DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

RONALD BARON
CEO AND LEAD
PORTFOLIO MANAGER

DAVID BARON
CO-PORTFOLIO
MANAGER

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

Baron Focused Growth Fund (the "Fund") increased 2.89% (Institutional Shares) in the September quarter. The Russell 2500 Growth Index, the benchmark against which we compare the performance of the Fund, increased 7.17% and the S&P 500 Index rose by 7.71% during the quarter. The S&P 500 Index measures the performance of large-cap companies. For the nine months ended September 30, 2018, Baron Focused Growth Fund increased 17.22%. The Russell 2500 Growth Index gained 15.78% and the S&P 500 Index rose 10.56% year-to-date.

Table I.
Performance
Annualized for periods ended September 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]	2.84%	2.89%	7.17%	7.71%
Nine Months[5]	16.94%	17.22%	15.78%	10.56%
One Year	19.96%	20.34%	23.13%	17.91%
Three Years	16.49%	16.80%	17.96%	17.31%
Five Years	9.64%	9.93%	12.88%	13.95%
Ten Years	9.89%	10.15%	13.61%	11.97%
Fifteen Years	12.30%	12.48%	11.26%	9.65%
Since Inception (May 31,1996)	11.33%	11.44%	8.47%	8.84%

During the quarter, 59.8% of Baron Focused Growth Fund's average assets underperformed the Fund's benchmark index. Four of those investments, **Hyatt Hotels Corp.**, **CoStar Group, Inc.**, **Vail Resorts, Inc.**, and **American Homes 4Rent**, represented 43.9% of the Fund's average assets. All four businesses have a significant portion of their value attributed to real estate holdings. In the short term, higher interest rates caused investors to value income produced from real estate for less. Regardless, the replacement costs of their assets, which we regard as inflation hedges, have continued to increase. This, of course, enhances the long-term competitive advantages of those businesses.

Two investments, **Tesla, Inc.** and **Red Rock Resorts, Inc.**, represented in aggregate 15.8% of the Fund's average assets. Each experienced share price declines of slightly more than 20% in the quarter. That had a material negative impact of 368 basis points on the Fund's performance in the period.

Tesla's share price fell on the last day of the third quarter when it was announced that the SEC filed a complaint alleging Elon Musk had made false and misleading communications in August regarding a proposed Tesla "going private" transaction. That complaint was settled two days later, and

---

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.

when the company reported 70% increased sales in the September quarter to $6.8 billion and $1.4 billion operating income before capital spending, its share price fully recovered. We expect Tesla's business to continue to grow at a very rapid rate and that improvements to governance required by the SEC and being implemented by Tesla will be well received by investors.

Red Rock's share price fell 20.19% in the period due to investors' concerns that lower third quarter Las Vegas Strip hotel rates could hurt the Vegas locals casinos. This is although 85% of Red Rock's revenue is derived from local residents' predictable slot machine gaming, and not from tourists. The Las Vegas population is continuing to grow 2%-to-3% per year, home prices are increasing, its economy is strong, and Red Rock has a strong niche position in a legislatively, supply-constrained market. In addition, we expect Red Rock to generate strong returns on its two recent renovation projects at the Palms and Palace casinos.

The share price of Vail Resorts, the Fund's largest holding, was virtually unchanged in the quarter. The company's season pass sales for the upcoming season were ahead 15% from year ago levels. In addition, the company has recently purchased four ski resorts in the Northeast, Colorado, and Pacific Northwest that should further increase pass sales and generate more stable earnings.

Hyatt repurchased $585 million of its shares in the first six months of 2018 and expects to repurchase an additional $215 million before year end. The company's 3% "RevPAR" growth is above that of the industry average and we regard its share price as more than 35% undervalued when compared to the asset value of its hotels and management fee income. Hyatt's share price increased only 3.36% in the quarter.

CoStar continues to increase its bookings at an accelerated rate and appears to be taking share. This leading real estate services business share price increased only 1.99% in the period.

During the quarter, 8 of the Fund's 14 investments that represented 40.2% of average assets, outperformed the Russell 2500 Growth Index benchmark. Seven stocks representing 34.7% of average assets, achieved double-digit returns in the period.

Iridium Communications Inc., with a 6.4% average weighting, gained 40.62% in the period. In the quarter, the company launched 10 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 13.25% in the quarter as it signed an agreement with Merrill Lynch Wealth Management for FactSet's systems, accelerating its 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%

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 9/30/2018		Millennium Internet Bubble to Present 12/31/1999 to 9/30/2018		Inception 5/31/1996 to 9/30/2018	
	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%	$36,584	265.84%	$46,579	365.79%	$112,397	1,023.97%
Russell 2500 Growth Index	$ 6,931	(30.69)%	$49,581	395.81%	$34,364	243.64%	$ 61,436	514.36%
S&P 500 Index	$ 7,188	(28.12)%	$39,666	296.66%	$28,512	185.12%	$ 66,346	563.46%

From 2014 through 2016 we invested in several businesses whose stocks underperformed when they were investing in themselves to grow. CoStar, **Benefitfocus, Inc.**, and **Guidewire Software, Inc**. are all examples of this strategy. These companies have outperformed this year as investments they made are beginning to generate returns. While the Fund's three- and five-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…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 11.44% annualized performance has exceeded that of its benchmark by an average of approximately 300 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 $112,400! 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 $61,400. Please see Table 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 4.97% annual alpha, a measure of risk-adjusted performance, since inception.

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 31st, 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 4.7 times that amount or $46,579 on September 30, 2018. That is 35.5% more than an investment in a passive Russell 2500 Growth Index mutual fund.

Table IV.
Top contributors to performance for the quarter ended September 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Iridium Communications Inc.	2014	$0.6	$2.5	40.62%	2.15%
FactSet Research Systems, Inc.	2008	2.5	8.6	13.25	0.83
Space Exploration Technologies Corp.	2017	–	–	15.94	0.64
Benefitfocus, Inc.	2014	0.7	1.3	20.39	0.64
Guidewire Software, Inc.	2013	2.7	8.1	13.78	0.52

Shares of satellite company **Iridium Communications Inc.** rose in the quarter on quarterly results that beat investor expectations with growth across all key segments. Following years of investment, Iridium has now launched 65 of its 75 NEXT satellites into orbit, significantly reducing execution risk. We expect Iridium to continue to grow its U.S. Department of Defense, maritime, aviation, and Internet of Things channels, especially given the upgraded capabilities of its new Certus services that should roll out commercially later in 2018.

Shares of **FactSet Research Systems, Inc.**, a leading provider of investment management tools, contributed to performance. The company announced a large 15,000 seat deal win with Merrill Lynch Wealth Management, which we believe should be meaningful from both a financial and a reputational perspective and should serve as a great reference point for FactSet as the company attempts to win more Wealth Management deals.

Space Exploration Technologies Corp. ("SpaceX") designs, manufactures, and launches advanced rockets and spacecraft. In the future, SpaceX is looking to build broadband capabilities by deployment of 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 vs. other vendors and continues to take significant share in commercial and governmental launches. As SpaceX is a private company, we value the company using a proprietary valuation model, which resulted in appreciation of the stock during the quarter.

Table V.
Top detractors from performance for the quarter ended September 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$45.2	–22.80%	–2.97%
Red Rock Resorts, Inc.	2017	2.6	3.1	–20.19	–0.71
American Homes 4 Rent	2018	6.2	6.5	–1.09	–0.02

Tesla, Inc. designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. Shares declined on investor concerns around CEO Elon Musk's announcement of potential privatization, which led to lawsuits and investigations. Departures of a few executives and Street expectations for lower third quarter production and deliveries also pressured the stock. We retain conviction. We believe Tesla solved fundamental production issues, and expect it to optimize its production line to meet its margins and profitability targets over time.

Shares of **Red Rock Resorts, Inc.**, a casino operator focused on the Las Vegas locals market, decreased as many Las Vegas residents left on vacation given the strong economy and a heat wave that affected the area. We consider the drop in visitation to be temporary, and do not foresee a long-term slowdown in the locals market. Las Vegas' population continues to grow, wages continue to rise 2% to 3% per year, and housing prices are at record highs. We view such data optimistically, and we see the stock's current valuation as attractive.

Shares of **American Homes 4 Rent**, an operator of 52,000 single family rental homes across 22 states, detracted slightly from performance. Weak performance was driven by rising interest rates combined with potentially higher operating costs. We retain conviction due to the company's robust runway for growth via increasing rents and margins, further portfolio expansion through M&A, and a strong demand tailwind rooted in millennials' needs for single-family housing with the backdrop of high student debt burdens, which limit purchase affordability.

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 September 30, 2018, the Fund held 14 investments. The Fund's average portfolio turnover for the past three years was 10.96%. This means the Fund has an average holding period for its investments of 9.1 years. This contrasts sharply with the average mid-cap growth mutual fund which typically "turns over" its portfolio every 20 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 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 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
CoStar Group, Inc.	13.0%	2014	96.7%
Tesla, Inc.	10.5	2014	5.7
Iridium Communications Inc.	7.5	2014	230.4
Space Exploration Technologies Corp.	4.5	2017	39.0
Guidewire Software, Inc.	4.5	2013	118.5
Benefitfocus, Inc.	4.0	2014	48.3
American Homes 4 Rent	2.2	2018	5.3

Rapidly growing firms account for approximately 46% 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.	16.5%	2013	383.5%
Hyatt Hotels Corp.	11.9	2009	185.9
Manchester United plc	5.5	2012	68.8
Red Rock Resorts, Inc.	3.0	2017	22.4

Companies that own what we believe are irreplaceable assets represented approximately 37% of the 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	390.6%
Choice Hotels International, Inc.	5.5	2010	298.1
Arch Capital Group Ltd.	4.0	2003	718.7

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 the leading specialty P&C insurance underwriter in their 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 which 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 September 30, 2018, the Fund's top 10 holdings represented 86.8% 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, CoStar Group, Hyatt Hotels, Tesla, and Iridium, 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 September 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	16.5%
CoStar Group, Inc.	2014	6.2	15.3	29.5	13.0
Hyatt Hotels Corp.	2009	4.2	8.9	27.1	11.9
Tesla, Inc.	2014	31.2	45.2	23.8	10.5
Iridium Communications Inc.	2014	0.6	2.5	17.0	7.5
FactSet Research Systems, Inc.	2008	2.5	8.6	16.8	7.4
Choice Hotels International, Inc.	2010	1.9	4.7	12.5	5.5
Manchester United plc	2012	2.3	3.7	12.4	5.5
Space Exploration Technologies Corp.	2017	–	–	10.4	4.5
Guidewire Software, Inc.	2013	2.7	8.1	10.3	4.5

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.

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.