. is a leading satellite provider of mobile voice and data communications services, and the only commercial provider offering true global coverage. With successful deployment of its NEXT satellites into orbit, Iridium reduced execution, growth, and liquidity risks. The stock came under pressure due to extended renewal discussions with its largest customer, the Department of Defense. By leveraging the new platform, we expect Iridium to launch new services, capture market share, and benefit from its growing hosted solutions businesses.

Manchester United plc is an English Premier League professional sports team that generates revenue from broadcasting, sponsorship, and licensing. Quarterly results were in line with expectations, but shares declined after the club failed to finish in the top four, losing its chance to play in the Champions League next year. That said, we believe the company is a unique media company with broad global appeal, and shares should benefit as it continues its commercial partnership strategy with potential upside from the upcoming shirt renewal process.

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, 2019, the Fund held 15 investments. The Fund's average portfolio turnover for the past three years was 9.1%. 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 standpoint, the Fund's investments have higher earnings growth, are more conservatively financed (evidenced by lower debt-to-market capitalization ratio), and offer lower beta than the average holdings in the benchmark. 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 43.6% of the portfolio in this sector versus just 13.6% 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 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.

Table VI.
Total returns by category for the quarter ended June 30, 2019

	% of Net Assets (as of 6/30/2019)	Total Return (%)	Contribution to Return (%)
Core Growth	**20.0**	**14.47**	**2.57**
FactSet Research Systems, Inc.	9.4	15.72	1.31
Arch Capital Group Ltd.	4.9	14.73	0.64
Choice Hotels International, Inc.	5.7	12.23	0.63
Russell 2500 Growth Index		**4.14**	
Real/Irreplaceable Assets	**35.9**	**1.04**	**0.31**
American Homes 4 Rent	2.4	7.22	0.17
Hyatt Hotels Corp.	11.3	5.17	0.54
Vail Resorts, Inc.	13.1	3.48	0.50
Manchester United plc	4.4	–5.50	–0.26
Penn National Gaming, Inc.	2.1	–9.47	–0.13
Red Rock Resorts, Inc.	2.6	–16.52	–0.50
Cash	**2.4**	**0.20**	**0.00**
Fees	**–**	**–0.29**	**–0.29**
Disruptive Growth	**41.7**	**–3.34**	**–1.54**
CoStar Group, Inc.	16.2	18.79	2.63
Space Exploration Technologies Corp.	5.4	12.33	0.61
Guidewire Software, Inc.	4.5	4.34	0.15
Iridium Communications Inc.	4.1	–12.28	–0.49
Tesla, Inc.	8.8	–20.15	–2.22
Benefitfocus, Inc.	2.7	–45.17	–2.22
Total	**100.0**	**1.05***	**1.05***

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

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

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

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
CoStar Group, Inc.	16.2%	2014	158.9%
Tesla, Inc.	8.8	2014	–10.8
Space Exploration Technologies Corp.	5.4	2017	65.9
Guidewire Software, Inc.	4.5	2013	119.3
Iridium Communications Inc.	4.1	2014	241.6
Benefitfocus, Inc.	2.7	2014	–0.4

Rapidly growing firms account for 41.7% 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 June 30, 2019

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Vail Resorts, Inc.	13.1%	2013	304.7%
Hyatt Hotels Corp.	11.3	2009	175.4
Manchester United plc	4.4	2012	37.0
Red Rock Resorts, Inc.	2.6	2017	–0.1
American Homes 4 Rent	2.4	2018	17.7
Penn National Gaming, Inc.	2.1	2019	–8.2

Companies that own what we believe are irreplaceable assets represented 35.9% 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 in their businesses that equate to pricing power over time.

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

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
FactSet Research Systems, Inc.	9.4%	2008	533.6%
Choice Hotels International, Inc.	5.7	2010	319.3
Arch Capital Group Ltd.	4.9	2003	918.4

Steady growers that continually return excess free cash to shareholders represent 20.0% 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 June 30, 2019, the Fund's top 10 holdings represented 83.7% 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, **CoStar Group, Inc., Vail Resorts, Inc., Hyatt Hotels Corp., FactSet Research Systems, Inc.,** and **Tesla, 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 over time.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
CoStar Group, Inc.	2014	$ 6.2	$20.2	$37.1	16.2%
Vail Resorts, Inc.	2013	2.3	9.0	29.9	13.1
Hyatt Hotels Corp.	2009	4.2	8.0	25.9	11.3
FactSet Research Systems, Inc.	2008	2.5	11.0	21.5	9.4
Tesla, Inc.	2014	31.2	39.8	20.1	8.8
Choice Hotels International, Inc.	2010	1.9	4.8	13.1	5.7
Space Exploration Technologies Corp.	2017	–	–	12.4	5.4
Arch Capital Group Ltd.	2003	0.9	15.0	11.1	4.9
Guidewire Software, Inc.	2013	2.7	8.3	10.3	4.5
Manchester United plc	2012	2.3	3.0	9.9	4.4

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

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.