Dear Baron Focused Growth Fund Shareholder:

Performance

In the second quarter of 2017, Baron Focused Growth Fund (the "Fund") continued its strong absolute and relative performance from the prior quarter, increasing 10.07% (Institutional Shares). This return exceeded the Russell 2500 Growth Index, the benchmark against which we compare performance of the Fund, by 594 basis points. The Russell 2500 Growth Index rose by 4.13% and the S&P 500 Index, which measures the performance of large-cap companies, increased by 3.09% during the second quarter.

The Fund's focused investments continued to make good fundamental progress against their large addressable markets. This quarter, the top positions in the portfolio generated unusually strong performance. Over much of the time from 2014 to 2016, when the fundamentals of these businesses had been outperforming, their stocks did not reflect this strength. This was often due to significant reinvestments in those businesses that penalized short-term profits. As a result, their share price performances lagged their underlying business performance. This started to reverse during the first quarter of 2017 and continued in the second quarter, as our stocks began to catch up to the outsized growth their businesses have been experiencing.

RONALD BARON

CEO AND PORTFOLIO MANAGER

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

Table I.
Performance
Annualized for periods ended June 30, 2017

	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]	10.01%	10.07%	4.13%	3.09%
Six Months[5]	19.39%	19.48%	10.63%	9.34%
One Year	19.74%	20.00%	21.44%	17.90%
Three Years	5.51%	5.77%	7.65%	9.61%
Five Years	11.57%	11.83%	14.33%	14.63%
Ten Years	6.88%	7.09%	8.18%	7.18%
Fifteen Years	11.84%	11.99%	10.31%	8.34%
Since Inception (May 31,1996)	10.91%	11.01%	7.63%	8.31%

Since its inception on May 31, 1996, Baron Focused Growth Fund's 11.01% annualized performance has exceeded that of its benchmark by an average of 3.38% per year. This means that a $10,000 investment in Baron Focused Growth Fund over 21 years ago would now be worth over $90,000! If an investor had instead invested $10,000 in a passive fund that mirrored the Russell 2500 Growth Index, it would presently be worth approximately $47,000. Please see Tables I and II.

Baron Focused Growth Fund's beta has averaged 0.77 since inception. This means the Fund has been 77% as volatile as the benchmark. As a result of Baron Focused Growth Fund's strong absolute and relative returns and lower risk, the Fund has achieved 5.21% annual alpha, a measure of risk-adjusted excess performance versus its benchmark, since its inception.

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, 2016 was 1.43% and 1.13%, 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.

BARON FUNDS 1987

Baron Focused Growth Fund

Baron Focused Growth Fund, like all Baron mutual funds, utilizes a bottom-up, fundamental research approach to invest in what we consider to be fast growing, competitively advantaged, and well-managed businesses. When we invest, we do so with a long-term mindset and do not seek to change our portfolios from one quarter to the next as a result of unpredictable short-term macro events or geopolitical developments.

Despite the market's recent gains, we believe many businesses we own in the Fund remain undervalued relative to their long-term potential. Many of these stocks' prices changed little during the three years prior to 2017 despite substantial growth of their businesses. This is largely because their earnings in the near term have been depressed by the companies' consistent re-investments in their businesses, in the form of organic growth initiatives as well as opportunistic acquisitions. For example:

Electric vehicle company **Tesla, Inc.** continued to ramp up production of its Model S and X vehicles and began initial production of its Model 3, while continuing to add more service locations and charging stations domestically and abroad.

Ski resort company **Vail Resorts, Inc.** continued to add to its portfolio of premier ski resorts as it closed on its purchase of Stowe Mountain in Vermont during the quarter. This addition provides an excellent cross-sell opportunity of its annual Epic Ski Pass in the large and lucrative East Coast market.

CoStar Group, Inc., the leading provider of commercial real estate information, is generating robust double-digit revenue growth, while significantly investing in its business as it expands its sales, research, and product development capabilities.

Manchester United plc, the best known team in the English Premier League, has a globally recognized brand and vast worldwide following, with almost 700 million fans. The company is penalizing its present earnings by investing heavily in a new manager and players. We expect Manchester United's investments to boost its revenues more than 50% to $1 billion and double its EBITDA (earnings before interest, taxes, depreciation and amortization) during the next five or six years.

Guidewire Software, Inc., the leading provider of technology solutions to the P&C insurance industry, is benefiting from a replacement cycle of 30-year-old legacy systems used throughout the industry. Through innovation and targeted acquisitions, Guidewire has more than tripled its addressable market since it became publicly traded. We believe the company has the potential to increase its EBITDA 10-fold over the next 10 to 12 years.

Table II.
Performance
Periods of euphoria and stress

	"Yesterday" Clinton Years 1992-2000 12/31/99 P/E 33x	Internet Bubble	"The Long and Winding Road" Bush Years 2000-2008 9/11; Iraq; Afghanistan; Housing Bubble; Financial Panic	"Here Comes the Sun" Recovery and Quantitative Easing 2009-2013	"Helter Skelter" Fed Tightening	"Any Time at All"
	Annualized Returns					
	Inception 5/31/1996 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2013	12/31/2013 to 6/30/2017	Inception 5/31/1996 to 6/30/2017
Baron Focused Growth Fund (Institutional Shares)	27.87%	41.77%	2.72%	19.46%	5.62%	11.01%
Russell 2500 Growth Index	17.60%	126.53%	(3.99)%	24.03%	7.72%	7.63%
S&P 500 Index	26.58%	32.29%	(3.60)%	17.94%	10.34%	8.31%
Percentile rank in Morningstar Mid-Cap Growth Category*	24**	94**	11**	76	79	9**
# of Share Class in the Category	266**	416**	366**	531	564	84**
Morningstar US Fund Mid-Cap Growth Peer Group Avg	22.34%	120.57%	(3.33)%	20.97%	7.06%	8.45%

* The **Morningstar US Fund Mid-Cap Growth Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the Mid-Cap Growth Category. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. As of June 30, 2017, the Category consisted of 626, 502 and 371 funds (share classes) for the 1-, 5- and 10-year periods. **Baron Focused Growth Fund Institutional** Share Class ranked in the 33rd, 65th, 47th , and 9th percentiles, respectively, in the Category for the 1-, 5-, 10-year and since inception (5/31/1996) periods (consisted of 84 funds (share classes)). The Category consisted of 266, 416, 366, 531, 564 and 84 funds (share classes) during the time intervals 5/31/1996–12/31/1999, 10/8/1998–3/9/2000, 12/31/1999–12/31/2008, 12/31/2008–12/31/2013, 12/31/2013–6/30/2017 and 5/31/1996–6/30/2017, respectively. **Baron Focused Growth Fund Institutional** Share Class ranked in the 24th, 94th, 11th, 76th, 79th , and 9th percentiles, for the respective time intervals.

** Source: Morningstar Direct-Performance Reporting.

Table III.
Top contributors to performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$31.2	$59.4	29.94%	4.14%
CoStar Group, Inc.	2014	6.2	8.6	27.21	2.30
Benefitfocus, Inc.	2014	0.7	1.1	30.05	1.03
Vail Resorts, Inc.	2013	2.3	8.1	6.23	0.95
The Carlyle Group	2012	0.9	1.7	24.53	0.91

Tesla, Inc. makes fully electric vehicles, solar products and energy storage solutions. Shares appreciated as a result of enhanced investor confidence in the Model 3 production schedule following management's comments suggesting no fundamental issues will limit initial production. Management also noted an increase in reservations for Model 3 before its launch and without marketing. Further, Tesla now offers its solar roof product and has downsized the operations of recent acquisition SolarCity, focusing instead on cash generation that suggests lower merger-related risks. (Ishay Levin)

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, increased in the second quarter. Business trends were solid, with revenue growth of 13% and bookings growth of 17%. We are excited about the dissolution of LoopNet Premium Searcher and subsequent upsell of its customers to the flagship CoStar information product. We believe this transition could contribute an incremental $150 to $200 million of recurring revenue with almost no added cost. We also see an opportunity to optimize its Premium Lister product, which will potentially impact results next year. (Neal Rosenberg)

Employee benefits platform **Benefitfocus, Inc.** contributed to the Fund's performance in the quarter. Its shares rallied on reports of a potential expansion of the company's relationship with Mercer. We also believe short-term headwinds, including longer implementation periods for national accounts, slowed employer participation from a sales restructuring, and impacts of a revenue share program, will abate later in 2017. In our view, the company's 2017 selling season is progressing well, its addressable market is large and expanding, and its competitive position continues to improve. (Neal Rosenberg)

Table IV.
Top detractors from performance for the quarter ended June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
Financial Engines, Inc.	2014	$1.8	$ 2.3	–15.81%	–0.67%
Manchester United plc	2012	2.3	2.7	–3.31	–0.16
Verisk Analytics, Inc.	2009	5.0	12.9	–8.37	–0.12
Arch Capital Group Ltd.	2003	0.9	11.5	–1.56	–0.07

Shares of **Financial Engines, Inc.**, an account manager of retirement assets, declined on disappointing first quarter results. Asset growth was slightly lower than anticipated, and involuntary cancellations remained high. Additionally, revenue and earnings growth did not materialize as quickly as planned. The key asset retention metric is improving and we believe involuntary cancellations will decline over time if the new Financial Engines Advisors product is successful. As the business scales, incremental margins could increase and have a meaningful positive impact on earnings. (Michael Baron)

Manchester United plc, the best known team in the English Premier League, generates revenue from broadcasting, sponsorship, and licensing. Shares fell on speculation around team performance next year, despite Manchester qualifying for the Champions League. The company recently launched MUTV, a global video subscription offering. It maintains a strong pipeline of sponsorship deals, and we expect to hear more about its merchandising and licensing strategy. We believe Manchester United is a unique media company with broad global appeal. (Ashim Mehra)

Shares of data and analytics provider **Verisk Analytics, Inc.** detracted from performance before being sold in May. Verisk helps property and casualty insurers, financial institutions, and energy companies with risk management and decision-making process optimization. The stock declined for the period held after anticipated acceleration in insurance organic growth failed to materialize, and a rebound in energy-related spending seemed unlikely to benefit the company before late 2017 or early 2018. (Neal Rosenberg)

Investment Strategy & Portfolio Structure

The goal of the Fund is to double its value per share within five years, although the Fund may not achieve this goal. Our strategy to accomplish this goal 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, 2017, the Fund held 14 investments. The Fund sold Verisk Analytics and AO World in the quarter to obtain capital for a new investment. Slower growth in Verisk's energy and financial services business hurt Verisk's stock price in the short term. The continued devaluation of the pound increased AO costs and hurt demand for AO's products.

The median market capitalization of the Fund's companies was $5.8 billion compared with the median market cap of $1.3 billion for the Russell 2500 Growth Index. The Fund's average portfolio turnover for the past three years was 17.3%. This means the Fund has an average holding period for its investments of almost six years. This contrasts sharply with the average mid-cap growth mutual fund which typically turns over its portfolio every 18 months. From a quality standpoint, the Fund's investments have higher sales and earnings growth than the benchmark on average, are more conservatively financed (evidenced by lower debt to market capitalization ratio), and offer less volatility with more consistent growth (lower beta and lower standard deviation of EPS growth). We believe these metrics help limit risk for this concentrated portfolio.

The Fund's weightings are significantly different than those of its benchmark. The Fund is heavily weighted to Consumer Discretionary, with over 50% of the portfolio invested in this sector vs. just 16% for the Index. The Fund is further diversified by investments in businesses at different stages of growth and development. We classify our holdings into three types: 1) rapid, early stage growth businesses; 2) companies with irreplaceable assets that offer pricing power and a hedge against inflation; and, 3) foundational, long-term holdings that continue to steadily grow sales and earnings while using excess free cash to return value to shareholders.

Rapidly growing firms account for approximately 44% of the Fund's assets. On conventional metrics, these businesses may look expensive; however, we think they will continue to grow and have the potential to generate exceptional returns. Examples of these companies include electric vehicle leader Tesla, commercial satellite company **Iridium Communications Inc.**, commercial real estate data supplier CoStar and corporate benefits software provider Benefitfocus.

Companies with what we believe to be irreplaceable assets represent approximately 30% of the assets. Vail, owner of the premier ski resort portfolio in the world; upscale lodging brand **Hyatt Hotels Corp.** and storied soccer franchise Manchester United 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.

Consistent growers that continually return excess free cash to shareholders represent approximately 20% 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 that it uses for acquisitions, debt reduction, and share repurchases. 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.

Table V.
Investments in Less Seasoned Growth Companies

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	17.4%	2014	44.4%
CoStar Group, Inc.	10.5	2014	23.2
Iridium Communications Inc.	4.6	2014	62.3
Benefitfocus, Inc.	4.4	2014	33.3
Guidewire Software, Inc.	3.7	2013	48.7
Financial Engines, Inc.	3.4	2014	9.4

Table VI.
Investments with Irreplaceable Assets

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Vail Resorts, Inc.	14.7%	2013	249.7%
Hyatt Hotels Corp.	10.2	2009	100.7
Manchester United plc	4.8	2012	20.8

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

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
FactSet Research Systems, Inc.	6.6%	2008	259.0%
Choice Hotels International, Inc.	5.1	2010	203.5
Arch Capital Group Ltd.	5.0	2003	754.0
Church & Dwight Co., Inc.	2.8	2007	416.6

For the quarter ended June 30, 2017, the Fund's top 10 holdings comprised 83.5% 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, Vail, CoStar, Hyatt and **FactSet Research Systems, Inc.**, all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior know-how or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth.

Table VIII.
Top 10 holdings as of June 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Tesla, Inc.	2014	$31.2	$59.4	$32.5	17.4%
Vail Resorts, Inc.	2013	2.3	8.1	27.6	14.7
CoStar Group, Inc.	2014	6.2	8.6	19.8	10.5
Hyatt Hotels Corp.	2009	4.2	7.1	19.1	10.2
FactSet Research Systems, Inc.	2008	2.5	6.6	12.5	6.6
Choice Hotels International, Inc.	2010	1.9	3.6	9.6	5.1
Arch Capital Group Ltd.	2003	0.9	11.5	9.3	5.0
Manchester United plc	2012	2.3	2.7	8.9	4.8
Iridium Communications Inc.	2014	0.6	1.1	8.6	4.6
The Carlyle Group	2012	0.9	1.7	8.6	4.6

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.

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.